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Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its thirty-fourth session

Held at the Palais des Nations, Geneva, from 1 to 3 November 2017

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Contents

Introduction

The thirty-fourth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting was held at the Palais des Nations in Geneva, Switzerland, from 1 to 3 November 2017.

I. Agreed conclusions

A. Enhancing comparability of sustainability reporting: Selection of core indicators for company reporting on the contribution towards the attainment of the Sustainable Development Goals

(Agenda item 3)

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

Acknowledging the fundamental role that accounting and company reporting play in realizing the ambitions of the 2030 Agenda for Sustainable Development,

Recalling the UNCTAD mandate to advance its work in the area of sustainability reporting, as enshrined in the Nairobi Maafikiano,[*]

Having reviewed the valuable contributions made by leading stakeholders in the area of sustainability, integrated and non-financial reporting,

1. *Takes note* of the UNCTAD secretariat's significant progress in company reporting on the Sustainable Development Goals and of its set of proposed core Sustainable Development Goal indicators for companies, in alignment with the Sustainable Development Goal monitoring framework of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators, as a tool to assist countries in their efforts on enhancing the role of company reporting on implementation of the Sustainable Development Goals;

2. *Requests* the UNCTAD secretariat to advance its work on core Sustainable Development Goal indicators, as part of a guiding document to be compiled during the intersessional period, in collaboration with the Consultative Group of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting;

3. *Invites* the UNCTAD secretariat to prepare case studies on best practices in entity reporting aligned with the Sustainable Development Goals;

4. *Looks forward* to the further efforts of the UNCTAD secretariat in preparing metadata guidance for indicator 12.6.1 of Sustainable Development Goal 12, number of companies publishing sustainability reports, in coordination with the United Nations Environment Programme and the Inter-Agency and Expert Group on Sustainable Development Goal Indicators.

3 November 2017

B. The role of disclosure in risk assessment and enhancing the usefulness of corporate reporting in decision-making

(Agenda item 4)

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

[*] TD/519/Add.2.

Considering that comparable, useful and reliable risk disclosures by companies provide an essential contribution to promoting an enabling investment climate, fostering well-informed decision-making processes and facilitating sound risk management,

Recognizing international trends in improving the state of company disclosure, including in the context, inter alia, of the Financial Stability Board and its Task Force on Climate-related Financial Disclosures,

1. *Expresses* its satisfaction for the breadth and depth of the discussions under the agenda item, as outlined in document TD/B/C.II/ISAR/82, prepared by the UNCTAD secretariat;

2. *Requests* the UNCTAD secretariat to continue to facilitate sharing of good practices and existing challenges in the area of risk disclosure, including its harmonization, in particular with a view to assisting developing countries and countries with economies in transition in their efforts on enhancing the role of disclosure in risk assessment and enhancing the usefulness of corporate reporting in decision-making.

Closing plenary meeting
3 November 2017

C. Other business

(Agenda item 5)

A

Accounting Development Tool implementation experiences

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

Recognizing the progress made by member States in applying the UNCTAD Accounting Development Tool,

Acknowledging the effectiveness of the Accounting Development Tool in assessing national regulatory, institutional and human capacity foundations for high-quality reporting, developing action plans and capacity-building initiatives to strengthen the enterprise reporting environment,

1. *Requests* the UNCTAD secretariat to continue updating the Accounting Development Tool based on the feedback on its use from member States and reflecting evolving good practices in the area of environmental, social and governance reporting and accounting for microenterprises and small and medium-sized enterprises;

2. *Encourages* the UNCTAD secretariat to continue its fundraising efforts to raise further awareness of the Accounting Development Tool and extend its application to additional countries.

