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Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its fortieth session

Held in Abu Dhabi from 17 to 19 October 2023



Contents

	<i>Page</i>
Introduction	3
I. Agreed conclusions	3
A. Review of practical implementation of and recent developments in sustainability reporting requirements	3
B. Accounting and reporting needs of microenterprises and small and medium-sized enterprises and the role of accounting and reporting in facilitating the formalization of businesses in the informal sector	4
C. Other business.....	5
II. Chair's summary	5
A. Opening plenary meeting.....	5
B. Review of practical implementation of and recent developments in sustainability reporting requirements	7
C. Accounting and reporting needs of microenterprises and small and medium-sized enterprises and the role of accounting and reporting in facilitating the formalization of businesses in the informal sector	11
D. Other business.....	14
III. Organizational matters	16
A. Election of officers	16
B. Adoption of the agenda and organization of work.....	16
C. Provisional agenda of the forty-first session.....	16
D. Adoption of the report	16
 Annexes	
I. Provisional agenda of the forty-first session	17
II. Attendance.....	18

Introduction

The fortieth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting was held from 17 to 19 October 2023 in Abu Dhabi.

I. Agreed conclusions

A. Review of practical implementation of and recent developments in sustainability reporting requirements

(Agenda item 3)

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting,

Recognizing that reliable accounting and reporting on the financial and sustainability performance of private and public sector entities is a prerequisite for informed investment decisions,

Welcoming progress towards harmonization of sustainability reporting, including through the publication of the first set of sustainability reporting standards by the International Sustainability Standards Board and the endorsement of these standards by the International Organization of Securities Commissions,

Bearing in mind the need for member States, particularly developing countries, to build the regulatory, institutional and human capacity to support the effective implementation of sustainability reporting standards,

Recalling the UNCTAD mandate in the area of international standards of accounting and reporting, as articulated in the Bridgetown Covenant,

1. *Expresses its satisfaction* with the work conducted by the UNCTAD secretariat during the intersessional period to review the practical implementation of and recent developments in sustainability reporting, as presented in the background document prepared for the session (TD/B/C.II/ISAR/105);

2. *Welcomes with appreciation* the publication of *Tackling the Sustainability Reporting Challenge: A Policy Guide* by the UNCTAD secretariat;

3. *Commends* the UNCTAD secretariat for the feedback transmitted, on behalf of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, to the International Sustainability Standards Board on its request for information on agenda priorities and for the consultative process at its basis;

4. *Calls upon* the UNCTAD secretariat to continue to monitor deliberations by the International Public Sector Accounting Standards Board on the development of sustainability reporting standards for public sector entities and to act as a channel for the views of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, as needed;

5. *Requests* the UNCTAD secretariat to continue its support to member States, particularly developing countries, on building capacity for the implementation of sustainability reporting requirements, including through technical cooperation projects, and invites donors in a position to do so to support the secretariat in this endeavour;

6. *Encourages* the UNCTAD secretariat to continue its cooperation with relevant United Nations agencies and other institutions on sustainability reporting in general and on measuring the contribution of the private sector to the achievement of the Sustainable Development Goals in particular;

7. *Commends* the UNCTAD secretariat for the support provided during the intersessional period to the regional partnerships for the promotion of sustainability

reporting in Africa and Latin America and for the series of consultations conducted to support the establishment of similar regional partnerships in Asia and in the Gulf States and other regions, including the Eurasian region;

8. *Expresses its appreciation* for the insights provided during the session by speakers from a diverse range of sustainable finance and investment stakeholder organizations due to the collocation with the World Investment Forum;

9. *Encourages* the UNCTAD secretariat to continue to seek synergies with the wider sustainable finance and investment communities.

19 October 2023

B. Accounting and reporting needs of microenterprises and small and medium-sized enterprises and the role of accounting and reporting in facilitating the formalization of businesses in the informal sector

(Agenda item 4)

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting,

Reiterating resolution 77/160 of the General Assembly of the United Nations, which recognized the importance of microenterprises and small and medium-sized enterprises for the economic growth of member States and the role of microenterprises and small and medium-sized enterprises in supporting the achievement of the Sustainable Development Goals,

Recognizing the significant progress that has been made over the past two decades towards providing microenterprises and small and medium-sized enterprises with accounting and reporting guidance proportionate to their size and the positive influence that the accounting and financial reporting guidelines for small and medium-sized enterprises issued by the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting have had in facilitating member States' efforts towards this objective,

Emphasizing the significant benefits that member States can attain by supporting the sustained formalization of microenterprises and small and medium-sized enterprises in the informal sector,

Recognizing that accounting and reporting standards can affect the formalization and successful operation of microenterprises, and that digital solutions can support Government formalization and private sector development objectives,

1. *Commends* the UNCTAD secretariat for organizing informative panel discussions on the topic and for the background document prepared for the session (TD/B/C.II/ISAR/106);

2. *Requests* the UNCTAD secretariat to continue to conduct periodic reviews on the topic with a view to facilitating the sharing of good practices among member States on issues such as the simplification of accounting and reporting requirements for microenterprises; the promotion of financial literacy for microentrepreneurs; and capacity-building in accounting and reporting, within a broader framework of government initiatives on private sector development;

3. *Requests* the UNCTAD secretariat to continue to support member States, particularly developing countries, with efforts geared towards the sustained formalization of microenterprises and small and medium-sized enterprises in the informal sector, including through technical cooperation projects, and invites donors in a position to do so to support the secretariat in this effort.

