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Dear Ian Carruthers, Chair, IPSASB

On behalf of Social Value International (SVI), the Capitals Coalition (CapsCo) and the Global Steering Group for Impact Investment (GSG), we would like to thank you for the opportunity to comment on the Consultation Paper (CP), Advancing Public Sector Sustainability Reporting.

Please find in this response to the CP our views in relation to the following consultation areas:

- Preliminary View 1 – Chapter 1
- Preliminary View 2 – Chapter 2
- Preliminary View 3 – Chapter 3
- Preliminary View 4 – Chapter 3
- Preliminary View 5 – Chapter 4
- Specific Matter for Comment 2 – Chapter 4

We hope that these views are useful and hope to continue to help shape this important piece of work.

Yours Sincerely,



Ben Carpenter, CEO
Social Value
International



Mark Gough, CEO
Capitals Coalition



Cliff Prior, CEO
Global Steering Group

Preliminary View 1 – Chapter 1

The IPSASB's view is that there is a need for global public sector specific sustainability reporting guidance.

*Do you agree with the IPSASB's Preliminary View?
If not, please provide your reasons.*

The need for global public sector specific sustainability reporting guidance will depend on how it is integrated with the IPSASB's existing conceptual framework.

There is a significant opportunity to not only address the issues raised in the consultation document but also to reinforce the central purpose of public sector accounting as set out in IPSASB's conceptual framework.

There is a significant risk if new global public sector specific sustainability reporting guidance follows on from ISSB and takes an 'Environmental Social Governance' (ESG) approach, which focuses on risk to private investors rather than a holistic public interest. The framing in Chapter 1 is encouraging but the preliminary view mirrors the approach by the International Sustainability Standards Board (ISSB). ISSB has been designed to support the needs of investors, investors whose motivation is determined by the assumption in IASB that investors' interest is in expected financial returns and nothing else. This does not reflect the users or the motivation underpinning IPSASB. ESG is designed to reduce financial risk to investors and undermines sustainability, for example as is the position of UNDP <https://sdgfinance.undp.org/news/why-esg-failing-sustainable-development>. These concerns are not reflected, for example Figure 1 maps ESG to the Sustainable Development Goals (SDGs). The recognition that sovereign bonds represent a significant opportunity to direct finance in ways that contribute to the SDGs is important although not the main source of public sector income. Beyond income, information on the outcomes and impact(s) of government spending and/or investing should be at the centre of any public sector reporting framework, as this is what is ultimately of significance (material) to society as a whole, including an array of users of information disclosed by a given public sector entity.

IPSASBs conceptual framework is critical. The users are set out in para 2.3 and 2.4:

2.4 Consequently, GPFRs of public sector entities are developed primarily to respond to the information needs to service recipients and resource providers who do not possess the authority to require a public sector entity to disclose the information they need for accountability and decision-making purposes.

And there is recognition in 2.6 that though others may use the information even if they are not the primary users.

2.6 GPFs prepare to respond to the information needs of service recipients and resource providers for accountability and decision-making purposes may also provide information useful to other parties and for other purposes, For example, government statisticians, analysts, the media, financial advisors, public interest and lobby groups and others may find the information provided by GPFs useful for their own purposes. Organizations that have the authority to require the preparation of financial reports tailored to meet their own specific information needs may also use the information provided by GPFs for their own purposes – for example, regulations and oversight bodies, audit institutions, subcommittees of the legislature or other governing bodies, central agencies and budget controllers, entity management, rating agencies and, in some cases, lending institutions and providers of development and other assistance. While these other parties may find the information provided by GPFs useful, they are not the primary users of GPFs. Therefore, GPFs are not developed to specifically respond to their particular information needs.

But it is 2.7 that represents the opportunity and risk in developing sustainability reporting guidance or standards that are consistent with the current approach being taken by ISSB:

2.7 The primary function of governments and other public sector entities is to provide services that enhance or maintain the well-being of citizens and other eligible residents. Those services include, for example, welfare programs and policing, public education, national security and defence services. In most cases, these services are provided as a result of a non-exchange transaction and in a non-competitive environment.

Primary users of IPSASB Standards need information on the extent to which services enhance or maintain wellbeing. Sustainability, in the end, is assessed by the extent to which changes in well-being resulting from changes in nature, people or society (also known as the ‘capitals’) is being enhanced or maintained (for example as in the UNDP SDG Impact Standards or in BSI PAS 808 Purpose of organisations).