B

Accounting and reporting by microenterprises and small and medium-sized enterprises as a means towards financial inclusion

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

Having reviewed the progress made by the UNCTAD secretariat on the implementation of a component on accounting for microenterprises and small and medium-sized enterprises of the technical assistance project, under the United Nations Development Account, entitled “Support developing country policymakers in the formulation of national entrepreneurship policies through the implementation of Entrepreneurship Policy Frameworks”,

1. *Takes note* of the critical role that accounting plays in improving the financial inclusion and financial literacy of stakeholders of microenterprises and small and medium-

sized enterprises, thus enabling them to grow, create new jobs and contribute to sustainable and inclusive growth, as highlighted in the outcomes of two regional workshops conducted successfully by the UNCTAD secretariat in Latin America and Africa during the intersessional period;

2. *Invites* the UNCTAD secretariat, subject to availability of funding, to conduct further work in assisting member States in the implementation of the recommendations identified in the regional workshops, such as regulatory, institutional and human capacity, capacity-building on accounting for microenterprises and small and medium-sized enterprises and facilitation of stakeholder coordination at the national and regional levels, including regulators, standard-setters, capital and financial services providers, and promotion agencies and associations for microenterprises and small and medium-sized enterprises.

Closing plenary meeting
3 November 2017

II. Chair’s summary

A. Opening plenary meeting

1. The Director of the UNCTAD Division on Investment and Enterprise delivered the opening address, highlighting the importance of the Sustainable Development Goals for the economic growth of member States and the contributions of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting in promoting high-quality reporting by enterprises since its establishment in 1982. The Head of the Division’s Enterprise Branch then provided an overview of the agenda items to be deliberated on during the session.

2. The opening panel discussion included presentations by five panellists: the Superintendent of Controlling of the Brazilian National Bank for Economic and Social Development; a member of the International Accounting Standards Board; the Head of the Centre for Financial Reporting Reform of the World Bank; the Deputy President of the International Federation of Accountants; and a member of the Supervisory Board, Financial Services and Markets Authority of Belgium.

3. One panellist stressed that high-quality integrated reporting, where environmental and social impacts of a firm’s actions were reported, gave enterprises the means to provide their investors and other stakeholders with a more complete view. Integrated reporting helped reduce information asymmetry for stakeholders and improved the quality of investment decision-making. As part of their risk assessment, investors were likely to look for company information in corporate social responsibility and environmental impacts reports. It was thus in the company’s interest to make information available and ensure that the intended message reached investors and other users directly, rather than through third parties, to reduce the likelihood of misinterpretation. Integrated reporting should be integrated into an enterprise’s accounting, reporting and related internal control systems from where reports could be automatically generated. As separate reporting on social and environmental indicators could be ineffective and disconnected, integration with financial reporting was better. It was also essential to apply integrated reporting for monitoring implementation of the Sustainable Development Goals. Though currently not mandatory in most jurisdictions around the world, corporate reporting on social and environmental impact was expected to become the norm in the near future.

4. Another panellist highlighted the fact that the International Financial Reporting Standards issued by the International Accounting Standards Board currently did not require companies to report on their social or environmental impact, as the focus was on standards of financial reporting. This viewpoint was highlighted by another panellist who informed participants that the World Bank was careful about asking its client countries to implement non-financial reporting standards, as they already struggled with adjusting to the demands of financial reporting standards. In many cases, developing countries and countries with

economies in transition lacked the capacity to understand the concepts underlying financial reporting and accounting requirements of the International Financial Reporting Standards. Making additional requirements and asking those countries to integrate non-financial reporting that included environmental and social indicators might be too burdensome for them at the time.

5. Some panellists agreed that financial statements should be easier to read and interpret. More information should be presented as line items in financial statements rather than as footnotes. One panellist highlighted the current consideration to revise the Practice Statement on Management Commentary of the International Accounting Standards Board with a view to facilitating integration of sustainability information in corporate reporting. One delegate raised a question regarding the value added by integrating non-financial reporting to existing reporting standards, while another delegate wanted the United Nations to take the lead on integrating non-financial data reporting worldwide.