19 October 2023

C. Other business

(Agenda item 5)

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting,

Taking into consideration the recent review of the work of subsidiary bodies of the Economic and Social Council and the recommendation that subsidiary bodies dedicate special attention to targets on gender equality contained in Sustainable Development Goal 5 and other Sustainable Development Goals that fall within their purview,

Welcoming the further progress made by member States in implementing the UNCTAD Accounting Development Tool,

Recognizing the usefulness of the Accounting Development Tool in effectively assessing national regulatory, institutional and human capacity foundations for high-quality reporting, the development of action plans and capacity-building initiatives to strengthen the financial and sustainability reporting environment,

Promoting gender equality in the accountancy profession

1. *Expresses its appreciation* for the informative research conducted by the UNCTAD secretariat, exploring the current state of and recent trends in gender equality in the accountancy profession;
2. *Calls upon* the UNCTAD secretariat to continue to conduct periodic research on this topic, and to provide updates, as needed, at future sessions of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting;

Insights from recent implementation of the Accounting Development Tool

3. *Requests* the UNCTAD secretariat to continue to support member States with implementing the Accounting Development Tool and to keep track of potential improvements that could be made to it, taking into account new developments, including on sustainability reporting standards for both private and public sector entities and accounting and reporting requirements for microenterprises and small and medium-sized enterprises.

19 October 2023

II. Chair's summary

A. Opening plenary meeting

1. In his opening remarks, the Deputy Secretary-General of UNCTAD highlighted the opportunity created by the collocation of the fortieth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting with the World Investment Forum for enhancing the link between deliberations on investment policymaking, regulation and accounting and reporting on the financial and sustainability performance of private and public sector entities. He emphasized the importance of reliable and globally comparable disclosures on the financial and sustainability performance of enterprises, noting their role as catalysts of trust between Governments, investors and the public, focusing in particular on the importance of sustainability reporting as a prerequisite for sustainable investment decisions. He expressed his appreciation for the work of the Intergovernmental Working Group of Experts in fostering transparency, allowing for informed investment decisions that could funnel capital into businesses that demonstrated not only profitability but also responsibility. Finally, he noted the progress made towards harmonizing sustainability reporting frameworks and standards through several initiatives and highlighted in this regard *Tackling the Sustainability Reporting Challenge: A Policy Guide*, prepared by UNCTAD, which could help support the implementation of sustainability reporting requirements.

2. The first keynote speaker, the Secretary-General of the International Organization of Securities Commissions, noted the extensive progress made in the private sector to render financial markets more sustainable. However, certain characteristics of this activity showed that there was a need for Governments to establish the necessary environmental, social and governance-related reporting infrastructures in a manner that avoided greenwashing and included all relevant stakeholders. The Secretary-General emphasised the key role of the new International Sustainability Standards Board standards and their endorsement by the Organization, highlighting the commitment of the Organization to working with national Governments on their implementation.

3. The second keynote speaker, the Vice-Chair of the International Sustainability Standards Board, introduced the first two sustainability disclosure standards published by the Board in June 2023, which would become effective as of January 2024, and emphasized their descriptive rather than prescriptive nature. He underscored that the standards were scalable to fit different sizes of enterprises and that the built-in flexibility in implementation allowed companies to adapt gradually from qualitative to quantitative reporting. Finally, he noted the commitment of the Board to providing capacity-building in the adoption of the standards by companies, with an emphasis on the global South.

4. The third keynote speaker, the Chief Executive Officer of the European Financial Reporting Advisory Group, introduced the European sustainability reporting standards adopted in July 2023, which required information on both financial and impact materiality. She emphasized the high-level of interoperability of the standards with those of the International Sustainability Standards Board and noted that the Advisory Group was working on guidance for their application. Finally, the Chief Executive Officer detailed the future work of the Advisory Group, including on developing standards for small and medium-sized enterprises and specific sectors, such as mining and oil and gas.

High-level panel on current state of global financial and sustainability reporting frameworks, standards and codes: Prospects for further harmonization

5. The high-level panel featured experts from the following entities: International Organization for Standardization; International Organization of Supreme Audit Institutions; International Federation of Accountants; International Ethics Standards Board for Accountants; Sustainability Reporting Standards Board, Institute of Chartered Accountants of India; and International Auditing and Assurance Standards Board.

6. The first panellist noted the key role of standards in social and economic development and the need to avoid greenwashing. He emphasized that the International Organization for Standardization would collaborate in the implementation of sustainability reporting requirements and help support efforts undertaken by other organizations. In addition, he noted the relevance of the existing standards of the Organization, the experience of the Organization with conformity assessment and capacity-building and the level of recognition of these standards, for example in Africa and Europe.

7. The second panellist discussed the development initiative of the International Organization of Supreme Audit Institutions, through which it had supported 73 supreme audit institutions in conducting performance audits on preparation for the implementation of the 2030 Agenda for Sustainable Development in the public sector. She noted that the audit methodology had been updated to include impact reporting and emphasized the importance of a whole-of-government approach, to provide comprehensive reporting.

8. The third panellist highlighted the role of accountants in implementing the International Sustainability Standards Board standards as a global baseline for sustainability reporting. He noted the key role of capacity-building and that the International Federation of Accountants was developing, in cooperation with the Board, an online curriculum for the accountancy profession on the new standards issued by the Board. The panellist emphasized the importance of complementary assurance standards currently in development by the International Auditing and Assurance Standards Board and noted that a third edition of the report of the Federation on the state of play of sustainability disclosure and assurance had been issued in 2023. Finally, the panellist stated that in addressing implementation challenges related to sustainability reporting

requirements, the Federation valued the positive role of the regional partnerships established with the support of UNCTAD.

