



The International Public Sector Accounting Standards Board (IPSASB)

Website submission

Introduction

The Pan African Federation of Accountants (PAFA) is a network partner of the International Federation of Accountants (IFAC) and the regional organisation for the accountancy profession in Africa. Our membership consists of 57 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.

We welcome the IPSASB's Work Program Consultation and support the Board's strategic objective of strengthening public financial management and sustainable development globally through increasing adoption and implementation of accrual IPSAS and IPSASB Sustainability Reporting Standards. This objective is especially relevant to Africa, where many jurisdictions are at different stages of public sector accrual reform, strengthening fiscal transparency, improving comparability of government financial information, and responding to increasing demands for sustainability-related public sector reporting.

In considering which projects should be prioritized, we have applied the IPSASB's project prioritization criteria of **prevalence, consequences, urgency, and feasibility**, as requested in the Consultation Document. We have also considered the IPSASB's resource constraints and the indication that only a limited number of additional major projects may be possible during the remainder of the 2024–2028 Strategy period.

Specific Matter for Comment 1:

Which financial reporting projects should the IPSASB prioritize?

PAFA's Response

We recommend that the IPSASB prioritize the following financial reporting projects:

1. Disclosure of Tax Expenditures

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2. Climate-related and Other Uncertainties in the Financial Statements
3. IAS 37 / IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets — Targeted Improvements

1. Disclosure of Tax Expenditures

Project Description

We recommend that the IPSASB prioritize a project on **disclosure of tax expenditures**. The project should develop principles-based disclosure requirements or guidance to improve transparency over tax concessions, exemptions, incentives, rebates, preferential rates, and other forms of foregone revenue granted through tax systems.

This project is especially relevant for Africa because many governments rely heavily on tax policy instruments to attract investment, support priority sectors, or pursue social and economic policy objectives. However, tax expenditures can significantly reduce public revenue available for service delivery, infrastructure, health, education, and social protection. In many jurisdictions, information about the fiscal cost, beneficiaries, policy objectives, and effectiveness of tax expenditures is not reported clearly in financial statements or general purpose financial reports.

The IPSASB staff paper notes that tax expenditures are foregone revenue rather than expenses and that disclosure of such foregone revenue can provide useful accountability information to primary users. For the Africa region, this is a high public interest issue because transparent reporting of tax expenditures can support domestic resource mobilization, fiscal discipline, parliamentary oversight, and public debate on whether incentives deliver value for money.



Prioritization Criteria Analysis

Criterion	Assessment
Prevalence	High for the Africa region. Although the IPSASB staff analysis assesses prevalence as low globally because the issue is limited to tax-collecting entities, tax expenditures are highly relevant to national and subnational governments in Africa. They are frequently used as economic development tools, investment incentives, and sectoral policy instruments.
Consequences	High. Lack of disclosure can impair accountability by obscuring the fiscal cost of tax concessions and reducing transparency over government policy choices. This affects users' ability to assess whether public resources are being managed sustainably and whether tax incentives are aligned with development priorities.
Urgency	High for Africa. African governments face increasing pressure to expand domestic revenue, finance infrastructure, manage debt, and fund essential public services. Better disclosure of foregone revenue is therefore urgent for strengthening fiscal transparency and public financial management.
Feasibility	Medium to High. The IPSASB could build on its Conceptual Framework, IPSAS 23 / IPSAS 47 principles, fiscal transparency guidance, and existing international practice. A principles-based disclosure standard or guidance could be developed without requiring recognition of tax expenditures as expenses.

Priority Rationale

This project should be treated as a high priority because it directly supports fiscal transparency, domestic resource mobilization, and accountability — all of which are central public financial management priorities in Africa. It would also provide practical value to ministries of finance, revenue authorities, supreme audit institutions, parliaments, and citizens.

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2. Climate-related and Other Uncertainties in the Financial Statements

Project Description

We recommend that the IPSASB prioritize a project to provide public-sector-specific illustrative examples and guidance on how climate-related and other uncertainties affect financial statements.

The IPSASB staff paper notes that climate-related and other uncertainties affect public sector entities and that illustrative examples could improve clarity and consistency in reporting financial effects in the financial statements. This is particularly relevant in Africa, where climate-related risks affect infrastructure, agriculture, water resources, disaster response, public health, migration, and long-term fiscal sustainability.

The project should address how climate-related and other uncertainties may affect asset impairment, useful lives of infrastructure assets, provisions, contingent liabilities, measurement uncertainty, disclosure of estimation uncertainty, and going concern or service delivery capacity assessments. It should also consider public sector-specific examples such as roads and bridges exposed to flooding, water infrastructure affected by drought, public housing in climate-vulnerable locations, and disaster-response obligations.