6. Another panellist highlighted the important role “millennials” or young people (20–30 years of age) had in taking the accounting profession forward. The new generation of accountants were comfortable with information technology, especially communication, and artificial intelligence would increasingly play a role in the accounting profession. The increasing sophistication and availability of information technology would also facilitate digital reporting, and thus the profession needed to adapt its standards and reporting requirements to new technology, for example by providing guidance and education to tax preparers. One panellist shared that viewpoint, while another panellist stressed the importance of education and highlighted the differences in the ways accounting transactions and their fair value were assessed by accountants from different countries.

7. With regard to the Sustainable Development Goals and non-financial reporting, another panellist noted that large banks, insurance companies and those with more than 500 employees had to disclose non-financial information under European Union law. Requirements for Belgium included reporting on gender diversity, key performance indicators and providing data on how suppliers were respecting human rights, including use of child labour. Company stakeholders (employees, consumers and creditors), regulators, statutory auditor and corporate management (directors and accountants) needed to refer to standards such as the United Nations Global Compact, Generation 4 Sustainability Reporting Guidelines, European Union anti-corruption guidance and International Federation of Accountants when deciding on their company reporting structure. He stressed that non-financial reporting contributed to the achievement of the Sustainable Development Goals.

B. Enhancing comparability of sustainability reporting: Selection of core indicators for company reporting on the contribution towards the attainment of the Sustainable Development Goals

(Agenda item 3)

8. The UNCTAD secretariat highlighted a set of core indicators for company reporting on the contribution to the Sustainable Development Goals and presented issues for the deliberations of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting and the background note (TD/B/C.II/ISAR/81) prepared during the intersessional period of the Intergovernmental Working Group of Experts to facilitate the discussion. The note built on previous deliberations on the role of reporting in monitoring the implementation of the Sustainable Development Goals, reviewed indicator selection principles and criteria and presented some core indicators. A paper with detailed explanations of the selected indictors was also made available.

9. In the first of two panel discussions under the agenda item, panellists represented the Global Reporting Initiative, International Integrated Reporting Council, Organization for Economic Cooperation and Development, International Labour Organization and Adec Innovations.

10. Some panellists presented the Global Reporting Initiative standards and the integrated reporting approach of the International Integrated Reporting Council and

discussed their links to the Sustainable Development Goals. The Global Reporting Initiative standards represented a set of interrelated reporting standards, which enabled organizations to report on their economic, environmental and social impacts and contribution towards the Sustainable Development Goals. By focusing on multi-capitals, strategy, business model and value creation, integrated reporting could help organizations enhance their contribution to the Sustainable Development Goals through integrated thinking and use of integrated reports to communicate this.

11. One panellist presented Organization for Economic Cooperation and Development work on measuring distance to Sustainable Development Goal targets and the related issue of businesses' reporting on their contribution to well-being. Another panellist emphasized the importance of decent work for Sustainable Development Goals as well as for business's contribution to the Sustainable Development Goals. The International Labour Organization's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy set out guidance on how companies could and should contribute to sustainable development. Sustainable reporting should look at this global instrument, which covered various aspects of decent work, and adopt relevant indictors accordingly. Additional indicators on social issues should be considered, such as a wage-related indicator and indicators on work conditions.

12. Several panellists recognized that mandatory disclosure might not be feasible in some cases, improvement of corporate behaviour was an important objective and that the principles-based approach was useful. They also discussed the growing importance of data and opportunities and challenges related to digitalization.

13. In the discussions that followed, several delegates mentioned issues such as the need for clarification between concepts of sustainability reporting and Sustainable Development Goal reporting, for harmonization among existing frameworks and for supporting developing countries, as well as the essential reliability of sustainability reporting and the role of monitoring and the implications for Government and regulation.

14. Overall, the panellists and the delegates emphasized the importance of comparability of sustainability reporting and welcomed the UNCTAD secretariat's efforts in developing the set of selected core indicators. They asked UNCTAD to advance its work on facilitating the harmonization of sustainability reporting and develop guidance, and thus assist members States in their efforts to enhance the role of corporate reporting in the Sustainable Development Goal monitoring mechanism, and facilitate data aggregation, from the organizational level to the national and global levels.