9. The fourth panellist noted the foundational role of ethics in the accountancy profession and referred to the key product of the International Ethics Standards Board for Accountants, namely, the code of ethics for professional accountants, implemented in 130 countries. She noted the current work of the Board on setting ethics standards in relation to sustainability reporting, to be finalized in 2024, aimed at complementing the International Sustainability Standards Board standards. In addition, the panellist emphasized the need for cooperation with all relevant partners, to avoid fragmentation, and welcomed a discussion with the International Organization for Standardization as the first step in this direction and indicated the value of the Intergovernmental Working Group of Experts in bringing the institutions together during the present session.

10. The fifth panellist detailed the business responsibility and sustainability reporting framework in India, which included indicators on human rights, employees and the environment. She noted forthcoming implementation steps under which many companies would be subject to reporting requirements in the next four years. In addition, the panellist noted two national awards on gender and climate action, which had received broad interest from companies.

11. The sixth panellist detailed the ongoing work of the International Auditing and Assurance Standards Board on developing an assurance standard for sustainability reporting. She noted that it was intended to be a stand-alone standard, with comprehensive coverage, and had been drafted to be reporting-framework-neutral, allowing it to be used for the assurance of sustainability reporting prepared under any reporting framework. The standard was expected to be published by end-2024, to enable countries to implement it in coordination with the International Sustainability Standards Board standards.

12. During the ensuing discussion, with regard to a query on the role of parliaments in the context of sustainability auditing by supreme audit institution, one panellist noted the benefits of constructive engagement with parliaments and other relevant stakeholders throughout the auditing process, to foster a sense of ownership, and highlighted the positive responses received by several parliaments to this approach. In response to a query from one delegate on the qualities of the accountancy profession of the future, one panellist emphasized the need to embrace new fields of expertise linked to sustainability reporting and to supply the tools to integrate them into the skill sets of accountants, while maintaining the overall precision and quality assessment level of the profession; and another panellist noted the importance of ethics as an essential consideration for the accountants and auditors of the future. One panellist noted concerns about “audit-washing” in the field of sustainability reporting, which were a key reason to establish reliable assurance standards, and stated that it was important for regulators to create effective oversight for professionals applying the standards across jurisdictions.

B. Review of practical implementation of and recent developments in sustainability reporting requirements

(Agenda item 3)

13. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting considered the “Review of practical implementation of and recent developments in sustainability reporting requirements”, as contained in document TD/B/C.II/ISAR/105.

14. Introducing the agenda item, the Head of the Investment Trends and Issues Branch of the Division on Investment and Enterprise of UNCTAD noted that since the thirty-ninth session, the UNCTAD secretariat had been following up on requests made by the Intergovernmental Working Group of Experts, including on the following: monitoring trends and critical issues; developing more training and capacity-building mechanisms; and serving as a voice for developing countries and emerging economies in the global standard-setting process on sustainability reporting, by articulating the views of the Intergovernmental Working Group of Experts. UNCTAD had launched the regional

partnerships in Africa and Latin America and partnerships were in preparation in Asia and the Gulf region. UNCTAD had improved and expanded on tools made available to member States on promoting sustainability reporting, such as guidelines, core indicators, training materials and the Accounting Development Tool. The UNCTAD secretariat would continue to consider solutions to key challenges identified by member States, in particular in relation to the financial and sustainability reporting infrastructure and capacity-building.

Panel discussions

15. Two panel discussions were held to discuss the agenda item. The first panel featured experts from the following entities: Ministry of Economy and Finance, Peru; Abu Dhabi Global Market, Financial Services Regulatory Authority; Committee for Sustainability Pronouncements, Brazil; Centre for Action on Corporate Social Responsibility, Guatemala; Accounting Advisory Services, KPMG International, Canada; Pan African Federation of Accountants; Eurasian Institute of Certified Public Accountants; and Accounting for Sustainability.

16. The first panellist presented an overview of the Governmental Accounting Forum of Latin America, launched in Chile in 2014, with the participation of 18 countries in the region. In 2023, the Forum had supported a regional study on sustainability reporting in connection with financial information published by entities in the public sector; results showed that 86 per cent of the targeted countries had adopted national plans for sustainability and 93 per cent reported on Goals-related achievements. In addition, the panellist noted the key challenges identified by the study, such as coordination issues, and highlighted recommendations on the way forward.

17. The second panellist detailed development of a sustainability reporting framework and the following nine-step methodology: define scope and set boundaries; assess applicability; adopt international standards; develop governance mechanisms; define quantitative and qualitative indicators; integrate sustainability sections in financial reports; implement policies ensuring the quality of data and information; set up a step-by-step process and implementation timeline; and establish training and capacity-building processes.

18. The third panellist shared the experience of Brazil in the implementation of sustainability reporting requirements and recent developments. She noted the four critical methodological pillars countries required to prepare to adopt International Sustainability Standards Board standards, namely, adoption; better communications; capacity-building; and application of practical solutions. The panellist emphasized that perfection was not the goal and that, in the long-term, sustainability reporting was beneficial to business.