Prioritization Criteria Analysis

Criterion	Assessment
Prevalence	High. Climate-related and other uncertainties affect most public sector entities in Africa, especially those responsible for infrastructure, agriculture, water, health, energy, disaster management, and environmental protection.
Consequences	High. Without guidance, financial statements may not adequately reflect risks affecting asset values, liabilities, service delivery capacity, and long-term fiscal exposure. This may reduce the usefulness of financial statements for accountability and decision making.
Urgency	High. Climate risks are already affecting public finances and service delivery. Users increasingly need information on how these risks affect financial position, performance, and future obligations.
Feasibility	High. The IPSASB could leverage the IASB's work on climate-related and other uncertainties while

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Criterion	Assessment
	adapting examples to the public sector context. The IPSASB staff analysis also identifies feasibility as high because existing IFRS work could be adapted for IPSAS purposes.

Priority Rationale

This project would provide practical support to jurisdictions implementing IPSAS and preparing for sustainability reporting. It would also strengthen the link between financial reporting and sustainability-related risks, ensuring that public sector financial statements remain relevant in the face of climate and economic uncertainty.

3. IAS 37 / IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets — Targeted Improvements

Project Description

We recommend that the IPSASB prioritize, or at minimum closely monitor for future prioritization, targeted improvements to **IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets**, following completion of the IASB's IAS 37 project.

This project is important for Africa because public sector entities often face significant obligations relating to litigation, guarantees, public-private partnerships, environmental rehabilitation, decommissioning, social benefit schemes, disaster response, and infrastructure-related obligations. Clarifying when provisions should be recognized and how they should be measured would support greater consistency and comparability across jurisdictions.

The IPSASB staff paper notes that IAS 37 amendments would be relevant for IPSAS 19 and public sector entities with provisions, particularly long-term obligations such as asset decommissioning obligations.

Prioritization Criteria Analysis

Criterion	Assessment
Prevalence	High. Most public sector entities have provisions or contingent liabilities, including legal claims, guarantees, environmental obligations, and long-term service-related commitments.



Criterion	Assessment
Consequences	Medium to High. Inconsistent recognition and measurement can affect liabilities, fiscal risk reporting, and users' understanding of government obligations. This is particularly important where governments provide guarantees or assume obligations through public corporations or infrastructure projects.
Urgency	Medium. IPSAS 19 already provides guidance, but improvements are needed to address application issues and maintain alignment where appropriate. Timing should follow completion of the IASB project.
Feasibility	Medium. The IPSASB can draw on IASB amendments but will need to address public sector-specific issues, including sovereign obligations, social policy commitments, and public sector guarantees.



Priority Rationale

This project should be prioritized after completion of the IASB's IAS 37 work. It is particularly important for improving fiscal risk reporting and strengthening transparency over obligations that may affect future public finances.

Specific Matter for Comment 2:

Which IPSAS Standards do you think are the highest priority for the IPSASB to undertake a post implementation review?

PAFA's Response

IPSAS 35, Consolidated Financial Statements

Project Description

We recommend that the IPSASB prioritize a PIR of **IPSAS 35, Consolidated Financial Statements**. The PIR should assess whether the control model operates effectively in the public sector and whether additional application guidance is needed for complex public sector structures.

In Africa, governments often operate through ministries, departments, agencies, state-owned enterprises, extra-budgetary funds, donor-funded project units, public corporations, social security funds, development authorities, and subnational entities. Determining whether these entities should be consolidated can be challenging, especially where legal ownership, funding dependency, appointment powers, regulatory authority, and policy control do not align neatly.

The IPSASB staff paper notes that IPSAS 35 issues include the application of control in determining whether entities should be consolidated and that additional guidance may be needed to clarify application.



Prioritization Criteria Analysis

Criterion	Assessment
Prevalence	High. Most governments in Africa have complex public sector structures involving controlled entities, public corporations, funds, and agencies.
Consequences	High. Inconsistent consolidation decisions can materially affect reported assets, liabilities, revenue, expenses, fiscal risks, and accountability for public resources.
Urgency	Medium to High. As more African jurisdictions transition to accrual IPSAS, consolidation issues are becoming more visible and may affect the credibility of whole-of-government financial reporting.
Feasibility	Medium. A PIR would be feasible as an evidence-gathering process. It may identify whether amendments, additional application guidance, illustrative examples, or education materials are needed.

Priority Rationale

A PIR of IPSAS 35 would be highly beneficial for Africa because whole-of-government reporting is essential to understanding fiscal position, public sector obligations, and risks arising from public corporations and other controlled entities.



Specific Matter for Comment 3:

Which sustainability reporting projects should the IPSASB prioritize?

PAFA's Response

We recommend that the IPSASB prioritize:

1. General Sustainability-related Disclosures for the Public Sector
2. Authoritative Guidance on Long-term Fiscal Sustainability, drawing from RPG 1
3. Authoritative Guidance on Service Performance Information, drawing from RPG 3

The IPSASB staff paper identifies these as potential sustainability and other reporting projects, alongside nature-related disclosures.

