19 June 2026

The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
*Submitted electronically via the IPSASB website*

**Re: Exposure Draft 94, Linkages Between IPSAS Standards and the Government Finance Statistics Manual 2014 (Amendments to IPSAS 22)**

*Comment deadline: 22 June 2026*

Dear Technical Director,

I welcome the opportunity to comment on Exposure Draft 94 (the ED). I write in a personal/academic capacity, drawing on research into government accounting for public-private partnership (PPP) guarantees and contingent liabilities, and the role of supranational bodies in shaping fiscal transparency, with particular reference to Brazil.

**Basis of the evidence cited.** The empirical evidence on Brazil that I cite throughout this letter is drawn from a recent working paper I have co-authored with Dr Janet Lee — Chung and Lee (2026), *Adjudicating and Subjectivizing: The Role of a Supranational Body in Governments' Fiscal Transparency* (full citation at the end of this letter). The paper examines how PPP guarantees and contingent liabilities have been accounted for in Brazil across financial reporting, statistical reporting and budgeting, and how IMF surveillance has shaped those practices. I refer to it as "Chung and Lee (2026)" below and would be glad to provide it to the Board on request.

I support the initiative in principle. Strengthening the linkages between IPSAS Standards-based accounting data and GFSM 2014 reporting is a worthwhile and overdue objective, and the use of a single, audited data source to serve both financial and statistical reporting offers clear benefits for quality, timeliness and comparability. My comments on the two Specific Matters for Comment are therefore broadly supportive, but I wish to register a substantive concern about the likely effectiveness of the proposals where divergence is driven not by gaps in guidance but by entrenched implementation and budgeting practices, and by the institutional separation of the accounting and statistical functions. I set out that concern after responding to each Specific Matter for Comment.

## Specific Matter for Comment 1 — Non-authoritative guidance strengthening linkages in IPSAS 22 (BC18–BC26)

I agree with the proposed non-authoritative amendments to IPSAS 22, subject to the reservations below. The Question-and-Answer format, the explicit mapping of where recognition and measurement requirements are aligned, where presentation differs, and where additional data must be collected (BC19, IG5), and the grouping of Standards consistent with IPSAS 33, are all sensible and will help preparers and compilers who already wish to align the two frameworks. I particularly welcome paragraph BC33 (Jurisdictional Considerations), which recognises that in some jurisdictions GFS reporting precedes or operates alongside the adoption of accrual IPSAS Standards because of arrangements with international financial institutions. That is precisely the situation in many developing economies and acknowledging it is valuable.

My reservations concerning the limits of what non-authoritative, elective guidance can achieve in practice are as follows.

***(a) Electivity layered on electivity may limit reach where alignment is most needed.***

IPSAS 22 is itself a non-mandatory Standard (BC18, IG1), and the proposed guidance is non-authoritative. The guidance therefore assists entities that have already elected to present General Government Sector information and that are already motivated to align with GFSM 2014. It does comparatively little where divergence between financial and statistical data arises from institutional incentives rather than from a lack of technical guidance. In jurisdictions where the budget — not the financial statements — is the dominant instrument of fiscal management, guidance attached to an elective disclosure standard is unlikely to change behaviour by itself.

***(b) The evidence: alignment guidance does not displace entrenched budgeting practice.***

In Brazil, the public sector has converged substantially with IPSAS since 2008, including adoption of the IPSAS 32 control criterion for service concession arrangements from 2015, yet a modified cash-based budget (mandated by Law 4,320/64) continues to dominate decision-making, while accrual-based "patrimonial" accounts operate in parallel and serve largely for ex-post validation. The consequences for the very items the ED addresses were material: as documented in Chung and Lee (2026), in 2014 PPP contracts were understated by approximately 4.6 percent of GDP in the general government financial statements, annual PPP investment of around 1.1 percent of GDP was missing from the Government Finance Statistics and Government Sector Account, and off-balance-sheet PPP assets and liabilities were estimated by the IMF at roughly 5 percent of GDP. These omissions persisted alongside, not in the absence of, IPSAS convergence. The lesson I draw is that high-level alignment guidance is necessary but not sufficient: it does not reach the implementation layer where political and administrative incentives determine what is actually recognised, measured and disclosed.

***(c) The guidance presumes a collaboration that frequently does not exist — the accounting and statistical functions often work in silos.***

This is my central reservation. The ED repeatedly frames the task as one for "accountants and statisticians working together" (BC32, BC34, BC35) and assumes that accounting data will flow into statistical compilation. In many jurisdictions that premise does not hold. The two functions sit in different institutions — typically a treasury or accounting body on one side and a central bank or statistical office on the other — operate under different rules and timetables, and do not routinely exchange granular data. The guidance offers no mechanism to create the cooperation it assumes, yet that cooperation is the binding constraint on whether IPSAS-based data can in fact be used for GFSM 2014 reporting.