19. The fourth panellist introduced the regional partnership for the promotion of sustainability and Goals-related reporting in Latin America, with 28 members and three observers, covering 14 countries. The partnership promoted mutual support among countries in the region in efforts to develop national strategies and policies to increase the number of high-quality sustainability reports by companies and measure the contributions of the private sector to the achievement of the Goals. The panellist shared some of the most pressing challenges faced by countries in Latin America, notably, the lack of national infrastructure for sustainability reporting; the gap between international standards and national policies and the critical need for training and capacity-building.

20. The fifth panellist shared the experience of Canada in the implementation of sustainability reporting requirements. He noted that such reporting had become a priority and was at the top of the agenda of policymakers. The panellist advised that countries could assess readiness to implement sustainability reporting requirements based on the following: capacity to report; regulatory alignment; comparison between national priorities and those of the International Sustainability Standards Board; and implications for access to capital markets. Finally, the panellist emphasized the need to support small and medium-sized enterprises and the catalytic role of the public sector in sustainability reporting.

21. The sixth panellist detailed lessons learned from recent developments in sustainability reporting requirements in Africa. She noted the importance of interoperability and the need to promote responsible investment as a priority at all levels. The panellist

stressed the particular needs of small and medium-sized enterprises and the catalytic role of the public sector in sustainability reporting. Finally, she underscored the benefits of strong regional partnerships in the dissemination of best practices.

22. The seventh panellist shared the experience of an integrated capacity-building approach taken at the regional level to strengthen national capacities in Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation. He detailed an initiative on educational and certification programmes in sustainability accounting and reporting led by the Eurasian Institute of Certified Public Accountants; train-the-trainer sessions were scheduled in 2023–2024. In addition, the panellist noted that the development of a second, advanced level of training and a certification programme for professional accountants were planned.

23. The eighth panellist detailed the work of Accounting for Sustainability, established to help ensure that twenty-first century challenges were not addressed with “twentieth century decision-making and reporting systems”. The approach of the organization was to make sustainability “business as usual”, with four focus areas in reporting, namely, governance, materiality, data collection and disclosure.

24. During the ensuing discussion, in response to capacity-building and training-related queries from a few delegates on whether, given the multidisciplinary nature of sustainability reporting, dedicated education would be required for accountants and assurance providers, whether existing curricula needed to be revised and how UNCTAD could more widely disseminate lessons learned from other countries and international best practices, one panellist noted that most of the current challenges in implementing a sustainability framework related to capacity-building since, in the current transition phase, there was general agreement on the need for sustainability reporting, but not on how to implement it. The UNCTAD secretariat elaborated on capacity-building tools developed by UNCTAD and initiatives taken to disseminate as widely as possible good practices identified at the regional and international levels. One panellist stated that developing educational materials on sustainability reporting had been confirmed as a key priority during the twenty-seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change. With regard to queries from a few delegates on key lessons learned in building partnerships, plans to expand the regional partnership in Africa to member States of the Organization for the Harmonization of Business Law in Africa and whether UNCTAD would continue to play a role in regional and international partnerships, the UNCTAD secretariat noted that UNCTAD had supported the establishment of regional partnerships in the past two years, maintained support for an ongoing cooperation framework in Africa and had held consultations on establishing regional cooperation frameworks in Asia, the Eurasian region and the Gulf region.

25. The second panel featured experts from the following entities: Federal Ministry for Economic Affairs and Climate Action, Germany; Securities and Exchange Commission, Philippines; Financial Reporting Standards Board, Mexico; Financial Centre Regulatory Authority, Qatar; Organization for Chartered and Professional Accountants, Saudi Arabia; Deloitte; Association of Certified Public Accountants, Lebanon; and Regional Partnership for the Promotion of Sustainability and Goals-Related Reporting in Africa.

26. The first panellist underscored the need for transparent and comparable data on green investment. She described the steps taken by the Government of Germany to align national standards on accounting with climate-related needs and to support other countries by developing technical assistance for key stakeholders in developing countries. The panellist highlighted that, to be successful, sustainability reporting requirements needed to remain manageable, particularly by small and medium-sized enterprises, and duplicate reporting obligations needed to be avoided. She noted the importance of implementing sustainability standards and the need to support developing countries in this regard. In this context, to build long-term collaboration with the Intergovernmental Working Group of Experts for the promotion of capacity-building in sustainability reporting, the Federal Ministry for Economic Affairs and Climate Action would fund a pilot project to be implemented by UNCTAD, to support two countries in strengthening sustainability reporting infrastructure.

27. The second panellist shared the experience of the Philippines in implementing sustainability reporting requirements. He provided an overview of the development of a sustainability reporting infrastructure since 2019 and noted that reporting in accordance with the two new International Sustainability Standards Board standards would become mandatory. The panellist emphasized the need for exchanges of best practices and the positive role of the regional partnership in the promotion of sustainability reporting in Asia. Finally, the panellist noted that small and medium-sized enterprises required capacity-building to be able to implement sustainability reporting standards, and detailed the next steps in the implementation of sustainability reporting in the Philippines, including making assurance mandatory in sustainability reports.

28. The third panellist shared the experience of Mexico in developing a sustainability reporting strategy, whereby different categories of enterprises had first been identified, namely, public interest entities and small and medium-sized enterprises. She detailed the national strategy for such enterprises and the indicators to be adopted to foster sustainability reporting by such enterprises, including sustainability metrics developed on the basis of the UNCTAD *Guidance on Core Indicators for Entity Reporting on Contribution towards Implementation of the Sustainable Development Goals*.