15. In the second panel discussion under the agenda item, six panellists were invited to provide the perspectives of companies, the accounting profession and investors, spanning a range of preparers and users of reports on sustainability information.

16. One panellist provided insights into how company-specific materiality assessments could be conducted while taking stock of the Sustainable Development Goals and of existing sustainability reporting frameworks. The goals of improving profitability through product differentiation, minimizing environmental impact and fostering sustainable development in communities where companies operated were achievable. This required reporting on a range of sustainability indicators, including carbon dioxide-equivalent emissions, landfilled waste and intensity of use of freshwater resources.

17. Another panellist stressed the importance of international standards and guidelines of accounting and reporting, including integrated reporting, the Sustainable Development Goal compass and the recommendations of the Task Force on Climate-related Financial Disclosures launched by the Financial Stability Board. He stated that the core indicators proposed by UNCTAD could play an important role in ensuring that companies had access to appropriate, consistent and comparable metrics for sustainability reporting. Access to high-quality sustainability information produced by companies was necessary in a context of demographic change, shifting work patterns, technological disruption and new perspectives on the meaning of value creation.

18. From the perspective of accounting and other professional services firms, another panellist highlighted the emergence of new stakeholder demands in the financial services

industry, thereby calling for innovation in incorporating sustainability into company strategy and reporting. For instance, financial services could play a critical role in closing the financing gap for the Sustainable Development Goals, while the latter could represent business opportunities in products such as green bonds or climate change-related insurance. While the Sustainable Development Goals were universal and not restricted to any single industry, some companies could have more significant impacts on specific areas covered by the Goals (e.g. energy use for manufacturing companies). This called for further discussion on the way companies conducted materiality assessments.

19. In the discussions that followed, several delegates and participants raised issues such as the need for clarification between the concepts of sustainability reporting and Sustainable Development Goal reporting and for harmonization among existing frameworks, and the essential reliability of sustainability reporting and the role of monitoring for compliance and enforcement. Several delegates stressed the need to build supporting capacity in developing countries in sustainability reporting, so that their Governments could harness the private sector's contribution to sustainable development. Another delegate mentioned the need to ensure that high-level political commitments, such as the Sustainable Development Goals, were properly translated into policy and technical spheres, for instance in accounting regulation.

20. As part of efforts to ensure that companies provided high-quality information on sustainability, another panellist indicated that consumption and procurement practices could generate incentives for better reporting on environmental, social and governance matters. Financial literacy and education could foster responsible investment, consumption and production. Narrative information from companies, whether presented in reports or in other sources of information (e.g. the media), played a particularly important role in that regard. He presented research that suggested that sustainability-oriented investment indices might outperform market benchmarks, while issues related to corporate governance and ethics increasingly constituted reasons for the dismissal of company executives.

21. The next panellist stressed that integrated reporting could help break silos between financial and non-financial information at the company level, and integrate sustainability into companies' long-term strategic thinking. He described the case study of Itau Unibanco as an example drawn from the financial services industry in a developing country, and in particular the bank's efforts in financial education, transparency and risk assessment as well as social and environmental matters. The bank had devised a matrix based on the Sustainable Development Goals as part of its integrated report to provide information on value creation for all stakeholders. The matrix helped embed sustainability concerns and opportunities in the bank's data collection and decision-making processes.

22. The last panellist stated that, beyond discussions on the methodology for sustainability reporting, it was also important to consider companies' performance and concrete outcomes. The core indicators proposed by UNCTAD represented a baseline for reporting focused on basic and common reporting areas, across companies, geographies and operational contexts. UNCTAD research, involving empirical analysis of companies' existing reporting practices, served as evidence that companies often already had resources and provided reports on such core indicators. Echoing the discussion on materiality, he indicated that materiality assessments would sit beyond the existing basic threshold. He referred to a case study prepared for UNCTAD, focusing on the experience of a medium-sized company for which board engagement and a clear business case were key elements to achieve high-quality reporting on sustainability matters.