Chung and Lee (2026) documents exactly this separation in Brazil: accrual financial reporting (prepared by the National Treasury under the MCASP) and the Government Finance Statistics (compiled on the central-bank/statistical side) operated as parallel systems that did not speak to one another, and users could not interpret the differences between fiscal reports because bridging tables explaining variations in scope and coverage were not provided. The same underlying transactions — PPP guarantees and contingent liabilities — therefore fell through the gap between the two systems rather than being captured by either. Guidance that assumes the systems already communicate will not, on its own, close that gap.

***(d) The ED identifies differences but stops short of a solution.***

The ED's stated mechanism is identification: it maps where the frameworks align, where presentation differs, and where additional data are needed (BC19, IG5). Identification is necessary and genuinely useful — but it is diagnosis, not treatment. It tells a preparer that a difference exists without indicating how the two figures are to be made to agree, or how the difference is to be explained to users. I recommend the Board take the guidance one step further by encouraging — and illustrating — reconciliation or bridging disclosures within IPSAS 22 between IPSAS-based data and GFSM 2014 aggregates, so that identified differences are surfaced and traceable rather than left implicit. I note that reconciliation disclosure is only a partial solution: it operationalises transparency by making differences visible (which is within the Board's power to require for electing entities), but it does not by itself harmonise the underlying recognition and measurement, and — per reservation (c) — it still depends on the accounting and statistical functions actually sharing data. It should therefore be paired with the recommendation below on fostering that cooperation.

***(e) Decentralisation and the consolidation boundary deserve explicit treatment.***

The guidance presupposes a reporting entity that elects to present consolidated General Government Sector information. In highly decentralised federations there may be no consolidated "general government" budget, and subnational governments may interpret disclosure obligations selectively. As Chung and Lee (2026) shows for Brazil, responsibility for infrastructure and PPP guarantees is dispersed across federal, state and municipal levels, and subnational contingent liabilities are inconsistently disclosed. I recommend the guidance acknowledge the consolidation and subnational-coverage challenges that arise in such settings, since they directly affect whether IPSAS-based data can support complete GFSM 2014 reporting.

***(f) The hardest differences are precisely where the guidance is least prescriptive.***

The areas of greatest fiscal-risk significance are also where the frameworks diverge most. For contingent liabilities, GFSM 2014 distinguishes explicit from implicit contingent liabilities while IPSAS 19 does not (IG180). For service concessions, IPSAS 32 applies a control-based approach whereas GFSM 2014 applies a risks-and-rewards approach, which the ED itself concedes “may lead to different recognition results in specific arrangements” (IG186). The guidance then states that no additional data need be collected where IPSAS has been applied “with the same recognition results” (IG188) — but it is exactly the cases where the results differ that cause the transparency failures documented in practice (for example, minimum revenue guarantees in transport PPPs that went unrecorded). I recommend the guidance give concrete direction on what additional data are required, and how to bridge, when the two approaches yield different recognition or classification outcomes.

## Specific Matter for Comment 2 — Guidance at measurement basis level rather than technique level (BC32)

I understand the IPSASB’s rationale for providing the measurement guidance at the measurement basis level rather than the measurement technique level (BC32, IG6, IG29–IG30): it preserves flexibility for accountants and statisticians to select techniques under IPSAS 46 that best meet the objectives of both IPSAS 46 and GFSM 2014 in each situation. For the majority of items, where the basis is aligned (for example, transaction price/market price on initial recognition, and fair value/market value on subsequent measurement — IG31–IG32), basis-level guidance is appropriate and I agree with it.

My concern is that the rationale for basis-level guidance rests squarely on the assumption I questioned in reservation (c): BC32 justifies the flexibility precisely by reference to “accountants and statisticians working together” to choose the appropriate technique. Where the two functions genuinely collaborate, that flexibility is a strength. But where they operate in silos — as Chung and Lee (2026) finds was the case in Brazil — the flexibility is not exercised jointly; it becomes unilateral local discretion on each side, applied without a shared view of the other framework’s needs. In that setting, basis-level guidance does not produce convergence; it licenses divergence.

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The Brazilian experience illustrates the measurement risk directly. Over time, several criteria for PPP-related obligations have coexisted: a risk-transfer threshold drawn from the European System of Accounts (a 40 percent risk-retention test adopted by the National Treasury in 2006), the ESA 2010 50-percent-of-capital-cost test, the IPSAS 19 / IAS 37 probability-and-reliable-estimate test, and the IPSAS 32 control criterion measured at the net present value of committed capital expenditure. These are not merely different labels; they can place the same project on or off the balance sheet and change the reported fiscal position. Leaving the technique unspecified, in a setting already characterised by siloed functions and selective interpretation, risks perpetuating precisely the inconsistency the ED seeks to reduce.