29. The fourth panellist shared the experience of Qatar in implementing sustainability reporting requirements, noting the results of a survey that showed that the number of firms providing social and governance-related disclosures was relatively high but that further work was required on environmental disclosures. He noted that reporting under the two new International Sustainability Standards Board standards would become mandatory as of 2024 and that, in this regard, the development and implementation of capacity-building initiatives was important. Finally, the panellist emphasized the importance of a regional partnership for Gulf States and neighbouring countries, to promote sustainability reporting.

30. The fifth panellist highlighted the role of the Organization for Chartered and Professional Accountants, Saudi Arabia, in accounting and reporting at the international level. He stated that the Organization was responsible for the official translations into Arabic of the financial reporting standards of the International Accounting Standards Board and would become the official translator of the standards of the International Sustainability Standards Board. The panellist discussed the importance of assessing the contributions of companies to the achievement of the Goals and the role of the *Guidance on Core Indicators* in facilitating reporting. Finally, he highlighted the need for capacity-building and awareness-raising, to implement sustainability reporting requirements, and noted the importance of a regional partnership for Gulf States and neighbouring countries, to provide a platform for the exchange of experiences and best practices.

31. The sixth panellist stressed the importance of a common global reporting language, since the fragmentation of standards could hinder comparability and encourage greenwashing. She emphasized the need to focus efforts on the implementation of the two new International Sustainability Standards Board standards. Finally, the panellist highlighted that the two standards could serve as global benchmarks and that further capacity-building was required, and for countries to move faster towards implementation.

32. The seventh panellist shared the experience of Lebanon in sustainability reporting and the implementation of the International Sustainability Standards Board standards. He presented a study conducted on the capacities of firms in Lebanon to implement sustainability reporting standards and on challenges faced by firms, and stressed the need for capacity-building in implementing the standards in particular and Goals-related reporting in general, noting that tracking of the contribution of firms to achieving the Goals remained limited. Finally, the panellist emphasized the importance of a regional partnership for Gulf States and neighbouring countries, to promote sustainability reporting and facilitate the exchange of experiences and best practices.

33. The eighth panellist shared the experience of the regional partnership for the promotion of sustainability and Goals-related reporting in Africa. He noted that the platform was voluntary and aimed primarily at facilitating the exchange of good practices, to progressively harmonize sustainability reporting requirements. The panellist stated that

challenges encountered in implementing sustainability reporting requirements differed among countries, and stressed the importance of working together within the partnership.

34. During the ensuing discussion, a few delegates stressed the significance of sustainability reporting guidelines for small and medium-sized enterprises and the need for capacity-building and queried whether UNCTAD would develop initiatives, such as the Accounting Development Tool, to assist countries in implementing sustainability standards, particularly for small and medium-sized enterprises. One delegate shared the experience of the Russian Federation in harmonizing sustainability reporting requirements and promoting them as recommendations. In response to queries from a few delegates on the prerequisites and steps required for countries to consider the mandatory adoption of the two new International Sustainability Standards Board standards, one panellist noted that, at present, for example, Mexico had minimal requirements but would gradually move towards more comprehensive disclosures. Another panellist emphasized the need to identify feasible metrics for firms before mandating them. With regard to a query from one delegate on the availability of tools to support the implementation of sustainability standards among the member States of the Organization for the Harmonization of Business Law in Africa, the UNCTAD secretariat indicated that UNCTAD would continue to support such implementation; in this regard, UNCTAD continued to facilitate the creation of regional partnerships to support implementation and the translation of the *Guidance on Core Indicators* and related training manuals. One delegate shared the experience of Ukraine in reforming sustainability reporting, including the development of a taxonomy and the digitalization of reporting processes. Another delegate highlighted the importance of exchanging best practices and noted the need for support from UNCTAD in the creation of a platform for collaboration in the Eurasian region. The UNCTAD secretariat noted that such a platform would focus on capacity-building and emphasized the importance of the commitment of the members to achieving the objectives. The discussions served to show the variety of approaches taken in member States in implementing sustainability reporting requirements, underscoring the need for reliable assurance standards and ethical codes and the importance of expanding the scope of materiality beyond financial considerations, with integration between financial and sustainability reporting an area requiring further work, along with the need to deal with the challenge of addressing the sustainability reporting needs of small and medium-sized enterprises and to ensure a coherent approach to capacity-building for sustainability reporting. In this context, several delegates underscored the benefits of applying the Accounting Development Tool.

C. Accounting and reporting needs of microenterprises and small and medium-sized enterprises and the role of accounting and reporting in facilitating the formalization of businesses in the informal sector

(Agenda item 4)

35. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting considered “Accounting and reporting needs of microenterprises and small and medium-sized enterprises and the role of accounting and reporting in facilitating the formalization of businesses in the informal sector”, as contained in document TD/B/C.II/ISAR/106.

36. Introducing the agenda item, the UNCTAD secretariat noted work done by the Intergovernmental Working Group of Experts to support the implementation of accounting and reporting requirements for small and medium-sized enterprises. Representatives of governmental financial institutions, professional associations and academia together played a key role in developing financial reporting policy and building professional expertise in the area of small and medium-sized enterprise accounting. The main accounting and reporting-related challenges faced by microenterprises and small and medium-sized enterprises included complex legal and accounting frameworks, the lack of human capacity and limited financing and competence.

Panel discussions

37. Two panel discussions were held to discuss the agenda item. The first panel featured experts from the following entities: Order of Chartered Accountants, Côte d'Ivoire; Committee on Microenterprises and Small and Medium-Sized Enterprises and Startups, Institute of Chartered Accountants, India; University of Western Australia; Data Prime, South Africa; and Institute for Business Accountants, South Africa.