23. One delegate stressed that UNCTAD recommendations on sustainability reporting should be non-binding and accommodative of countries' different national accounting infrastructures. He noted that some of the core indicators could require additional discussion and that adopting a principles-based approach would be welcome to ensure that sustainability reporting was meaningful for all stakeholders.

24. The panellists and some delegates raised other issues including the role of internal control and assurance and of small and medium-sized enterprises in sustainability reporting, the universality of UNCTAD core indicators and the implications for regulation and policymaking.

C. The role of disclosure in risk assessment and enhancing the usefulness of corporate reporting in decision-making

(Agenda item 4)

25. In his opening remarks on the agenda item, the resource person for UNCTAD placed disclosure in the context of risk assessment and decision-making for investment. He summarized the background document (TD/B/C.II/ISAR/82), stressing the role that disclosures played in enhancing the efficiency and stability of capital markets for all stakeholders. Specific challenges existed for both users and preparers of reports on disclosures, and five panellists were invited to provide inputs on several challenges.

26. One panellist noted that financial statements included an ever-increasing amount of information, and that the sharing of best practice was important to ensure that information was reliable and meaningful to investors and other stakeholders. He stressed that there was a lack of international consistency and comparability in risk reporting. In the context of enhanced reporting, underpinned by the recommendations of the Task Force on Climate-related Financial Disclosures, materiality assessments should consider a wider range of stakeholders, while common frameworks remained elusive. Standardized language was often used in situations where reporters faced challenges in the quantification or qualification of risk, and the issue needed to be addressed.

27. Another panellist stressed that, for companies in the financial industry, there were significant discrepancies between industry-specific risk disclosure guidelines (e.g. the Basel Principles) and the International Financial Reporting Standards. He noted, among other issues, differences between the Basel Principles and International Financial Reporting Standard 9 on topics related to capital requirements and estimations of financial losses, making disclosure for banks a challenging matter. The example illustrated the industry-specific challenges in identifying the optimal level of disclosure. He stated that materiality assessments provided a way to reduce the amount of standardized language and suggested that key minimum reporting elements and risk measures could be useful. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting could encourage coordination or alignment of existing reporting standards with a view to building consensus on key minimum elements.

28. Some panellists stated that UNCTAD had a vital role to play in building consensus and fostering discussions on risk disclosure. One delegate suggested that a global regulator, which could enforce minimal standards in investment risk management, would be welcome, whereas some other delegates and panellists indicated that market participants' coordination could be more effective at determining the optimal level of disclosure for different reporting entities. Some delegates and participants noted the current degree of volatility in requirements for risk disclosure, the need to promote integrated thinking in risk assessment and recent developments in country-by-country reporting for taxation purposes.

29. Providing the perspective of rating agencies, another panellist described the continuing asymmetry of information in capital markets and the role of reporting in diminishing such asymmetry between companies and investors. He highlighted the diversity of investor profiles, which spanned different security classes, risk appetites and time horizons, with varying perspectives on company disclosures. Investors often appreciated comprehensive, transparent, comparable and consistent disclosures, which avoided standardized language. Instead of standard and predictable disclosures, he called for meaningful information on risks, and suggested the use of stress scenarios.

30. Another panellist presented the Principles for Responsible Investment initiative and its key principles, grouped around the overarching goal of responsible investments, sustainable markets and prosperous societies. She reiterated the need to reinterpret fiduciary duty in enhanced corporate reporting, where materiality assessments were expected to take into consideration a wider range of investment stakeholders. Furthermore, assurance of environmental, social and governance information remained limited and based on internal verification, hampering investors' access to high-quality information in their decision-making processes.

31. Another panellist, though, stressed that in some instances empirical research into the use of standardized language suggested that expanded risk reporting could lead to lower returns on investment. One possible interpretation was that market participants read deviations from standardized language as attempts to protect a company's board and management from specific liabilities. Further research was necessary to understand the effects of risk disclosures and management, both for preparers and users of reports. He highlighted the lack of long-term information integrating risk and strategy, which could lead to blind spots for investment stakeholders.

