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**Intergovernmental Working Group of Experts on  
International  
Standards of Accounting and Reporting  
(ISAR)  
High-level Policy Dialogue on Sustainability Reporting**

21 July 2016  
Kenyatta International Convention Centre, Nairobi - Room Tsavo 3

**Statement**

Presented by

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## UNCTAD-ISAR High-Level Policy Dialogue on Sustainability Reporting

### What are the key issues in aligning the reporting frameworks with the SGD<sup>1</sup> monitoring requirements?

Quality information will be a game-changer in monitoring SDGs. This applies to both financial and non-financial information that should be reported by organizations in both public and private sector. Therefore, to efficiently produce and make available such high-quality and integrated information, the financial reporting frameworks will require to be aligned with SDG monitoring requirements.

So, what will be the key issues that will require to be considered to achieve this alignment?

Firstly, the global community, ideally led by accountancy profession, will need to identify ‘what’ will require to be disclosed in the financial statements and/ or annual reports and ‘how’ such information should be disclosed. This will require:

- *Identifying a common set of indicators that are measurable for inclusion in financial reporting framework to monitor SDGs.* In particular, it will require reviewing the indicators in SDG measurement framework to determine the relevant ones that should be included in financial reports, and also establishing a standard way to measure the indicators. The complexity of SDGs – goals and targets are interdependent and change over time - will make it difficult to find indicators that are measurable and capture results at a higher level. Although the SDG measurement framework (goals, targets, indicators) have been defined, significant number of existing indicators (more than 230) still do not have either established measurement methodology or available data. This presents a very significant challenge for the SDGs progress monitoring. Both governments, private sector and development partners will need to continue investing to establish standard ways to measure the indicators and strengthening national statistical systems and other public institutions, where much of the data will continue to be collected.
- *Develop a reporting standard/framework (that includes identified SDG indicators) for adoption in both public and private sector globally<sup>2</sup> through a consultative and coordinated approach to ensure consistency and efficiency.* The framework, to include SDG monitoring indicators, should be ascribed to by all countries and adopted based on level of accountancy profession maturity by each country. Development of the standard/framework should take into account the existing frameworks – GRI, Sustainability Reporting Standards, IR. In this regard, we advocate for (a) coordinated approach by bringing together these various initiatives to achieve consistency and avoid proliferation of competing standards and frameworks that would cause confusion in the market, (b), A consultative approach to develop the framework involving different stakeholders - credit rating agencies, investment analysts, standard setters, external auditors, preparers, regulators, citizens, CSO, and (c) agreeing on an institution that would be responsible of maintaining and revising the standard/framework [in future].

*From the WB perspective, we continue to monitor and support the initiatives on refining SDGs measurement frameworks, and monitor developments by GRI, SASB and IIRC. In fact, we are partnering with IIRC and Chartered Institute of Public Finance and Accountancy (CIPFA) to develop a **Guidance Note on Integrated Reporting in the Public Sector**. At broader lever, the WB is engaged and supporting countries to achieve SDGs.*

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<sup>1</sup> SDGs will underpin a coordinated global effort to end extreme poverty, fight inequality and injustice, and fix climate change.

<sup>2</sup> How do we align the existing sustainability or integrated reporting standards/frameworks with the SDGs measurements frameworks.

Secondly, the uneven level of maturity of accountancy profession in different countries will require to be considered. In particular, a lot of capacity building will be required for countries to be able to consistently apply the developed reporting framework and monitor SGD achievements. The World Bank Reports of the Observance of Standards and Codes – Accounting and Auditing indicates that countries are at different level of maturity: in terms of demand of accountancy services; number of accountants; standard setting, adoption, implementation and monitoring; and financial reporting. These aspects would impact the ability of the preparers to present identified SDG information in financial statements/reports, and for user to understand, analyze and use such information. Therefore, it will be important to:

- Continue to strengthen the accountancy profession (especially institutions and capacity) globally – no country should be left behind. Continue to enhance the brand of the accountancy profession in order to enhance demand for accountancy services and accountants. Strong accountancy professions will ably contribute in promoting, achieving and reporting on SDGs.
- Get the financial reporting basics right first in both public and private sector. Start with financial information and incrementally transitioning to non-financial reporting as country accountancy profession matures. The non-financial reporting could be developed in parallel with efforts to improve financial information e.g. countries that are still on cash-basis accounting may be able to develop some of the SDG indicators before they move to accrual IPSAS or local equivalent.
- Enhance a culture of accountability and transparency especially of public funds that would include reporting on the progress towards achievement of the SDGs. Continuing effort will be needed to support countries to implement public sector standards, to promote the SDGs and support efforts to measure progress Greater transparency will empower citizens with information necessary to demand accountability and on achievement of SDGs.

Thirdly, implement open and performance based budgeting in public sector [upstream pillars in public finance management]. Implementing such reforms will inculcate a performance oriented behavior in all sectors that will also result to regular reporting and monitoring performance information (non-financial information in monthly, quarterly and annual reports). An open and transparent budgeting offers opportunity for citizens to participate and express their demands – SDG related - which are included in the budget. It improves development outcomes and leads to a more efficient and effective use of public resources while building trust between citizens and their governments.

Fourthly, determine how to quality assure (audit) the SDG reported information: by Supreme Audit Institutions and Audit Firms, and the ability of legislature to exercise oversight. Audit of the information will provide credibility. Therefore, for effective audit and use SGD information in reports, reforms will be required to determine methodology to audit SDG related information, strengthen capacity of SAIs – especially to conduct audit of performance information and SDG measures, and empower legislature.

Quoting from Olivia Kirtley, President of IFAC “Knowing is not enough; we must apply. Willing is not enough, we must do”, let all work together to contribute in achievement of the SDGs and especially developing and implementing frameworks that will enhance production and issuance of quality of information required to monitor SDGs. If not us, then who. It is time for action. The accountancy profession should take a leadership role in this area: reporting.

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