

NATURAL RESOURCES IN PUBLIC FINANCIAL STATEMENTS: UNDERSTANDING THE PERSPECTIVES FROM IPSASB COMMENT LETTERS

RESUMO

The Inclusive Wealth Report (IWR) describes how different types of capital contribute to nations' economies, well-being, and prosperity. The result based on the last thirty years revealed that global wealth increased by 49% at the cost of more than a quarter of natural capital. The loss was mainly attributed to natural assets in emerging and developing countries. During this same period, natural capital decreased between 1% and 28% per year (UNEP, 2023; Asghar et al., 2024). In the economy, natural capital is often related to ecosystem services, and despite advances in literature, there are still many challenges in identifying and measuring these services. In particular, the quality of environmental valuation depends on knowledge of ecosystem dynamics in physical and natural terms, and the absence of this knowledge makes the economic calculation of benefits difficult, no matter how evident the intuition about their importance may be (Young & Medeiros, 2018, Khan et al., 2020). In that regard, the discussion about environmental issues in accounting has been growing since the 1980s, when they boosted the development of research, reports, and initiatives by regulatory entities (Mata et al., 2018). Gray et al. (2014) propose the creation of new accounts to recognize environmental and social issues. However, there is hope for progress; in recent years, environmental accounting has also been discussed in the public sector (Dabbicco, 2021; Zhu et al., 2021; Pontoppidan et al., 2024). The International Public Sector Accounting Standards (IPSASB) issued two public consultations on environmental issues in 2022: 1) Consultation Paper, Natural Resources; and 2) Consultation Paper, Advancing Public Sector Sustainability Reporting. The first aimed to consult stakeholders' opinions regarding guidelines on the recognition, measurement, presentation, and dissemination of natural resources in the public sector, and the second with consultation of the initial guidelines focused on the general requirements for disclosing information related to sustainability and climate-related disclosures. Discussing these consultations may result in creating the new International Public Sector Accounting Standards (IPSAS). In the governance of natural resources, stakeholders perform a function other than receiving information and have the potential to contribute to managing these resources (Lukman et al., 2023). Aysan et al. (2023) highlight that stakeholder power dynamics can significantly impact the effectiveness of natural resource management. Given this context, this study analyzes the responses to the Consultation Paper about Natural Resources. The IPSASB's production of this debate is relevant because there is a theoretical discussion on whether natural resources should be included in governments' financial reports (Barton, 1999; Dabbicco, 2021). They can encompass different characteristics, which requires the creation of specific standards capable of providing varied guidelines. Despite their social and economic potential, it is still challenging to establish bases that ensure their recognition and disclosure (Zhu et al., 2021; Pontoppidan et al., 2024). The consultation paper addresses general issues on four topics: (1) providing an overview of natural resources, (2) identifying bases for the recognition and measurement of natural resources, (3) establishing accounting parameters for subsoil resources, water, and living resources, and (4) outlining elements for the presentation of information. This paper aimed to understand how participants perceive aspects of natural resources, including issues such as recognition, measurement, and disclosure in the General Purpose Financial Reporting prepared by governments. Methodologically, the letters were categorized by the recipient, and the authors reviewed the responses to the guiding question in two complementary rounds. The first round aimed to provide a broad overview of the positions, analyzing how arguments were presented. The second round focused on categorizing the arguments into analytical themes, helping to construct a comprehensive framework for understanding the positions on the guiding questions. The analysis revealed despite considering the focus on three types of resources; the answers highlight the need to consider other resources and the association between them when, for example, we talk about a natural reserve or a park, where it would not be simple to recognize only the rivers to which they belong without considering the economic benefits and service potential provided by the combination with other natural resources. In the letters, another concept that needs clarification is what would be considered a natural state. This concept is essential to what IPSASB understands as human intervention. This discussion reinforces the importance of adequately defining the characteristics of natural resources, such as whether they are resources renewable or non-renewable. Another argument considers not only the natural state of these resources but also how much these resources have the potential to generate economic benefits. These benefits can be understood as ecosystem services, and it can be assessed whether or not a given intervention has impacted the capacity to generate value. The concerns mentioned are also valid since once these natural resources are recognized as assets, how will the entity maintain control of these interventions, and what risks is each type of asset exposed to that could result in its derecognition due to the loss of natural state? There are suggestions that they be classified as current assets. However, despite not indicating this, the standard uses terms such as "intangibles," which could signal a tendency toward long-term accounts. There is agreement with disclosure in financial reports, such as the balance sheet. However, there is also the suggestion that this information could form financial reports for control and accountability purposes and be complemented by sustainability reports with non-financial information for management purposes and incentives for the maintenance and preservation of natural resources. It is also essential to highlight the contribution of literature and academic discussions in favor of including environmental issues in financial reports (Pontoppidan et al., 2024; Dabbicco, 2021). This discussion began in the 1970s with the first conventions, and fifty years later, we are discussing the criteria for recognizing natural resources in accounting. (Azevedo, Sedyama & Aquino, 2024; Adhikari, 2023; Capalbo et al., 2021). Finally, given the various aspects of this discussion, the present study intends to address only some of the public consultations. Understanding the factors associated with natural resources is necessary to advance in discussing their measurement and accounting classification.

Palavras-Chave: Natural Resources / Public Accounting / IPSASB