32. Some participants engaged in discussion about existing risk segmentation. One participant indicated that insurance companies played a relevant role in pricing short-term and long-term risk. The resource person for UNCTAD acknowledged the role of insurance companies, but indicated that it was also important for non-specialized stakeholders to be able to have meaningful understanding of company risks in making their investment decisions. Some delegates and the resource person for UNCTAD stressed that technology development had significant potential for simplifying risk assessment and interpretation.

D. Other business

(Agenda item 5)

Accounting Development Tool implementation experiences

33. The UNCTAD secretariat introduced the agenda item, underlining salient aspects of the Accounting Development Tool and that it was a multi-stakeholder, comprehensive and self-assessment tool to build capacity and improve national reporting infrastructure in a specific jurisdiction. The basis of the Accounting Development Tool – comprised of a questionnaire, quantitative model and benchmarks, all with relevant guidance – was extensive consensus-building structures, which in turn developed an action plan for capacity-building. Consensus-building resulted in a holistic approach to helping countries implement international standards for accounting and reporting, and for monitoring their implementation over time. The UNCTAD secretariat was in the process of updating the Accounting Development Tool to further align it with the Sustainable Development Goals and reflect the latest trends in environmental, social and governance reporting, as well as to address additional particularities of accounting regimes for microenterprises and small and medium-sized enterprises (MSMEs).

34. One panellist presented results of applying the Accounting Development Tool in Colombia during the intersessional period. Implementation of the Accounting Development Tool had allowed, for the first time, comprehensive collaboration between 23 different institutions in Colombia. He noted the exceptional effectiveness of the Accounting Development Tool in diagnosing gaps in national regulatory and institutional infrastructure and asked UNCTAD to continue supporting Colombia for further implementation of the post-Accounting Development Tool plan of action, mostly to improve the pillars related to human capacity and the involvement of the accounting profession in sustainability reporting. He also asked that further Accounting Development Tool updates provide an equal value of the assessment of accounting infrastructure for both listed and non-listed firms.

35. Another panellist shared the outcomes from a 2012 Accounting Development Tool pilot implementation through to a fuller exercise in 2017 in the Russian Federation. The iterative application of the Accounting Development Tool showed the relevance of securing political support to achieve progress over time, in particular with actions that required legislative changes. The main areas of progress in the last iteration were due primarily to implementation of international audit standards and in the level of awareness among the stakeholders from the initial application of the Accounting Development Tool in 2012. He outlined a few areas for further work, in particular stand-alone financial reporting, non-financial reporting, national systems of monitoring of compliance and enforcement, de jure versus de facto ethical issues, translation of standards and coordination among institutions. He made several suggestions to incorporate in the update of the Accounting Development Tool, such as simplification of the assessment procedure for the Tool's

application after a pilot case, detailing and editing of a number of questions, and providing specific questions to assess issues such as bribery, corruption and anti-money laundering as it related to accounting.

36. The next panellist outlined the journey taken by accounting and auditing stakeholders in Côte d'Ivoire between 2012, when the Accounting Development Tool was implemented, and the present. A key motivation for carrying out the work was to ensure that outside investors had confidence that financial reporting in the country was in accordance with international best practice. He also noted the importance of high-level political support for effective implementation of the Accounting Development Tool. He highlighted the complementary outcomes of the Accounting Development Tool and other assessments, such as the World Bank's Reports on the Observance of Standards and Codes, resulting in a stronger focus on legislative reforms. Accounting Development Tool implementation had underpinned greater regional cooperation and a better degree of convergence between different countries' regulatory systems, and had facilitated the possibility of accreditation of accountants in 17 countries in the region. Promotion and raising awareness of the Accounting Development Tool's benefits were important.

37. In closing the panel discussion, another panellist provided an overview of the actions taken since implementation of the Accounting Development Tool in Ukraine in 2016, in particular in legislation related to accounting and financial reporting. She underscored the importance of the Accounting Development Tool as a means of catalysing compliance with international norms and reforms. She provided a range of suggestions to improve the quality and relevance of specific questions of the Accounting Development Tool questionnaires.

