ENABLING ACCOUNTING AND REPORTING ON THE PRIVATE SECTOR’S CONTRIBUTION TO IMPLEMENTATION OF THE SUSTAINABLE DEVELOPMENT GOALS

AIMING AT TRANSPARENCY

GLOBAL CONTEXT

The increasing pace of globalization has created a strong interdependence and connectivity among worldwide financial markets. A high-quality corporate reporting infrastructure in compliance with international standards and best practices is essential for countries to facilitate international flows of financial resources and regional economic integration, while helping to reduce corruption and mismanagement of resources. Such an infrastructure strengthens investors’ and other stakeholders’ confidence and enhances comparability, transparency, credibility and financial stability. With the adoption of the 2030 Agenda for Sustainable Development, high-quality and internationally comparable reporting plays a key role in providing data on the private sector’s contribution to the implementation of the Sustainable Development Goals. There is also a growing demand of users for sustainability and Sustainable Development Goal reporting and increasing emphasis on the integration of sustainability information into companies’ reporting cycles. In particular, Goal 12 on sustainable consumption and production in its target 12.6 explicitly encourages companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycles. Sustainable Development Goal indicator 12.6.1 requires data on the number of companies publishing sustainability reports.

The challenge for many countries, however, continues to be the adoption and effective implementation of international standards, requirements and good practices, including the new demands spurred by the 2030 Agenda, due to institutional and technical capacity gaps in their national accounting and reporting infrastructure.

To assist member States in addressing these challenges, UNCTAD, through its Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), developed the Accounting Development Tool in 2012. Updated to adapt it to the requirements of the 2030 Agenda, the tool is now known as the Accounting Development Tool for the Sustainable Development Goals. Further on, to support the implementation of the updated tool, UNCTAD also developed and published in 2018 the Guidance on Core Indicators for Entity Reporting on Contribution towards Implementation of the Sustainable Development Goals to facilitate the harmonization and comparability of data on the private sector’s contribution towards the implementation of the Goals in alignment with the Sustainable Development Goal monitoring framework, including as part of the voluntary national reviews. The reviews are reports presented by countries during the High-level Political Forum on Sustainable Development, held annually in New York, to discuss progress on the implementation of the Goals at the national level.

UNCTAD is mandated to advance its work on international standards of accounting and reporting, and to promote best practices on sustainability reporting and corporate transparency, including through the use of the Accounting Development Tool.

HOW DOES THE ACCOUNTING DEVELOPMENT TOOL WORK?

The Accounting Development Tool for the Sustainable Development Goals enables beneficiary countries to voluntarily assess their accounting infrastructure, including national institutions, regulations, human resources and processes, against international requirements for high-quality corporate reporting on financial, non-financial and environmental, social and governance issues. The tool also promotes an open and constructive dialogue among all stakeholders involved in the reporting supply chain, which is required for conducting successful accounting reforms. The tool provides a quantitative benchmark of a country’s position at a particular time. Countries can use the tool to identify gaps and priorities, and design and implement sustainable strategies and action plans towards convergence with international standards and best practices with regard to financial reporting and reporting on environmental, social and governance issues, as well as on the Sustainable Development Goals. The Accounting Development Tool methodology also allows to monitor progress in reforming accounting and reporting towards meeting requirements of international markets and the 2030 Agenda for Sustainable Development. Dynamic graphical quantitative information can be generated on strengths and weaknesses at
different levels of detail. The tool also features an Internet-based platform, currently available in English, French, Russian and Spanish, through which assessments can be conducted.

To support the use of the Accounting Development Tool for institutional and technical capacity-building in such a novel area as Sustainable Development Goal reporting by companies, since 2018, UNCTAD has provided support in a pilot application of its Sustainable Development Goal core indicators for companies, including on environmental, social and governance issues, with a view to building technical expertise and facilitating data comparability. The guidance on core indicators was implemented in 10 companies from 7 countries and enhanced stakeholder awareness and understanding of how comparability of companies’ reporting on the Sustainable Development Goals could be facilitated and could inform the voluntary national review process at the national level.

RESULTS AND IMPACTS AT A GLANCE

The impact of assessments conducted through the Accounting Development Tool is evidenced by the development and implementation by Governments of coherent national action plans and activities based on gaps and priorities identified with the help of the tool. By 2019, 17 countries, including developing countries, developed countries and countries with economies in transition, had implemented the tool. In some cases, countries had implemented it more than once, in order to obtain a quantitative assessment of progress in enacting accounting reforms, thereby showcasing the tool’s status as a relevant policymaking guidance and monitoring instrument.

Recognizing the impact of the Accounting Development Tool application, ISAR, at its thirty-sixth session in 2019, requested in its agreed conclusions that the UNCTAD secretariat continue its efforts on the implementation of the Accounting Development Tool in interested countries with a view to assisting them in strengthening their regulatory, institutional and human capacity in an integrated and comprehensive manner and with a view to achieving high-quality financial reporting, as well as reporting on environmental, social and governance issues by enterprises. It also requested awareness raising and dissemination of the Guidance on core indicators, as well as training and capacity-building in this area.

Impact of the Accounting Development Tool application has been noted by member States since its pilot application in 2013, up to the most recent projects in 2019.

“Between 2012 and 2017, three rounds of Accounting Development Tool implementation have provided the Russian Federation with a dynamic full-scope assessment of its progress on achieving a high-quality accounting environment.”
Leonid Shneydman, Head, Regulations of Accounting, Financial Reporting and Auditing, Ministry of Finance, Russian Federation, 2017

Colombia is facing the challenge of connecting private sector initiatives to national priorities, specifically with regard to the Sustainable Development Goals. The private sector requires guidance, which is provided by the Accounting Development Tool. This tool allows to link the activities of the private sector to the Sustainable Development Goals and to ensure that the regulatory and legal framework is robust.
Lucas Gómez García, Director of Follow-up and Evaluation of Public Policy, Department of National Planning, Colombia, 2019

PROGRAMME FACTS AND FIGURES
Scope: all regions
Start date: 2012
Countries assisted: 17
Ongoing or upcoming assessments: 3
Website: unctad.org/isar
Accounting Development Tool website: adt.unctad.org

Sustainable Development Goals addressed:
Directly: 12, 17
Indirectly: 3, 4, 5, 6, 7, 8, 9, 10, 13, 16

DONORS/FUNDING SOURCE (2014–2019)
China, United States Agency for International Development, Association of Chartered Certified Accountants (United Kingdom), United Nations Development Account, International Labour Organization, One United Nations funds