

ISAR inputs to the 2022 HLPF

Theme of the 2022 HLPF “Building back better from the coronavirus disease (COVID-19) while advancing the full implementation of the 2030 Agenda for Sustainable Development”.

The HLPF in 2022 will review progress toward SDGs 4 on quality education, 5 on gender equality, 14 on life below water, 15 on life on land, and 17 on partnerships for the Goals. The Forum will take into account the different and particular impacts of the COVID-19 pandemic across these SDGs and the integrated, indivisible and interlinked nature of the Goals.

(a) Progress, experience, lessons learned, challenges and impacts of the COVID-19 pandemic on the implementation of SDGs 4, 5, 14, 15 and 17 from the vantage point of your intergovernmental body, bearing in mind the three dimensions of sustainable development and the interlinkages across the SDGs and targets, including policy implications of their synergies and trade-offs;

The priorities that are being set in the economic recovery from the Covid 19 pandemic have highlighted the importance and urgency of promoting sustainability reporting by companies with a view to provide stakeholders with important data on companies’ performance in the environmental, social and governance areas (ESG), a critical factor for a resilient, green and inclusive recovery. It is important to facilitate the transition to a low-carbon and circular economy, and for the mitigation of climate change related risks. It is undeniable that companies are subject to sustainability risks and opportunities and their activities affect the society and environment. Furthermore, sustainability reporting can provide information on how these sustainability aspects affect the company’s value and in turn promote responsible and efficient investment. Finally, high-quality sustainability reporting contributes to boosting investment on SDG related areas and embedding sustainability practices in companies’ business cycles.

In addition to the Covid 19 Pandemic, a series of recent international developments have stressed the need for transparent measurement and disclosure, as well as of comparability and reliability of enterprise sustainability information. These developments are changing drastically the sustainability reporting landscape and culminated with the announcement of the creation of the International Sustainability Standards Board (ISSB) at COP 26. Consequently, global sustainability reporting standards will very soon become mandatory for listed companies in many jurisdictions worldwide. And countries will have to speed up national efforts to establish or strengthen their regulation and institutions and build technical capacity to be able to respond to the new requirements. Furthermore, sustainability reporting falls under the responsibility of different government entities and other stakeholders in the public and private sectors. Thus, collaboration based on a multi-stakeholder dialogue will be necessary.

Moreover, the COVID-19 pandemic has impacted all countries, but it has hit small companies especially hard. Micro, small and medium sized enterprises (MSMEs) in developing countries do not have the financial resilience that large companies might have. And they often struggle with access to finance and access to financial support from governments, where available. One of the reasons for this is a lack of quality financial statements. Therefore, boosting accounting and reporting skills in MSMEs is a key part of post-pandemic recovery initiatives, and at the heart of much of UNCTAD’s ongoing technical assistance.

Furthermore, at the request of ISAR, UNCTAD has continuing working on awareness creation and dissemination of its Guidance on core SDG indicators for entity reporting on contribution towards implementation of the SDGs (GCI) and it is using the related Core SDG indicators training manual and GCI eLearning to promote sustainability reporting.

Concerning the SDGs under review at the HLPF in 2022, the GCI contains two social indicators on human capital linked to SDG 4, and one social indicator and one institutional indicator on gender equality which are linked to SDG 5. Moreover, during the 38th session of ISAR, a new indicator on land and biodiversity was proposed as an addition and it will be linked to SDG 15. Concerning SDG 14, the GCI contains environmental indicators on water, waste, GHG emissions, climate, etc. that indirectly contribute to SDG 14 due to the strong interlinkages amongst the global goals. In relation to SDG 17, the GCI has one economic indicator on payments to the government and one economic indicator on community investment which are linked to SDG 17. In addition, UNCTAD-ISAR supports regional efforts and partnerships to promote a common approach to sustainability reporting.

(b) Assessment of the situation regarding the principle of “leaving no one behind” against the background of the COVID-19 pandemic and for the implementation of the 2030 Agenda, within the respective areas addressed by your intergovernmental body;

At a time of change of global standards for accounting and reporting, there is a risk that additional complexities and new requirements lead to challenges for the poorest countries with weak Accounting and Reporting infrastructure. It is the role of ISAR to identify these challenges, assist developing countries in overcoming them, and communicate with global standard setting bodies so that the concerns of the poorest countries are taken into account.

Hence, ISAR and UNCTAD are supporting member States, and in particular developing countries, to establish or reinforce their sustainability reporting infrastructure to enable them to properly implement the upcoming international sustainability reporting standards. These new standards which will be issued soon and become mandatory for listed companies will require sound regulation, institutions and human capacity to be adequately implemented. Therefore, ISAR and UNCTAD will work on providing policy recommendations, guidance and tools to support member States in their efforts to implement them and promote high quality sustainability reporting.

With a view to provide additional support, ISAR also requested UNCTAD to facilitate the sharing of experience and the identification of lessons learned to improve the quality of corporate reporting. High quality sustainability reporting will contribute to boosting investment on SDG related areas and embedding sustainability practices in companies' business cycles. Furthermore, ISAR asked UNCTAD to continue efforts to facilitate wider awareness, dissemination, and implementation of the GCI with a view to help countries to measure the contribution of the private sector to the SDGs.