1. General Sustainability-related Disclosures for the Public Sector

Project Description

We recommend that the IPSASB prioritize a public sector standard on **general sustainability-related disclosures**. This should be the first sustainability reporting priority after the climate-related disclosures project.

The project should establish an overarching framework for public sector entities to disclose sustainability-related risks, opportunities, impacts, dependencies, governance arrangements, strategies, metrics, and targets. It should be public-sector-specific and should reflect the role of governments not only as reporting entities, but also as policymakers, regulators, service providers, asset owners, funders, and stewards of public resources.

The IPSASB staff paper notes that IFRS S1 was not developed for the public sector but could be leveraged to develop public sector principles for sustainability-related information. It also notes that such a standard could serve as an overarching framework for emerging sustainability-related topics and could consider how RPG 1 and RPG 3 fit into authoritative guidance.



Prioritization Criteria Analysis

Criterion	Assessment
Prevalence	High. Sustainability-related risks and opportunities affect all public sector entities in Africa, including through climate change, food security, water stress, public health, infrastructure resilience, inequality, employment, and economic transformation.
Consequences	High. Without a general disclosure framework, public sector sustainability reporting may become fragmented, inconsistent, and difficult to compare. This would impair accountability and decision making.
Urgency	High. African governments face pressing sustainability challenges, including climate adaptation, fiscal pressures, social development needs, and infrastructure gaps. Users need reliable information on how public sector entities are responding.
Feasibility	High. The IPSASB can leverage IFRS S1 while adapting it to the public sector context, as noted in the staff analysis. The project could also build on existing IPSASB RPGs.

Priority Rationale

This should be the IPSASB's highest sustainability reporting priority. It would create the foundation for future topic-specific sustainability standards and help ensure that public sector sustainability reporting develops in a coherent, comparable, and decision-useful way.

2. Authoritative Guidance on Long-term Fiscal Sustainability, drawing from RPG 1

Project Description

We recommend that the IPSASB develop authoritative guidance on **long-term fiscal sustainability**, drawing from RPG 1. This could either be a standalone IPSASB SRS Standard or be incorporated into the broader general sustainability-related disclosures project.

This project is highly relevant for Africa. Many governments face long-term fiscal pressures arising from debt

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sustainability, infrastructure needs, climate adaptation, population growth, social service demands, pension obligations, and vulnerability to external shocks. Users need information on whether governments can continue to finance services, meet obligations, and maintain fiscal resilience over the long term.

The IPSASB staff paper notes that RPG 1 currently provides non-authoritative guidance on long-term fiscal sustainability and that authoritative guidance could improve adoption, implementation, consistency, and comparability.

Prioritization Criteria Analysis

Criterion	Assessment
Prevalence	High. Long-term fiscal sustainability is relevant to all governments and public sector entities with long-term service delivery responsibilities.
Consequences	High. Without transparent long-term fiscal sustainability reporting, users may not understand future fiscal pressures, debt risks, service delivery constraints, and intergenerational impacts.
Urgency	High. Fiscal sustainability is increasingly important for African governments because of debt pressures, climate-related costs, infrastructure financing needs, and rising demand for public services.
Feasibility	High. RPG 1 provides an existing foundation that can be developed into authoritative guidance. The IPSASB staff paper also notes that RPG 1 is a robust foundation for such a project.



Priority Rationale

Long-term fiscal sustainability reporting would provide significant public interest benefits for Africa. It would strengthen transparency around fiscal choices, debt, service delivery capacity, and intergenerational equity.

3. Authoritative Guidance on Service Performance Information, drawing from RPG 3

Project Description

We recommend that the IPSASB develop authoritative guidance on **service performance information**, drawing from RPG 3. This could be developed as a standalone standard or incorporated into the broader general sustainability-related disclosures framework.

Public sector reporting should not only explain how much money was spent, but also what was achieved. In Africa, users need better information on service delivery outcomes in areas such as education, health, infrastructure, water, sanitation, agriculture, social protection, and public safety.

The IPSASB staff paper notes that RPG 3 provides a principles-based approach for reporting service performance information and that service delivery is a core function of all public sector entities.

Prioritization Criteria Analysis

Criterion	Assessment
Prevalence	High. Service delivery is central to all public sector entities and all levels of government.
Consequences	High. Financial statements alone do not fully explain whether public resources have delivered intended outcomes. Weak service performance reporting limits accountability and decision making.
Urgency	High. Citizens, parliaments, development partners, and oversight institutions increasingly require evidence of results, value for money, and progress against development priorities.
Feasibility	Medium to High. RPG 3 provides a strong starting point, but the IPSASB would need to carefully design authoritative guidance that remains principles-based and adaptable across different service areas and jurisdictions.

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Priority Rationale

Authoritative service performance reporting guidance would be particularly valuable for Africa because it would strengthen the link between public resources, service delivery, development outcomes, and public accountability.

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