38. The first panellist noted the difficulties faced by microenterprises and small and medium-sized enterprises, including complex legal and accounting frameworks. In addressing this issue, he highlighted the role of Governments in forming more simplified regulations and establishing efficient infrastructure, enhancing transparency and developing employment policies that promoted respect for the rights of workers.

39. The second panellist provided an overview of the challenges faced by microenterprises and small and medium-sized enterprises in India, including with regard to human resources, the lack of financing, technical issues and increasing competition. He noted that the Institute of Chartered Accountants provided a variety of services to such enterprises, including project financing, working capital management, asset management, standard operating procedures and an accounting certification course. He stressed the importance of developing a regulatory framework at the national level, with simplified accounting standards, and of raising awareness about the benefits of establishing a customized financial reporting system that addressed the needs of such enterprises.

40. The third panellist underscored that a simplified accounting and reporting framework was fundamental for the formalization of microenterprises and small and medium-sized enterprises and noted that general purpose financial statements were crucial documents in facilitating the formalization of such enterprises. He discussed a modular-approach system, beginning with cash-based financial statements with limited disclosures and moving to simplified accrual-based financial statements based on historical cost measurements, with a focus on the presentation of financial situations and economic performance. In addition, the panellist noted that legal enforcement at the start was important in the transition to formalization; the next step was the implementation of full accrual-based financial statements, with optional measurement criteria; and the digitalization of such tools was significant, since it allowed enterprises to maintain financial records in real time from any location.

41. The fourth panellist discussed the importance of financial literacy and the accounting skills gap in financial education among microenterprises and small and medium-sized enterprises. She noted the lack of a unified standard for financial education for such enterprises provided by government authorities, service companies and educational institutes and that, to improve financial literacy, it was important to consider educational delivery methods. Recent research showed that a traditional classroom environment did not provide effective results, and "just-in-time" education and the use of technology was more useful. The panellist highlighted the importance of enhancing good practices in financial management in addition to financial knowledge, and of enhancing curricula to incorporate more entrepreneurial skills. Finally, the panellist stressed the importance of improving the validity of financial literacy tests by examining the behaviours of participants and the role of financial literacy in ensuring that microenterprises and small and medium-sized enterprises maintained proper accounting records and meaningful financial statements.

42. The fifth panellist shared the experience of South Africa in providing support to the microenterprises and small and medium-sized enterprises sector. He noted that the transition from a "thinking small first" approach allowed for requirements for corporate entities to be eased and detailed the financial reporting frameworks applicable to small and medium-sized enterprises. In addition, the panellist highlighted the importance of keeping in mind the needs of microenterprises and small and medium-sized enterprises when drafting legislation and standards and noted that the Institute for Business Accountants had developed guides and circulars, as well as an online reporting platform, to support such enterprises in effectively implementing financial reporting standards.

43. During the ensuing discussion, in response to a query from one delegate on the transition to digital invoicing, one panellist noted that in Italy, as part of the adoption of

European Union requirements, a digital invoicing procedure had been introduced on an experimental basis before wider adoption. The panellists highlighted the following actions that could incentivize microenterprises and small and medium-sized enterprises to enter the formal economy: developing simplified regulations and infrastructure for financial reporting at the national level; improving financial literacy and enhancing professional skills through the implementation of training courses for such enterprises; and raising awareness of the benefits of entering the formal economy. In addition, the panellists shared good practices in Internet-based information technology platforms for such enterprises that helped facilitate the maintenance of accounting records and periodic regulatory filing, such as of taxes. In response to a query from one delegate on improving the validity of financial literacy test, one panellist stated that removing the “I don’t know” option would make a difference in scores, in particular for women, since, according to research, women were more likely to choose this response. With regard to a query from one delegate on the definition of small and medium-sized enterprises, one panellist noted the complexity of this issue and stated that definitions varied by country based on the state of the economy and type of compliance requirements, among other factors. The UNCTAD secretariat detailed the approach taken by the Intergovernmental Working Group of Experts in developing guidance material on accounting for microenterprises and small and medium-sized enterprises, namely, that a universal categorization of such enterprises did not exist and that it was more meaningful to determine such categories at the national level. In response to a query from one delegate on measures that could encourage financial reporting by companies, one panellist shared the experience of India, whereby accounting and reporting requirements for microenterprises and small and medium-sized enterprises had been successfully simplified. One delegate stressed the importance of raising awareness, conducting training programmes, sharing best practice examples of accounting and reporting and translating relevant materials into local languages. In response to a query from the UNCTAD secretariat on assurance and capacity-building in accreditation programmes, one delegate shared the experience of regulators in the Philippines in considering possibilities for accreditation for assurance providers and highlighted the importance of capacity-building, to support the accreditation process.

44. The second panel featured experts from the following entities: International Federation of Accountants; Ministry of Finance, Planning and Economic Development, Uganda; State Service for Regulation and Supervision of Financial Markets, Kyrgyzstan; and National Commission for Microenterprises and Small and Medium-Sized Enterprises, El Salvador.

45. The first panellist highlighted a number of challenges faced by small and medium-sized enterprises, including a level of bureaucracy, particularly in developing countries, that hindered such enterprises from addressing reporting requirements, as well as the lack of human and financial resources that limited the ability to prepare effective financial and sustainability reports. The panellist noted the need for more international networks and collaboration, whereby small and medium-sized enterprises could request support and guidance in addressing challenges. She stressed the importance of raising awareness among microenterprises and small and medium-sized enterprises about the benefits of becoming formal, which could facilitate access to finance, enabling further growth and development.

