

ISAR inputs to the 2023 HLPF

The theme of the 2023 HLPF under the auspices of ECOSOC is “*Accelerating the recovery from the coronavirus disease (COVID-19) and the full implementation of the 2030 Agenda for Sustainable Development at all levels*”.

The HLPF in 2023 will review in-depth Goals 6 on clean water and sanitation, 7 on affordable and clean energy, 9 on industry, innovation and infrastructure, 11 on sustainable cities and communities, and 17 on partnerships for the Goals.

(a) Progress, experience, lessons learned, challenges and impacts of the COVID-19 pandemic on the implementation of SDGs 6, 7, 9, 11 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 COVID-19 pandemic stressed the importance and urgency of promoting sustainability reporting by companies as a means to facilitate and accelerate responsible investment. Achieving the SDGs by 2030 requires a huge deployment of finance and investments across a range of sectors relevant to sustainable development, particularly in developing countries. One of the key challenges to reallocate resources to SDG related areas is the lack of comparable and reliable sustainability reports, information, and data to ensure that investors and businesses can make informed decisions that have a positive impact on sustainable development. In addition, companies’ operations have economic, environmental and impacts that can promote or hinder the achievement of the SDGs; by measuring these impacts, companies can manage them and change their behavior to support sustainable development, including by reducing their environmental blueprint, advancing gender equality, promoting labor rights, paying taxes, etc.

Moreover, several recent international developments have considerably changed the sustainability reporting landscape, including the creation of the International Sustainability Standards Board (ISSB) which is now in charge of developing global sustainability reporting standards that will very soon become mandatory for listed companies in many jurisdictions around the world. Accordingly, countries will need to strengthen their regulations, institutions and build technical capacity to be able to implement these new requirements. However, many developing countries require technical assistance to implement such changes. ISAR has been working in identifying challenges and needs of developing countries and conveying those issues to the ISSB, to ensure that those needs are taken into consideration in the development of the new standards.

To maximize progress and support to developing countries, UNCTAD has created Regional Partnerships for the Promotion of Sustainability and SDG reporting in Africa (50 members from 26 countries) and Latin America (29 members from 14 countries) and is working to establish two further partnerships in Asia and the Gulf region . The Regional Partnerships are a vehicle to facilitate exchange of good practices in the implementation of sustainability reporting standards, and to allow consultations among peers. The partnerships also help to identify technical assistance needs and provide a regional voice in interaction with international standard setters.

Additionally, the negative effects of the COVID-19 pandemic have affected all countries, and micro, small and medium sized enterprises (MSMEs) in developing countries have been hit hardest due to their lack of financial resilience. MSMEs are more vulnerable to external economic and other shocks and have difficulties accessing finance, including financial support from governments, in the cases where this was available. One of the main reasons for this is the lack of basic knowledge in accounting and reporting to produce and understand financial statements, and lack of understanding of the options and requirements to access financing. Financial literacy, especially in accounting and reporting, would allow MSMEs to keep

track of their operations, obligations and income, to identify financing needs and make better managerial decisions. Therefore, boosting financial literacy, and in particular improving accounting and reporting skills in MSMEs is a key part of UNCTAD's current technical assistance. At the last ISAR session, the group of experts requested UNCTAD to conduct further work on accounting and reporting for microenterprises and small and medium-sized enterprises and to look into its role in facilitating the formalization of businesses.

Moreover, at the request of ISAR, UNCTAD has continued creating awareness and building capacity with its Guidance on core SDG indicators for Sustainability and SDG Impact Reporting (GCI) and it is using the related Core SDG indicators training manual and the GCI eLearning to promote sustainability reporting. The e-Learning are available in English, French and Spanish. The GCI also allows to measure the contribution of the private sector to the SDGs.

In relation to the SDGs under review at the HLPF in 2023, ISAR activities are focused on promoting achievement of all SDGs by supporting countries in their efforts to implement international standards and good practices in financial and sustainability reporting to promote economic, environmental and social progress. In particular, the GCI contains three indicators on water linked to SDG 6, two indicators on energy linked to SDG 7, four economic and two environmental indicators linked to SDG 9. Concerning SDG 11, the GCI contains economic, environmental, social and institutional indicators that indirectly contribute to SDG 11 due to the strong interlinkages amongst the global goals. Regarding 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, as the Secretariat of ISAR, supports regional efforts and partnerships to promote a common approach to sustainability reporting.

(b) Three key areas where transformative actions for accelerated progress have been successful, and three key areas where support is most urgently needed, with regard to the cluster of SDGs under review in July 2023.