I therefore suggest the following refinement rather than wholesale rejection of the basis-level approach:

- Retain basis-level guidance as the default but supplement it with technique-level guidance or worked examples for a small number of material, high-fiscal-risk items — notably service concession arrangements (IPSAS 32) and contingent liabilities and guarantees (IPSAS 19) — where the choice of technique materially affects recognition, classification or the resulting GFSM 2014 aggregates.
- Where technique-level guidance is not given, encourage disclosure of the measurement technique applied and of its effect on the GFSM 2014 figures, so that users can understand and compare the basis of the numbers across entities and over time.

## An overarching concern: identification and flexibility cannot, on their own, close an implementation gap

I recognise that the IPSASB's remit does not extend to governing how individual governments budget, legislate or enforce, or to dictating their institutional arrangements. That limitation is real and I do not suggest the IPSASB exceed it. But it bears directly on how much ED 94 can be expected to achieve. The differences that most undermine fiscal transparency in practice — as Chung and Lee (2026) shows for Brazil — arise less from the absence of technical alignment guidance and more from the dominance of cash-based budgeting in decision-making, the institutional separation of the accounting and statistical functions, decentralised and selective disclosure, and the treatment of guarantees and contingent liabilities as off-balance-sheet items. Identifying differences, and leaving flexibility in how to measure them, does not reach those drivers.

This is not an argument against the ED; it is an argument for positioning it so that it can be effective. The mechanisms that have actually moved national practice in this area have been the surveillance and conditionality frameworks of international financial institutions

— the IMF's Fiscal Transparency Code and GFSM 2014, Article IV consultations and Fiscal Transparency Evaluations, and Eurostat's statistical rules — operating through normative and reputational pressure rather than coercion. ED 94 will be most useful if it is designed to integrate into those frameworks and to confront, rather than assume away, the institutional separation of the two functions. I therefore offer the following recommendations.

***Recommendations***

1. Treat identification as the first step, not the deliverable. Supplement the identification of differences with guidance on how to resolve or explain them — in particular, encourage reconciliation/bridging disclosures within IPSAS 22 between IPSAS-based data and GFSM 2014 aggregates, recognising this as a partial (transparency) solution rather than full harmonisation.
2. Address the silo problem head-on. Recommend the institutional arrangements that make the guidance workable — shared or interoperable data between the accounting and statistical functions, common charts of accounts or data dictionaries, and routine cooperation — rather than assuming "accountants and statisticians working together" as a given.
3. Coordinate the guidance explicitly with the IMF and Eurostat (already represented on the Task Force per BC28) so that it is usable as a reference within Article IV consultations, Fiscal Transparency Evaluations and PEFA/PFRAM assessments — the channels through which alignment is actually enforced.
4. Expand the Implementation Guidance with worked, jurisdictional examples — including a decentralised-federation example and a service-concession/guarantee example — that show how to reconcile when IPSAS and GFSM 2014 recognition or measurement results differ.
5. Address the consolidation boundary and subnational coverage explicitly, recognising that in many jurisdictions there is no consolidated general government budget and that subnational disclosure of guarantees and contingent liabilities is uneven.
6. Keep under review whether the most material linkages — particularly for contingent liabilities, guarantees and service concessions — should over time be elevated from non-authoritative guidance toward more authoritative status within the content that electing entities must apply, so the guidance carries weight where the fiscal stakes are highest.

## Closing

In summary, I agree with the proposals in both Specific Matters for Comment, subject to the reservations set out above. The ED is a constructive and welcome step. My central message is one of realism about its reach: it identifies differences and leaves flexibility in measuring them, but it presumes a level of cooperation between the accounting and statistical functions that, on the evidence of jurisdictions such as Brazil, frequently does not exist — and it is in that gap that transparency is most often lost. Taking the guidance beyond identification toward reconciliation, confronting the institutional separation of the two functions, and connecting the guidance to the surveillance frameworks that already drive change would substantially increase its practical effect.

I would be pleased to provide the underlying research, including the Brazilian case evidence in the working paper co-authored with Dr Janet Lee, should the Board find it helpful. Thank you for considering these comments.

Yours sincerely,

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### Reference cited

Chung, D. and J. Lee. 2026. *Adjudicating and Subjectivizing: The Role of a Supranational Body in Governments' Fiscal Transparency*. Working paper (available from the authors on request).