Partnership Framework for Capacity Building in Developing and Emerging Economies

Introduction

Finance is the cornerstone for implementing climate and sustainability actions and a catalyst for progress on all aspects of the global climate and sustainable development agendas. One year on from the launch of the International Sustainability Standards Board (ISSB) at COP26, work is underway to establish a truly global baseline for sustainability-related financial disclosures. The ISSB recognizes that the early adoption of International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards by developing and emerging economy jurisdictions and companies has the potential to attract more investment and to boost private sector development in these countries.

The ISSB is committed to creating a globally implementable baseline that is practical, flexible, proportionate, scalable, and suitable for smaller entities. To ensure the inclusive development and widespread implementation of this truly global baseline, the participation and action by market participants, governments, regulators, and stakeholders from every country is essential.

The Paris Agreement and G20 Sustainable Finance Roadmap¹ cite the importance of undertaking capacity building activity in developing and emerging economies if we are to accelerate progress towards the 2030 Agenda². This is further reinforced by market feedback from the first ISSB standards consultation, underscoring the need for capacity building to accelerate and support high quality global adoption of the IFRS Sustainability Disclosure Standards.

International collaboration and partnerships are essential to ensure the globally implementable set of ISSB baseline standards with interoperability, transparency, and consistency across all markets. Also bearing in mind potential common but differentiated responsibilities, the IFRS Foundation is committed to addressing the needs of developing and emerging economies as well as smaller entities, many of which operate within global

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¹ RoadMap_Final14_12.pdf (g20sfwg.org)

² The 2030 Agenda is the resolution that adopted the UN Sustainable Development Goals.
supply chains – recognising the unique challenges faced by these companies and jurisdictions in applying sustainability disclosure requirements.

**Partnership Framework**

The ISSB Partnership Framework for capacity building in developing and emerging economies seeks alignment on a shared vision that widespread availability of high quality, comparable and timely information is foundational to understanding the financial risks, opportunities, and impacts associated with climate and wider sustainability topics and achieving the 2030 Agenda. This represents an important facilitator for increasing private sector financial flows to the global south.

The main purpose of the Partnership Framework and important goal of the ISSB is to drive adoption of the globally implementable baseline that is truly inclusive in nature. Successful adoption of the baseline will:

- Enhance the assessment of sustainability-related risks and opportunities allowing capital to be more efficiently allocated, bolstering risk management and financial stability;
- Support the shift in capital allocation towards more sustainable investments and the global south;
- Have the potential to lower transaction costs and/or cost of capital for more sustainable business models.
- Provide consistent, comparable, decision-useful information on corporate performance across global markets; and
- Build trust and transparency needed to foster resilient capital markets, minimising greenwashing.

The Framework will identify opportunities for Partners to directly strengthen development of, leverage and unite expertise across a broad set of international stakeholders and improve coordination at the regional and international level to enable consistency of approaches.

The multi-year Partnership Framework is being developed to focus the attention of interested stakeholders across the world and serve as a catalyst for action, beyond COP27 for the next five years.

**Our Approach**

The success of the Partnership Framework will require a coordinated approach across all stakeholders in an aligned and timely effort. To address capacity gaps in developing and emerging economies, achieve early adoption and high-quality implementation globally, the Partnership Framework will target three key interventions.

The three targeted interventions will provide:
1. **Tailored jurisdictional engagement in selected developing and emerging economies**, considering market conditions and sophistication, infrastructure, regulatory and legal alignment, language etc.

2. **Structured partnerships that leverage organisations** with specialist expertise (thematic, industry, jurisdictional) to build local expertise for standards implementation and assurance.

3. **Key initiatives and champions** across multi-stakeholder communities and jurisdictions that help translate the ISSB ambition into tangible action.

The Framework will be supported by three cross-cutting workstreams designed to:

1. **Raise awareness** of and **advocate** for adoption of the IFRS Sustainability Disclosure Standards.

2. Ensure **developing and emerging economy voices** are **well reflected** in the standard setting process, which is essential to ensure that resulting standards will be fit for purpose and adoptable by all.