Accounting and reporting by microenterprises and small and medium-sized enterprises as a means towards financial inclusion

38. The UNCTAD secretariat provided an overview of the implementation of the MSME accounting component of the technical assistance project financed by the Development Account of the United Nations, "Support developing country policymakers in the formulation of national entrepreneurship policies through the implementation of Entrepreneurship Policy Frameworks". The project had enabled the secretariat to raise awareness of policymakers on the importance of accounting and insurance as a means for financial inclusion for MSMEs. The secretariat highlighted the positive outcomes of specific capacity-building activities of the project, such as two regional workshops (in Africa and Latin America) on best policy practice and guidelines on accounting and insurance regulation for MSMEs, related recommendations and publications and technical tools on facilitation of implementation of accounting for MSMEs.

39. One panellist provided further details on the UNCTAD regional workshop in Africa. He provided an overview of the MSMEs in the economic activity of the region, and the fact that more than one third of business failures were caused by inadequate financial management, insurance and restrictions in access to finance. The African regional workshop assisted in identifying the gap between supply and demand in accounting services. While financial services providers found that they could not adequately serve MSMEs because of their low level of financial literacy and lack of financial records, for MSMEs, accounting services seemed overly complex and solely geared towards tax collection. He reported that participants at the workshop made a call to simplify accounting frameworks for MSMEs and to enhance capacity-building efforts in financial literacy to help them see that better accounting standards could facilitate long-term growth in the sector.

40. Another panellist reported on the UNCTAD Latin American regional workshop. The outcomes coincided with many themes from the African regional workshop, i.e. that MSMEs found international standards overly complex and failed to see the link with their own firms' growth. He reported that standards implementation for small and medium-sized enterprises represented several challenges in the region, including lack of technical capacity, financial resources and ability to understand that accounting information needed to be generated at a cost that did not exceed the benefits. The main recommendations from the workshop included provision of accounting tools for MSMEs, undertaking of further

research on best practices and post-implementation experiences of international accounting standards for MSMEs, and further dissemination of simpler accounting regimes for MSMEs, such as the UNCTAD Accounting and Financial Reporting Guidelines for Small and Medium-Sized Enterprises (level 3).

41. Another panellist outlined the key motivations for firms to implement international accounting standards, i.e. access to banking services and generating revenue. He noted the importance of accounting for MSMEs to separate business finance from personal finance. He called on professional accounting organizations to develop well-suited frameworks, keep working to increase levels of financial literacy and develop technological tools that allowed firms to easily build a ledger and generate reports (e.g. through digital invoice).

42. The next panellist presented a micro-accounting model for countries of the Association of Southeast Asian Nations developed by the Institute of Singapore Chartered Accountants, with a view to providing a simplified framework for MSMEs in the region. The presentation showed several key technical differences between the International Financial Reporting Standards for small and medium-sized enterprises and the micro-accounting model framework, e.g. the measurement of financial instruments, significant simplification, and definition of financial assets, liabilities and equity. She invited participants to consider the model in further efforts for simplifying accounting frameworks for microenterprises.

43. Another panellist provided an overview of the accounting regime for MSMEs in Europe. A micro-specific regime was less common, but could help address some of the obstacles facing MSMEs in their reporting. He emphasized the importance of an adequate balance between business resources management and user needs when rethinking accounting frameworks for MSMEs.

44. The UNCTAD secretariat noted that proper accounting lay at the core of catalysing entrepreneurial activity and formalization in developing countries and presented the prototype for a technological platform, under the UNCTAD Business Facilitation Programme, that allowed entrepreneurs to formalize, maintain accounting records and simulate the tax implications of a formalized business. Many MSME entrepreneurs were ready and willing to pay taxes, as long as their financial and accounting literacy was improved and reporting requirements were tailored to their specific needs and constraints.