46. The second panellist provided an overview of the role of accounting and reporting in facilitating the formalization of informal businesses in Uganda. He noted that, despite the availability of simplified accounting and reporting standards developed for microenterprises and small and medium-sized enterprises, business owners faced difficulties in maintaining records and preparing financial statements. He stressed that the development of proportionate accounting and reporting requirements needed to be prioritized. The panellist detailed an informality management for compliance and revenue mobilization programme, aimed at facilitating the transition of small informal enterprises to medium-sized, compliant entities. UNCTAD support and capacity-building had been provided in 2022–2023 with regard to the programme. Finally, with regard to the needs of small and medium-sized enterprises in Uganda, the panellist stressed the importance of developing simplified accounting and reporting tools; raising awareness of the benefits of accounting and reporting; developing a model for transitioning small informal enterprises into more

resilient, formalized, profitable and sustainable medium-sized firms; and changing negative attitudes towards voluntary tax payments.

47. The third panellist shared the experience of Kyrgyzstan in promoting the formalization of small and medium-sized enterprises, providing an overview of the national legal framework and noting that small businesses conducted accounting in accordance with simplified rules established by the Government. He highlighted the measures implemented to formalize such enterprises, including the active interaction of the regulator with representatives of such enterprises in the development of regulatory documents on accounting and reporting and raising awareness of the implementation of International Financial Reporting Standards among small and medium-sized enterprises. The panellist stated that UNCTAD was one of the main partners providing capacity-building support and detailed the priorities in Kyrgyzstan in ensuring the systemic development of small and medium-sized enterprises, including popularizing entrepreneurship, enhancing skills among entrepreneurs in financial planning, ensuring the digitalization of licensing and reducing the administrative tax burden for such enterprises.

48. The fourth panellist discussed a system implemented in El Salvador, with support from UNCTAD, that allowed small and medium-sized enterprises to generate financial statements by completing a questionnaire once per month. He stated that the system encouraged the formalization of businesses by enabling entrepreneurs to register through a single website, eliminating the need to address requests from multiple government offices. The panellist noted that since June 2020, 12,000 businesses had been formalized through the platform and this had contributed to an increase in the number of women registering businesses.

49. During the ensuing discussion, one delegate noted support provided by UNCTAD to Kyrgyzstan in conducting an Accounting Development Tool assessment and making recommendations that facilitated the strengthening of the financial and sustainability reporting infrastructure for high-quality and internationally comparable corporate reporting; and stated that, given the need for support in this area in countries in the region, the establishment of a regional partnership could be beneficial in promoting collaboration, to enable a policy framework for sustainability reporting that would also support reporting by small and medium-sized enterprises. In response to a query from one delegate on the lack of sustainable reporting in South-Eastern Europe and an expression of concern by another delegate about the impact of translation-related constraints on the implementation of the two new International Sustainability Standards Board standards, the UNCTAD secretariat noted that UNCTAD could provide support in the formation of regional partnerships and that the *Guidance on Core Indicators* and related training materials had been translated into the official languages of the United Nations. With regard to a query from one delegate on the integration of financial and sustainability reporting, one delegate stressed the need for clarification on “integration” and for the development of relevant guidance materials for small and medium-sized enterprises. Another delegate noted the importance of aligning the International Sustainability Standards Board standards and the European standards, to develop a harmonized approach for public and private sector sustainability reporting. Finally, a few delegates stressed the importance of simplifying the accounting process through the use of information technology.

D. Other business

(Agenda item 5)

50. Introducing the agenda item, the UNCTAD secretariat presented the following issues for consideration: promoting gender equality in the accountancy profession; and insights from recent implementation of the Accounting Development Tool.

51. With regard to the first issue, the secretariat, noting that the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting had requested UNCTAD to continue its work in this area, stated that UNCTAD had conducted a study based on publicly available information on gender representation in professional accounting organizations, showing that among leadership positions, 31 per cent were women and, in the profession overall, 40 per cent were women. Geographically, there were wider gender disparities in developing

countries. Policies adopted by accountancy organizations to promote gender equity included reducing bias in the recruitment process, creating a respectful and inclusive workspace, providing career support in the return to work following maternity leave and providing visibility to women at higher levels of management.

52. The panel featured experts from the following entities: International Federation of Accountants; and Pan African Federation of Accountants.

53. The first panellist noted the importance of gathering data to understand the accountancy profession, a body of over 5.5 million professionals worldwide. He stated that the International Federation of Accountants encouraged diversity-related data collection and the promotion of related policies, detailing policies adopted by the Federation to promote diversity in the profession, including with regard to gender, such as through mandatory training on harassment and by showcasing leaders from diverse backgrounds. The panellist highlighted the effectiveness of these models in increasing the number of women in the governance structure of the Federation, which had noted the need for further work towards making accountancy an inclusive and relevant profession in order to render it a better reflection of society.

54. The second panellist noted that women remained underrepresented in the accountancy profession in many countries in Africa, citing the level of representation in the countries with the highest number of accountants overall, as follows: in South Africa, 42 per cent of accountants were women; in Kenya, 36 per cent; in Nigeria, 30 per cent; and in most other countries, the levels were lower, including a limited number of professional accountancy organizations in Africa with women chief executive officers. She detailed several initiatives launched to raise these numbers and noted the need for systematic data-gathering on gender representation; advocacy for gender equity by both men and women in the profession; and the collection and dissemination of success stories. Finally, the panellist emphasized the need to improve gender equality and representation, noting the broader benefits for society at large.