3. **Level the playing field**, via the provision of a globally accessible and freely available suite of resources, evolving across the next five years based on market maturity, to educate a broad range of stakeholders, which could include resources such as e-learning and feedback sessions on the ISSB, standards overview and implementation support.

The Partnership Framework will be grounded in the principles of:

- **Collaboration**: sharing information, insights, strategies and resources across projects, organisations, and sectors, leading to increased efficiency and impact.

- **Inclusiveness**: stakeholders will have unique and characterised needs in their journey to adopting IFRS Sustainability Disclosure Standards.

- **Flexibility**: no one-size-fits-all approach to market and capacity building activity.

- **Agility**: reflecting changes in policies, technologies, and the state of transition.

- **Rigour**: all capacity building interventions will observe the high standards of the IFRS Foundation’s standard setting activities.

High quality adoption of ISSB standards will require a system-wide, needs-driven and responsive approach to capacity and market building activity. The key stakeholders the Partnership Framework seeks to target with our strategy are:

1. **Market oversight**: this stakeholder group includes regulators, policy makers and stock exchanges and will work to increase the capacity of these stakeholders to adopt and regulate the global baseline, as well as their facilitation for their market to adopt the standards.

2. **Preparers**: providing educational and implementation support to strengthen capacity for reporting entities to report against IFRS Sustainability Disclosure Standards,
even before regulatory adoption, to provide consistent, comparable, decision-useful information on sustainability risks and opportunities.

3. **Data and information users:** to better understand risks and opportunities allowing capital to flow more effectively towards resilient business models, as well as climate and sustainability goals.

4. **Academia:** to include sustainability as part of core education for all students studying business, accounting, and finance and to support the use of the standards via research.

5. **Professional bodies:** working to integrate sustainability as a core element of professional qualifications and providing existing members with education resources to continue to build capabilities.

6. **Multilateral institutions, foundations and philanthropies and bilateral development agencies:** have a significant role to play in mobilising and incentivising to ensure the IFRS Sustainability Disclosure Standards translate into private finance investment, especially in the global south.

**Timeline:**

The Partnership Framework will be a coordinated effort driven by the IFRS Foundation for a period of five years focusing on key activities in each phase:

**Phase 1: September 2022 – April 2023,** the priorities are to:

- Socialise and build founding partner support inc. key events, such as UNFCCC COP27, UNCBD COP15, World Congress of Accountants, WEF (World Economic Forum) Annual Meeting in Davos, and the World Bank / IMF Spring meetings.
- Undertake deep dive research activity and roundtables in key developing and emerging market economies to establish what would be most helpful and impactful interventions.
- Prioritise an initial list of priority jurisdictions and audiences where greatest impact can be achieved.
- Agree actions under each focus area with Partners for delivery.
- Secure resources: cash and in-kind contributions.
- Establish success criteria and evaluation framework.

**Phase 2: April – November 2023** will be an important phase for establishing the infrastructure to support levelling the playing field by producing resources available to all as the initial two IFRS Sustainability Disclosure Standards are published, and working with partners on ISSB Advocacy and information sharing. Foundational content in this phase will
include communicating how the ISSB’s work is built upon other sustainability reporting frameworks and standards such as GRI (Global Reporting Initiative), TCFD (Taskforce on Climate Related Financial Disclosures) and WEF IBC stakeholder capitalism metrics.

**Phase 3: November 2023 – 2027** – IFRS Foundation and Partners delivering coordinated targeted activities that respond to the Partnership Framework focus areas to secure high quality adoption of the ISSB global baseline.

*Timeline*

![Timeline Diagram]

**Monitoring, Learning & Evaluation**

The IFRS Foundation will report on progress on an annual basis, summarising the work undertaken by the Foundation and Partners towards progress to delivering the ambition of this Partnership Framework.

**Get involved**

For more information on the Partnership Framework or to join the community of Partners supporting the building of capacity in developing and emerging economies to adopt IFRS Sustainability Disclosure Standards please contact: Mardi McBrien, Director of Strategic Affairs, mmcbrien@ifrs.org.