



The International Public Sector Accounting Standards Board (IPSASB)

Website submission

Preface

The Pan African Federation of Accountants (PAFA) is a network partner of the International Federation of Accountants (IFAC) and the regional organization for the accountancy profession in Africa. Our membership consists of 58 professional accountancy organisations in 47 countries in Africa. Through these organisations, we reach more than 125,000 professional accountants in Africa – all potential agents of change.

PAFA's vision is sustainable value creation to benefit the citizens of Africa. We achieve this by strengthening the influence and capacity of the accountancy profession to enhance trade, the quality of services, and trust in institutions. Our strategic actions aimed at promoting and supporting good governance, transparency, and accountability in the public sector are integrated into our three strategic areas of focus—Effective PAOs | Technical Excellence | Quality & Mobility.

Presented below is PAFA's response to the Specific Matters for Comment raised in **Exposure Draft (ED) 92, Tangible Natural Resources**, developed and approved by the International Public Sector Accounting Standards Board (IPSASB). The responses detailed below have been prepared in consultation with our members and other stakeholders in the region.

Specific Matter for Comment 1: Scope (paragraphs 3-5):

This Exposure Draft is broadly applicable to all tangible natural resources which are not within the scope of any other existing IPSAS. (See paragraphs 3-4, BC8, and BC34.) Do you agree with the proposed scope? If not, what alternative scoping approach would you propose and why?

Response:

PAFA agrees with the proposed scope as outlined in ED 92. The broad applicability of the Exposure Draft

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ensures comprehensive coverage of tangible natural resources not addressed by other IPSAS standards. However, we recommend additional guidance on the classification and accounting treatment of tangible natural resources that are jointly used for conservation and economic purposes to enhance clarity in practical applications.

For instance, in Africa, vast land areas such as the Maasai Mara in Kenya and the Serengeti in Tanzania serve dual purposes: conservation of wildlife and tourism revenue generation. Clarity on whether such assets should be classified under this standard or a combination of IPSAS 45 (Property, Plant, and Equipment) and IPSAS 12 (Inventories) would be valuable.

Specific Matter for Comment 2: Definitions (paragraph 6):

This Exposure Draft defines a natural resource as an item which is naturally occurring and embodies service potential, the capability to generate economic benefits, or both, and a tangible natural resource as a natural resource with physical substance. Do you agree with the proposed definitions? If not, why not?

Response:

PAFA agrees with the proposed definitions of natural resources and tangible natural resources. The emphasis on physical substance and service potential is appropriate. However, we suggest refining the term 'service potential' to clarify its applicability to non-commercial resources managed for conservation or environmental protection.

For example, many African nations manage large water bodies such as Lake Victoria, which is critical for biodiversity, local fisheries, and hydroelectric power generation. While such assets provide indirect economic benefits, their primary value is in maintaining environmental sustainability. The standard should ensure that such resources are appropriately accounted for.

Specific Matter for Comment 3: Depreciation (paragraph 23):

This Exposure Draft includes a rebuttable presumption that the tangible natural resources recognized within the scope of this [draft] Standard have indefinite useful lives on the basis that they are generally not used or consumed in the same manner as tangible assets within the scope of other IPSAS. Therefore, these tangible natural resources are not depreciated. Do you agree with the proposed rebuttable presumption that tangible natural resources should not be depreciated? If not, why not?

Response:

PAFA supports the rebuttable presumption that tangible natural resources generally have indefinite useful lives and should not be depreciated. However, we propose including specific criteria for instances where depreciation or impairment may be appropriate, such as cases where human intervention significantly alters the resource's state or utility over time.

For instance, mining activities in the Democratic Republic of the Congo (DRC) and Zambia lead to resource depletion, thereby altering the usability of the land. In such cases, a model for depreciation should be considered where rehabilitation costs are accounted for alongside resource extraction.

Specific Matter for Comment 4: Exemption from Certain Disclosures (paragraph 51):

As explained in paragraph BC31, this Exposure Draft exempts an entity from disclosing certain information which may lead to further degradation of tangible natural resources which are rare or endangered. Do you agree with the proposed disclosure exemption? If not, why not?

Response:

PAFA agrees with the proposed disclosure exemption to protect rare and endangered natural resources. This approach balances transparency with the need to prevent further degradation of sensitive environmental assets.



A relevant example is the Okavango Delta in Botswana, which is home to several endangered species. If public disclosure of detailed asset valuations leads to increased poaching or illegal resource exploitation, governments should be allowed to withhold certain information while maintaining overall transparency.