45. One delegate noted that the Philippines was contemplating a specific framework for cooperatives. One panellist noted that cooperatives were a specific challenge due to their variability in size and purpose, with some needing to be accountable to a significantly large number of people; variability required different kinds of accounting frameworks. Another panellist also highlighted public interest user needs with respect to certain cooperatives.

46. Another delegate questioned whether reporting should be done on a cash rather than accrual basis, as that would permit a more simplified regime and serve the ultimate purpose of clarifying the firm’s cash flow position, a key factor in potential growth for an MSME. Several participants and panellists pointed out that reporting on an accrual basis was critical in generating financial statements, and thus ensuring that banks better understood the business in question.

47. Some delegates invited the UNCTAD secretariat, depending on availability of funding, to continue building the capacity of member States to implement the Accounting Development Tool and in making progress on their respective action plans, including on accounting for MSMEs. Some delegates called on UNCTAD to continue work on strengthening capacities of national and regional stakeholders to tailor reporting frameworks to MSMEs’ needs and to facilitate financial inclusion of MSMEs.

III. Organizational matters

A. Opening of the session

48. The thirty-fourth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting was opened on 1 November 2017 by Mr. Gerard Ee (Singapore), Chair of the thirty-third session.

B. Election of officers

(Agenda item 1)

49. At its opening plenary meeting, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting elected the following officers:

Chair:	Mr. David Obwaya Gichana (Kenya)
Vice-Chair-cum-Rapporteur:	Mr. Andrew Staines (United Kingdom of Great Britain and Northern Ireland)

C. Adoption of the agenda and organization of work

(Agenda item 2)

50. Also at its opening plenary meeting, 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/80). The agenda was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Enhancing comparability of sustainability reporting: Selection of core indicators for company reporting on the contribution towards the attainment of the Sustainable Development Goals
4. The role of disclosure in risk assessment and enhancing the usefulness of corporate reporting in decision-making
5. Other business
6. Provisional agenda for the thirty-fifth session
7. Adoption of the report

D. Outcome of the session

51. At its closing plenary meeting on Friday, 3 November 2017, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting adopted its agreed conclusions and agreed that the Chair would summarize the informal discussions. It also approved the provisional agenda for its thirty-fifth session (annex I).

E. Adoption of the report

(Agenda item 7)

52. 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 after the conclusion of the meeting.

Annex I

Provisional agenda for the thirty-fifth session

1. Election of officers
2. Adoption of the agenda and organization of work
3. Enhancing comparability of sustainability reporting: Selection of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals
4. Issues of practical implementation of international standards of accounting and reporting in the public and private sectors
5. Other business
6. Provisional agenda for the thirty-sixth session
7. Adoption of the report

Annex II

Attendance*

1. Representatives of the following States members of UNCTAD attended the meeting:

Albania
Algeria
Antigua and Barbuda
Argentina
Belarus
Benin
Bhutan
Brazil
Cambodia
Chile
China
Colombia
Czechia
Côte d'Ivoire
Djibouti
Egypt
Gabon
Gambia
Germany
Hungary
Japan
Kazakhstan
Kenya
Kuwait
Lesotho
Lithuania
Madagascar
Maldives
Malta
Mauritania
Morocco
Namibia
Nepal
Netherlands
Nigeria
Oman
Philippines
Qatar
Republic of Korea
Russian Federation
Saudi Arabia
Sri Lanka
Swaziland
Sweden
Togo
Tunisia
Uganda
Ukraine
United Kingdom of Great Britain and Northern Ireland
United States of America
Zambia
Zimbabwe

2. The following non-member observer State was represented at the session:

State of Palestine

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

Common Fund for Commodities
Economic Community of West African States
Organization for Economic Cooperation and Development

4. The following United Nations body was represented at the session:

United Nations Board of Auditors

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

International Labour Organization
World Bank

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

General category

Engineers of the World
Village Suisse ONG

* This list contains registered participants only. For the final list of participants, see TD/B/C.II/ISAR/INF.10.