55. With regard to the second issue, the secretariat presented the latest version of the Accounting Development Tool and technical assistance activities implemented by UNCTAD in its use, including ongoing work in Belarus, Kyrgyzstan, Mexico and Zambia.

56. The panel featured experts from the following entities: Ministry of Finance, Belarus; Eurasian Institute of Certified Public Accountants; and Ministry of Finance and National Planning, Zambia.

57. The first panellist discussed activities in Belarus in the context of technical assistance provided by UNCTAD. She noted workshops conducted for relevant stakeholders, implementation of the Accounting Development Tool and recommendations provided by UNCTAD, including on conducting more activities to establish independent accounting and auditing supervisory bodies and to strengthen sustainability and Goals-related reporting.

58. The second panellist discussed activities in Kyrgyzstan in the framework of technical assistance provided by UNCTAD. She noted training among the private sector on sustainability and Goals-related reporting, implementation of the Accounting Development Tool and recommendations provided by UNCTAD, including on creating a body formally responsible for sustainability reporting among large firms. Finally, the panellist stressed the importance of openness on the side of regulators, to ensure the success of technical assistance activities.

59. The third panellist discussed the accounting and reporting infrastructure in Zambia and the implementation of an UNCTAD technical assistance project. He noted that Zambia planned to move from cash-based to accruals-based reporting and noted the usefulness of the Accounting Development Tool in assisting Zambia to assess gaps in policy and identify best practices for addressing them.

60. During the ensuing discussion, with regard to a query from one delegate on the work of UNCTAD on gender-related reporting indicators, the UNCTAD secretariat noted that sustainability indicators on gender equality formed part of capacity-building tools. In response to a query from one expert on tools available for the least developed countries to

utilize in bridging the capacity gap, the UNCTAD secretariat highlighted the Accounting Development Tool and the country-level assessments conducted on possible gaps in the legal and institutional framework, with recommendations on remedies. With regard to a query from one expert on challenges in implementing principles-based rather than rules-based standards, one panellist noted the technical assistance provided by UNCTAD in Belarus that had helped to improve the quality of reporting, and emphasized the importance of building the necessary institutional structures and improving the knowledge level of Government officials.

III. Organizational matters

A. Election of officers

(Agenda item 1)

61. At its opening plenary meeting on 17 October 2023, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting elected Mr. Sanjeev Kumar Singhal (India) as its Chair and Mr. McJill Bryant Fernandez (Philippines) as its Vice-Chair-cum-Rapporteur.

B. Adoption of the agenda and organization of work

(Agenda item 2)

62. Also at its opening plenary meeting on 17 October 2023, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting adopted the provisional agenda for the session (TD/B/C.II/ISAR/104). The agenda was thus as follows:

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. Review of practical implementation of and recent developments in sustainability reporting requirements.
4. Accounting and reporting needs of microenterprises and small and medium-sized enterprises and the role of accounting and reporting in facilitating the formalization of businesses in the informal sector.
5. Other business.
6. Provisional agenda of the forty-first session.
7. Adoption of the report.

C. Provisional agenda of the forty-first session

(Agenda item 6)

63. At its closing plenary meeting on 19 October 2023, the Intergovernmental Working Group of Experts approved the provisional agenda of the forty-first session (see annex I).

D. Adoption of the report

(Agenda item 7)

64. Also at its closing plenary meeting on 19 October 2023, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting authorized the Vice-Chair-cum-Rapporteur, under the authority of the Chair, to finalize the report on its fortieth session after the conclusion of the meeting.

Annex I

Provisional agenda of the forty-first session

(Agenda item 6)

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. Review of progress in harmonization and practical implementation of sustainability reporting, assurance and ethical considerations.
4. Integrating reporting on the financial and sustainability performance of entities: Leveraging digitalization.
5. Other business.
6. Provisional agenda of the forty-second session.
7. Adoption of the report.

Annex II

Attendance*

1. Representatives of the following States members of the Conference attended the session:

Afghanistan	Lithuania
Angola	Malawi
Antigua and Barbuda	Mali
Belarus	Malta
Cambodia	Morocco
Cameroon	Myanmar
Canada	Namibia
China	Nigeria
Colombia	North Macedonia
Côte d'Ivoire	Pakistan
Czechia	Peru
Dominican Republic	Philippines
Ecuador	Russian Federation
Egypt	South Africa
Fiji	Sweden
Gambia	Togo
Guinea-Bissau	Türkiye
Hungary	Uganda
Kenya	Ukraine
Kuwait	United States of America
Kyrgyzstan	Viet Nam
Latvia	Zambia

2. The following intergovernmental organizations were represented at the session:

Common Fund for Commodities

3. The following United Nations organs, bodies and programmes were represented at the session:

Counter-Terrorism Committee Executive Directorate
Department of Management Strategy, Policy and Compliance
Economic Commission for Africa

4. The following specialized agencies and related organizations were represented at the session:

World Bank Group

5. The following non-governmental organizations were represented at the session:

General category

International Network for Standardization of Higher Education Degrees
International Organization for Standardization
World Association for Small and Medium Enterprises

* This attendance list contains registered participants. For the list of participants, see TD/B/C.II/ISAR/INF.16.