Three key areas where transformative actions for accelerated progress have been successful:

- *Harmonization of sustainability reporting and a move from voluntary to mandatory sustainability reporting.* The sustainability reporting field has experienced deep changes in the last years, including the creation of the International Sustainability Standards Board (ISSB). In addition, there has been a consolidation of sustainability corporate reporting standards into the ISSB, including the standards and frameworks of the Climate Disclosure Standards Board, the Value Reporting Foundation (which houses the Integrated Reporting Framework and the Sustainability Accounting Standards Board (SASB) standards), the Task Force on Climate-related Financial Disclosures (TCFD) and the World Economic Forum, and these institutions have committed to contributing this material to support the establishment of the ISSB standards. The ISSB is moving at a fast pace, and in 2022 it published two exposure drafts, one on general disclosure requirements in relation to sustainability reporting and another one on climate change disclosure. Moreover, the ISSB has created a big push for countries to embrace mandatory reporting, at least for listed companies. In this regard, the International Organization of Securities Commissions (IOSCO) will review ISSB standards for endorsement to be used for cross-border purposes. UNCTAD, at the request of ISAR, is focusing efforts on supporting countries to reinforce their regulations, institutions and create technical capacity to be ready to implement these standards.
- *Institutional representation in key bodies.* Having a seat at the table and constant communication and collaboration with key counterparts in the area of sustainability reporting to voice the concerns and needs of developing countries is critical. This has been achieved through the appointment of the chair of ISAR 38 as a member of the Sustainability Standards Advisory Forum (SSAF) and the

appointment of the UNCTAD Director of Investment and Enterprise as a member of the IFRS Advisory Council. These positions will provide a direct communication channel between ISAR and the IFRS Foundation/IASB/ISSB at a critical moment.

- *Collaboration through the Regional Partnerships for the promotion of sustainability reporting and UNCTAD joining the ISSB Partnership Framework.* As mentioned above, UNCTAD, as the Secretariat of ISAR, has created two regional Partnerships, one in Africa and one in Latin America. In addition, it is working to launch two further partnerships in Asia and the Gulf region. The partnerships support progress in SDG 17 by providing long lasting assistance to members and offering a communication channel to share experience and lessons learned. In addition, at COP27, the ISSB launched its Partnership Framework for Capacity Building supported by public and private organizations worldwide. The ISSB recognized that “achieving a truly global baseline necessitates a strong focus on supporting implementation...and to consider the specific circumstances of emerging and developing economies, and smaller entities, many of which operate within global value chains.” UNCTAD is one of the day-one partners joining this initiative.

Three areas where support is most urgently needed:

- *Helping countries to strengthen their sustainability reporting infrastructure* to be able to respond to international requirements. There is a risk that additional complexities and new requirements lead to challenges for the poorest countries with weak accounting and reporting infrastructure. In addition, Small and Medium-sized Enterprises (SMEs) represent the majority of companies in developing countries and even though ISSB standards are targeting listed companies, as suppliers of Multinational Companies, many SMEs will be impacted by spillover effects when the new standards come into effect. For instance, this is the case for scope 3 greenhouse gas emissions disclosure included in the climate related exposure draft of ISSB. Yet, many developing countries lack the necessary reporting infrastructure, namely the regulation, institutions and human capacity to implement such standards. Hence, in order to promote the preparation of reliable and comparable sustainability reports by companies to enable responsible investment and facilitate the reallocation of funds to SDG related areas, there is a need for continued support to keep up with international changes and promote sustainable finance and development. Countries need to start working to put in place all necessary elements of an efficient sustainability reporting ecosystem as soon as possible. Thus, ISAR has requested UNCTAD to support capacity-building and the strengthening of sustainability reporting infrastructures.
- *Identifying challenges and needs of developing countries and conveying these issues to the ISSB.* As mentioned before, sustainability reporting is rapidly moving from voluntary to mandatory reporting in most countries and regions. Therefore, developing countries with weak sustainability reporting infrastructure need support to put in place the essential regulations, institutions and building capacity. But it is also critical to pinpoint the difficulties faced by and the key characteristics of these countries so that they are taken into consideration in the development of the ISSB standards. In this regard, ISAR is an ideal forum to consult the different counterparts from developing countries and collect their needs. In addition, UNCTAD and ISAR have a long-standing history of cooperation with accounting and reporting international standards setters and international organizations, including now with the ISSB. Thus, UNCTAD will continue to convey the views of members of ISAR to the International Sustainability Standards Board (ISSB).
- *Continued sharing of experience, good practices and tools, and cooperation and mutual assistance among countries,* including at regional level, to promote convergence, harmonization and acceleration of capacity building in countries that risk falling behind. Given the multidimensional nature of sustainability and SDG reporting, it is indispensable to facilitate multi-stakeholder dialogue and cooperation, including key stakeholders from the public and private sectors and civil

society. In this regard, the Regional Partnerships are a useful means to maximize assistance to countries as their membership comprises key stakeholders from all these sectors and key institutions involved in sustainability reporting. They enable harmonization of practices, identification of lessons learned and of technical assistance needs and provide a regional voice before international standards setters.