Specific Matter for Comment 5: Cross-References to IPSAS 45, Property, Plant, and Equipment (paragraphs 15 and 54):

This Exposure Draft includes cross-references to the guidance in IPSAS 45 on the determination of cost in an exchange transaction and the disclosure requirements for current value. This guidance was incorporated by cross-reference as the acquisition of tangible natural resources is expected to be rare in the public sector, and there is familiarity with the principles on the determination of cost, which are consistent with those found in IPSAS 45. Do you agree that these cross-references are sufficiently clear? If not, how should the above guidance be incorporated into the Final Standard?

Response:

PAFA acknowledges that referencing IPSAS 45 offers a well-established framework for cost determination and disclosure requirements. However, to enhance clarity, we recommend incorporating illustrative examples that demonstrate the practical application of these references in the context of tangible natural resources.

For instance, the classification of natural gas reserves in Mozambique and Nigeria should be clearly distinguished. When these reserves are actively managed for extraction, they should be accounted for under IPSAS 45. Conversely, when they are maintained as strategic reserves without immediate economic activity, their treatment under ED 92 requires further clarification.

Specific Matter for Comment 6: Transition (paragraph 60):

This Exposure Draft allows the application of its requirements on a modified retrospective approach, by recognizing tangible natural resources which meet the recognition criteria on the date of initial application of



the [draft] Standard at their deemed cost, or on a full retrospective basis in accordance with IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors. Do you agree that the option to apply the proposed guidance on a modified retrospective basis will result in useful information? If not, why not?

Response:

PAFA endorses the modified retrospective approach, recognising its flexibility for entities transitioning to the new standard. However, we recommend further guidance on establishing deemed cost, especially in situations where historical financial records are not available or incomplete.

For instance, in countries such as Ethiopia and Sudan, where land ownership systems are largely informal, accurately determining the historical cost of forests and mineral resources can be difficult. The standard should offer alternative approaches, such as utilizing fair value assessments based on prevailing market conditions.

Specific Matter for Comment 7: Amendment to the Description of ‘Heritage Asset’ in IPSAS 45, Property, Plant, and Equipment (Appendix B):

The IPSASB proposes to amend the description of ‘heritage asset’ in IPSAS 45 so that heritage assets which are also tangible natural resources are accounted for within the scope of this [draft] Standard. Do you agree with the proposed amendment? If not, why not?

Response:

PAFA concurs with the proposed amendment, as it ensures that heritage assets meeting the definition of tangible natural resources are appropriately accounted for under this standard. This amendment enhances consistency in financial reporting by aligning the treatment of natural resources with heritage value, thereby improving comparability across jurisdictions.

For instance, historical landmarks such as the Great Zimbabwe ruins and the pyramids of Sudan serve as

both heritage assets and tangible natural resources. Similarly, Gorée Island in Senegal and Lalibela Rock-Hewn Churches in Ethiopia hold immense cultural and historical significance while attracting significant tourism revenue. The amendment should provide further clarity on whether such sites require a differentiated accounting approach when they also serve as income-generating assets through tourism and related activities.

Specific Matter for Comment 8: Sufficiency of Proposed Implementation Guidance and Illustrative Examples:

The non-authoritative guidance in this [draft] Standard was developed for topics that are potentially complex and difficult to apply in practice, are areas of concern for constituents, or where additional non-authoritative guidance could be useful. Do you agree that the proposed implementation guidance and illustrative examples are sufficient? If not, what other topics would be helpful and why?

Response:

PAFA acknowledges the importance of the implementation guidance and illustrative examples included in the Exposure Draft. However, we recommend expanding the range of examples to enhance practical understanding and applicability, particularly in the African context. Additional examples should address:

- The valuation of tangible natural resources under different economic and environmental conditions, considering factors such as fluctuating commodity prices, climate-related impacts, and regulatory changes. For example, oil reserves in Angola, uranium deposits in Niger, and lithium reserves in the Democratic Republic of the Congo each present unique valuation challenges based on extraction feasibility, market demand, and geopolitical influences.
- Case studies that illustrate the recognition and measurement of tangible natural resources in various African contexts, particularly in jurisdictions with informal land tenure systems or limited historical data. For instance, forests in the Congo Basin, which are critical for environmental sustainability and



indigenous livelihoods, require a nuanced approach to valuation and control assessment. Similarly, large freshwater bodies like Lake Malawi, which serve both economic (fishing and tourism) and conservation purposes, highlight the complexity of classification and reporting.