

DEV/GB(2020)23
English - Or. English

13.10.20

A NEW DEAL FOR DEVELOPMENT

Laying the Foundations for a Resilient Recovery & Beyond

CO-CHAIRS SUMMARY
OF THE HIGH-LEVEL MEETING
OF THE GOVERNING BOARD
IN 2020

JT03466781

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The 6th High-Level Meeting (HLM) of the Governing Board of the OECD Development Centre (DEV) took place on 6 October 2020 virtually, under the Co-Chairmanship of Japan, Paraguay, Senegal and Spain to discuss the “A New Deal for development: Laying the foundations for a resilient recovery and beyond”. The HLM was an opportunity to reflect the perspective of developing countries and emerging economies and foster dialogue with OECD members on common concerns. DEV member countries and partner International Organisations¹ emphasised the grave impact of the COVID-19 crisis on developing countries and the risks this poses to the achievement of the SDGs and the global recovery. They underlined that the recovery, if it is to be resilient, sustainable and inclusive, it has to be global. To that effect, they stressed the need of upholding a sense of solidarity and human security and the urgency of implementing policy measures that address the immediate consequences but also the prolonged effects of the crisis and that lay the foundations for a more sustainable development model. In recalling the May 2020 [Policy Statement of the Members of the Governing Board of the OECD Development Centre](#), we, the HLM Co-Chairs, welcome the rich discussions that highlighted the following priority actions:

- **The international community needs to provide a more ambitious response to the crisis. To be resilient, the recovery must be truly global.** The response should tackle the global challenges of COVID-19 and enable countries at all levels of development to recover and rebuild. A **New Deal for Development** is needed more than ever: one that places investment for resilience and inclusion at its core and is based on **co-responsibility**.
- **Strengthening health and social protection systems, notably for the large informal workforce, should be a global priority along with the recognition of the important role of women** in confronting the pandemic and in contributing to the recovery. Developing countries are facing a squeeze in their fiscal resources and their fiscal systems should be reinforced. A strong commitment by national governments, firms and the international community is needed to finance the expansion of social protection and health systems. The costs of inaction could be much higher.
- **Given the exogenous and global nature of the crisis, measures should be designed to alleviate constraints in access to financing related to ratings and risks of moral hazard.** Implementing progressive and long-term tax reforms and stimulating financial innovation are important to ensure adequate and sustainable financing of policies targeted at reducing vulnerability and enhancing resilience. However, premature fiscal consolidation may be detrimental to the recovery. Innovative financing solutions (e.g. SDR issuance, perpetual bonds, debt monetisation, debt restructuring, etc.) could be explored. An inclusive, fair, multilateral approach for the taxation of profits where they are made, avoiding base erosion and profit shifting, and for dealing with the tax challenges from the digitalisation of the economy is key.
- **Debt sustainability will play a key role in the recovery and beyond.** The G20/Paris Club “Debt Service Suspension Initiative” (DSSI) is an important milestone for providing liquidity support albeit to a relatively limited number of eligible countries. Given the scale of the crisis, ongoing discussions for extending the DSSI beyond 2020 and encouraging the private sector to apply comparable treatment are welcome. The increase in debt to finance the response to the crisis calls for urgent efforts by the international community to design a multilateral approach for a predictable and orderly treatment of sovereign debt for countries at all levels of income.
- **Resilience of production systems is part and parcel of the recovery. Devising policies aiming at job creation through business development, and promoting production diversification and industrialisation as well as quality infrastructure in accordance with international standards** are needed to, mitigate the impact of COVID-19, strengthen economic resilience and reduce developing countries’ vulnerability to future shocks. These policies and the development and global dissemination of innovative technologies can help promote a virtuous cycle of environment and growth for a **sustainable transition to a low-carbon future**.

¹ African Union Commission, CAF, CPLP, ECLAC, ERIA, IILA, UNDP, UNIDO

- **National governments should use the crisis to rethink their national development strategies, improve the alignment and quality of their policies.** A new social pact with citizens can lay the ground for implementing much needed structural and fiscal reforms and overcome development traps and vulnerability that the COVID-19 crisis is exacerbating. By channeling resources where they are most needed – notably to reduce vulnerabilities and development traps – and greater accountability will help enhance trust by citizens and build consensus for reforms.

To conclude, we welcome the efforts of the OECD Development Centre to respond to this crisis by joining forces and building mutually beneficial partnerships with international and regional organisations and non-state actors and we lend our support to its Programme of Work and Budget 2021-22. Finally, we welcome the growing coordination within the OECD Development Cluster and its joint contribution to inform the OECD Ministerial Council Meeting on 28-29 October 2020. .