(c) Examples of specific actions taken to recover from the COVID-19 pandemic that also accelerate progress towards multiple SDG targets, including actions identified by your intergovernmental body, building on interlinkages and transformative pathways for achieving SDGs.

ISAR has been facilitating the advancement of responsible investment by improving the quality, reliability and comparability of sustainability reports. It has also been working to promote that companies embed sustainable practices in their business cycles and operations, and disclose information on the positive and negative impact of such operations to the economy, environment and society. A non-exhaustive list of specific actions taken is as follows:

-Creation of the Regional Partnerships for the promotion of sustainability reporting in Africa with 50 members from 26 countries and Latin America comprised of 29 members from 14 countries. And working to launch two further partnerships in Asia and the Gulf region.

- Running of the “ISAR Honours” Initiative which aims at highlighting the efforts of organizations around the world to promote and harmonize sustainability reporting by raising awareness and disseminating global best practices. In 2022, the initiative received more than 60 submissions from national and international initiatives that promote sustainability and SDG reporting.

- Development of “Tackling the Sustainability Reporting Challenge – A policy Guide” to support countries in their efforts to strengthen their national sustainability reporting infrastructure to keep up with international changes and promote sustainable finance and development. It contains different approaches, best practices and examples from which policymakers and other interested stakeholders can choose when establishing or strengthening the regulatory, institutional and human capacity components of the reporting infrastructure. The fundamentals of the policy guide were presented and discussed at ISAR 39. The policy guide was developed based on lessons learned from different countries, including through UNCTAD technical assistance activities in Africa and Latin America in the field of accounting and reporting. It also draws on evidence collected by UNCTAD through desktop research, feedback obtained during a Consultative Group meeting in March 2022, and the work already accomplished with the development of UNCTAD-ISAR sustainability and Sustainable Development Goals (SDGs) reporting-related tools.

-Creating awareness of and providing capacity building with the Training Manual on Accounting for micro, small and medium-sized enterprises (MSMEs). The Training Manual aims to improve financial literacy of entrepreneurs and employees in the MSME sector and to facilitate their access to finance and financial inclusion, including to financial aid in the post COVID-19 resurgence. In addition, and with a view to maximize the outreach, a series of Train of Trainers webinars in Spanish, English, French and Arabic took place. The training manual is available in the 4 languages mentioned above.

-At the request of ISAR, UNCTAD is conducting work on accounting and reporting for microenterprises and small and medium-sized enterprises and its role in facilitating the formalization of businesses. The informal economy is one of the main challenges in developing countries and this work will investigate the links among accounting requirements, financial literacy and access to finance and formalization. This issue and the findings of UNCTAD’s work will be discussed at the 40th session of ISAR in October 2023.

- Continue creating awareness and building technical capacity with its Guidance on core SDG indicators for Sustainability and SDG Impact Reporting (GCI). Evidence from the company case studies conducted in the past has shown that the lack of capacity to collect data and measure the indicators is one of the key deterrents for companies to disclose the core SDG indicators, particularly in the environmental area. Therefore, UNCTAD, as the Secretariat of ISAR, is using the related Core SDG indicators training manual and GCI eLearning to promote sustainability reporting. From November 2021 to November 2022, 900 people were trained with the GCI e-learning.

-Conducting work to advance gender equality in the accountancy profession. The Group of Experts asked UNCTAD to collect information on the status of gender equality in the Professional Accountancy Organizations, Accounting firms and standards setting bodies; and to identify good practices and policies to facilitate further progress. The findings will be presented at the 40th session of ISAR.

-As the ISAR Secretariat, UNCTAD is implementing activities in relation to the Project titled “Towards integrated national financing framework”. The project is implemented in collaboration with several UN entities, including UNDESA and the Regional Commissions and its activities focus on aligning financing with the sustainable development priorities in the context of addressing significant impacts of COVID-19 on SDG related financing needs.

(d) Assessment of the situation in the mid-point of the implementation of the 2030 Agenda and the SDGs, against the background of the COVID-19 pandemic and within the respective areas addressed by your intergovernmental body, and 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.