The primary user of an IPSASB sustainability standard will be the same as for the IPSASB Conceptual Framework. And the primary function will remain the same. Sustainability information will be useful if it allows primary users to hold public sector bodies accountable for performance in enhancing and maintaining well-being (hence the importance of reporting on the outcomes and impacts of government activities, including public sector investment and spending, as a key enabler to enhanced government performance, greater transparency and increased societal wellbeing).

Currently this is addressed in service performance guidance but there is now an opportunity to update this guidance to account for developments in measuring and accounting for well-being (OECD's Framework for Measuring Well-being, Capitals Coalition's Natural Capital and Social and Human Capital Protocols and Social Value International Standards for accounting for value) and to account for developments in international standards that link sustainability and wellbeing such as the SDG Impact Standards¹ developed by the United Nations Development Program (UNDP).

Preliminary View 2 – Chapter 2

The IPSASB's experience, processes and relationships would enable it to develop global public sector specific sustainability reporting guidance effectively.

*Do you agree with the IPSASB's Preliminary View?
If not, please provide your reasons.*

Possibly, although more should be done to increase transparency of the process and to ensure the primary users of this information are well represented in the development of the guidance.

The consultation should be focused on primary users, most of whom are not aware of this consultation, or with organisations that represent the interests of those users and people who are experiencing the consequences of capital markets. This may well require an approach to developing awareness so that there is a representative and informed response in partnership with appropriate organisations to reach this audience. It is likely that many of the responses will be from agents of the primary users who may be reflecting their interests or their perception of their principal's interests. For example, whilst the responses to the mid-term consultation on the workplan are available on the website, it is also not clear how responses were summarised and conclusions drawn. This would benefit from independent analysis and transparency on how the responses to the consultation has been addressed by IPSASB board. This does not increase confidence that the processes and relationships are in place for sustainability reporting guidance.

Preliminary View 3 – Chapter 3

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?

¹ <https://sdgimpact.undp.org/practice-standards.html>

If not, please provide your reasons, explaining what alternatives you would propose, and why.

Yes, although the framework should be amended to include wellbeing and the guidance should build upon the work of key international bodies.

Block 2 should specifically reference well-being and include development of service performance reporting. Well-being is the bridge between IPSASB's existing conceptual framework and its reference to well-being and sustainability reporting which is based on well-being.

Existing frameworks for assessing impacts on wellbeing through changes on nature, people, and society (also known as the capitals) should be included alongside standard setters, such as the Global reporting Initiative (GRI). These include Capital Coalition's Natural Capital and Social and Human Capital Protocols and Social Value International Standards for accounting for value.

Developments should also include reference to and representation from existing work on developing national accounting, indicators and GDP to address sustainability.

Preliminary View 4 – Chapter 3

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. Subsequent priority topics would be determined in the light of response to this Consultation Paper as part of the development of its 2024-2028 Strategy.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, explaining which topics the IPSASB should prioritize instead, and why.

No, this decision should await the response to the specific matter for comment in chapter 3.

In the absence of responses from all jurisdictions, responses should be supplemented by research based for example on national SDG targets and sustainable development plans as well as direct consultation with organisations that may have some of this information, for example UNDP.

In addition, and as above, this approach mirrors ISSB and we do not believe this to be appropriate for IPSASB and its primary users. The priority for this new guidance for public sector accounting should be to consider sustainability through the lens of IPSASB's conceptual framework and focus on well-being. This guidance would replace the need for general sustainability related information, update service performance guidance and be consistent with IPSASB's conceptual framework. If there were to be priority disclosures within this, they could be, for example, inequality, nature and climate, since the priority may vary for different countries applying IPSASB standards. Focusing on climate in countries dealing with high levels of inequality whose contribution to climate change is very small would not be appropriate, risks skewing public sector accounting away from national and context specific requirements, and risks under-representing the linkages and dependencies between sustainability topics by suggesting they can be considered in isolation.

Preliminary View 5 – Chapter 4

The key enablers identified in paragraph 4.2 are needed in order for the IPSASB to take forward the development of global public sector sustainability reporting guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, identifying which of the proposed key enablers you disagree with, and why.

We do agree.

Specific Matter for Comment 2 – Chapter 4

To what extent would you be willing to contribute financial or other support to the IPSASB for the development of global public sector sustainability reporting guidance?

Whilst recognising the need to support this development, there are risks with this approach as it may exclude the primary users.

The primary users of IPSASB standards and guidance, particularly those who experience the consequences to their lives from sustainability issues, are not able to contribute or provide other support. This then becomes a 'pay to play' approach which risks biasing the results of the process.