(c) Actions and policy recommendations in areas requiring urgent attention in relation to the implementation of the SDGs under review; and (d) Policy recommendations, commitments and cooperation measures for promoting a sustainable, resilient and inclusive recovery from the pandemic while advancing the full implementation of the 2030 Agenda;

At its 38th session in October 2021, ISAR called upon UNCTAD to:

- Convey to the International Sustainability Standards Board the views of ISAR on sustainability reporting issues.
- Support countries to build the necessary regulatory, institutional, and human capacity for successfully implementing sustainability reporting as well as financial reporting requirements for both the private and public sectors.
- Continue cooperation with relevant UN agencies and key regional and international institutions on strengthening policies for sustainability reporting.
- Support regional efforts and partnerships to promote a common approach to sustainability reporting.
- Facilitate wider dissemination and implementation of its Guidance on core indicators.
- Monitor progress on the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures, to identifying good practices in their implementation.
- Further disseminate the accounting training manual and related tools, to facilitate access to finance for MSMEs.

Sustainability reporting is the basis of sustainable investment; therefore, UNCTAD will further support developing countries to reinforce their accounting and reporting infrastructures to cope with related developments. It will also conduct a review on practical implementation issues regarding international standards of accounting and reporting in the public and private sectors.

UNCTAD has also encouraged the creation of regional partnerships for the promotion of sustainability and SDG reporting in Latin America and Africa, which will provide continuous support to facilitate exchange of experience, allow consultation among peers and identification of good practices in the implementation of the new global sustainability reporting standards. UNCTAD will support the partnerships by opening opportunities within the ISAR sessions and inter sessional events and activities to listen to the challenges and needs of the regions and monitor achievements and progress. Moreover, it will also create opportunities to exchange experience and lessons learned with other regions of the world. Additionally, it will invite partnership members to participate in capacity building workshops and will make available its materials, guidance, and tools. Finally, it will be able to identify technical assistance needs among the Partnership members.

UNCTAD's technical assistance to developing countries uses, among other instruments, its Accounting Development Tool and the Guidance on Core SDG Indicators for company reporting on sustainability impact. Moreover, UNCTAD is currently convening a Consultative Group meeting to build on the work already accomplished with the development of sustainability/SDG reporting related tools, activities implemented in the beneficiary countries of technical assistance and at regional level with the creation of the partnerships. The meeting will allow to gather inputs for the development of a policy recommendations document that will complement UNCTAD's sustainability/SDG reporting toolkit. The document will also contain main lessons learned and good

practices in addressing practical implementation aspects pertaining to policymaking, regulation, and institutional and human capacity-building to establish and strengthen the national infrastructure for high quality sustainability reporting. Moreover, feedback received from participants will be included into ISAR's communication with the ISSB on key challenges for developing countries in the adoption of international sustainability reporting standards.

UNCTAD has also continued disseminating the GCI and has developed related materials and conducted trainings for capacity building. For instance, 10 virtual trainings on the GCI and its implementation have been held in 6 languages with 2100 attendees from 43 countries. Additionally, the core SDG indicators e-learnings in English and Spanish have reached 448 participants from 117 countries.

These efforts will promote high-quality sustainability reporting which in turn will contribute to boosting investment on SDG related areas and embedding sustainability practices in companies' business cycles. In addition, it will support member States to measure the contribution of the private sector to the SDGs for the preparation of Voluntary National Reviews.

In addition, UNCTAD's accounting training manual for SMEs is available in English, French, Spanish and Arabic and an e-accounting platform for MSMEs is in pilot phase. The training manual aims to support MSMEs to foster financial literacy by providing basic knowledge on accounting and financial statements for MSMEs, as well as on their analysis and interpretation to improve business management, decisions making and access to finance.

Key policy recommendations include:

- Supporting developing countries in their efforts to establish or strengthen their national sustainability reporting infrastructure to promote high quality and comparable data and ensure consistency and connectivity of financial and sustainability reporting.
- Developing a policy recommendations document including lessons learned, best practices and examples of successful approaches in addressing practical implementation aspects pertaining to policymaking, regulation, and institutional and human capacity-building for high quality sustainability reporting.
- Promoting collaboration and coordination at the national, regional and international levels with all key players in sustainability reporting to promote consistency and comparability and facilitate availability of data for the SDG indicator 12.6.1.
- Identifying key challenges for developing countries in the adoption of international sustainability reporting standards and conveying these issues to the ISSB.
- Providing support to the Regional Partnerships for the promotion of sustainability reporting in Africa and Latin America.
- Continuing to create awareness and disseminating the GCI and related capacity building materials to facilitate sustainability reporting.
- Continuing to disseminate the accounting training manual for MSMEs with a view to improve financial literacy and facilitate access to finance.

(e) Key messages for inclusion into the Ministerial Declaration of the 2022 HLPF.

- ISAR, through UNCTAD, is promoting the preparation of reliable and comparable sustainability reports by companies to enable responsible investment and facilitate the redirection of funds to SDG related areas.
- For this purpose, ISAR supports the development of domestic policies to facilitate wider awareness, dissemination, and implementation of the GCI, with a view to improving the quality of data to measure the contribution of the private sector to the implementation of the SDGs and enable governments to include this information in their VNRs.
- Moreover, ISAR and UNCTAD have set up regional partnerships to facilitate the exchange of experience and to identify good practices in the implementation of the new global sustainability reporting standards.
- In addition, UNCTAD-ISAR continues its work in supporting Member States to adopt and implement international standards and codes and in their efforts to strengthen their corporate reporting infrastructure, including both financial and sustainability reporting.
- Moreover, it maintains efforts in strengthening financial literacy in the MSME sector. All these measures aim at increasing resilience and resistance of all companies to shocks such as the COVID 19 Pandemic.