The COVID pandemic has further encouraged investors to pay attention to companies’ resilience and long-term goals, including health, work practices and ethics, besides environmental issues. Since last year, international businesses and investments have been significantly affected by the war in Ukraine, which combined with the remaining impacts of the COVID pandemic is affecting countries through a food, fuel and finance crisis. At the same time, there have been several advances in sustainability reporting, including a push towards mandatory sustainability reporting for listed companies and consolidation of preexisting sustainability standards within the International Sustainability Standards Board (ISSB). As a result, governments around the world are stepping up their efforts to strengthen their sustainability reporting ecosystems to implement the new requirements. Sustainability reporting plays an important role to reallocate the enormous financial resources needed towards SDG related areas, especially in the poorest countries, as providers of financial capital are increasingly demanding non-financial information to enhance their investment decisions and reduce risk in their lending and investment activities. Therefore, ISAR has been focusing its efforts in promoting harmonization, high quality, reliability and availability of sustainability reports and it has also been working on promoting SDG reporting by companies to measure the contribution of the private sector to the 2030 Agenda and stimulate sustainable behaviors among companies.

In order to accelerate this work, UNCTAD, as the Secretariat of ISAR, has also continued fostering partnerships and collaboration with key players in the financial and sustainability reporting areas, including with the IFRS Foundation, the International Sustainability Standards Board (ISSB), the World Business Council for Sustainable Development (WBCSD), the Global Reporting Initiative (GRI), the International Federation of Accountants (IFAC), as well as with other UN entities such as the Financing for Sustainable Development Office and the Department of Statistics in UNDESA, UNEP, UN Global Compact (UNGC),

and UNRISD. Moreover, UNDESA is using the GCI as an input for business statistics for the national accounts which highlights the relevance of sustainability reporting in measuring the contribution of the private sector to the SDGs and the usefulness of the GCI. Additionally, UNGC, FAO and UNRISD have also included the GCI core SDG indicators in their extended versions of sustainability indicators.

Against this background, at its 39th Session in November 2022, ISAR called upon UNCTAD to:

- support capacity-building and the strengthening of sustainability reporting infrastructures in developing countries.
- follow developments regarding sustainability reporting in the public sector.
- conduct work on accounting and reporting for microenterprises and small and medium-sized enterprises and its role in facilitating the formalization of businesses.
- undertake research on gender equality in the accountancy profession.

The 40th session of ISAR which will take place in October 2023 will deal with these issues. It is important to stress that in order to maximize ISAR's outreach and support, it is necessary to further promote cooperation and seek synergies with other UN Agencies, international organizations and bodies in the accounting and reporting areas, including through the parallel running of ISAR 40 with the World Investment Forum which will take place from 16-20 October and where all major stakeholders in the field of sustainable finance and investment will be represented.

Key policy recommendations include to:

- Continue supporting developing countries to reinforce their national regulations, institutions and human capacity to promote high quality sustainability reporting and comparable data and assist them to implement new international requirements.
- Carry on collecting and sharing lessons learned, best practices and examples of successful approaches for high quality sustainability reporting.
- Foster collaboration and coordination at the national, regional and international levels with all key actors in sustainability reporting to ensure quality and comparability and facilitate availability of data for SDG indicator 12.6.1.
- Continue identifying key challenges and needs of developing countries in the adoption of international sustainability reporting standards and conveying these issues to the ISSB.
- Strengthen the Regional Partnerships for the promotion of sustainability reporting in Africa and Latin America and launch two further partnerships in Asia and the Gulf region.
- Carry on creating awareness and disseminating the GCI and related materials, as a capacity-building tool for reinforcing national sustainability reporting frameworks, particularly for small and medium-sized enterprises.
- Continue disseminating the accounting training manual for MSMEs with a view to improving financial literacy and facilitating access to finance.

(e) Key messages for inclusion into the Political Declaration of the September 2023 SDG Summit.

- Sustainability reporting is the basis for sustainable investment; and promoting the preparation of reliable and comparable sustainability or environmental, social and governance (ESG) reports will enable responsible investment and facilitate the mobilization of funds for SDG investment.
- Countries should start strengthening their sustainability reporting infrastructure as early as possible, taking into consideration that the national sustainability reporting infrastructure should be flexible

and dynamic to accommodate continuous updates, to allow it to respond to international developments, new sustainability reporting standards and other requirements.

- Due to the multidimensional nature of sustainability and SDG reporting, it is critical to ensure a collaborative process based on a multi-stakeholder dialogue and cooperation, including key stakeholders from the public and private sectors and civil society.