COVID Response & Private Sector: Incentives, Regulations or Systemic Reforms?
12 April, Monday, 8:00 am – 9:30 am NY-time

Organiser: Civil Society Financing for Development Group (including the Women’s Working Group on FfD)

Summary

Many insist on the (dramatic) opportunity offered by crisis to promote recovery patterns that could offer a way forward towards a more equitable and sustainable future, rather than a way back to the grim realities within which the crisis found its deep roots. However, there seems to be significant inconsistencies in the approach towards the private sector, as the appetite for systemic reforms and regulatory interventions seem to be overshadowed by an overarching inclination towards incentives, de-risking and deregulatory approaches.

The asynchrony between the claims for a better recovery and the readiness to regulate markets runs through all pillars of the FfD agenda - from tackling tax avoidance and evasion practices leading to illicit financial flows to ensuring responsible lending and private sector participation in sovereign debt restructuring processes to regulating credit rating agencies to addressing digital governance to curb the widening Digital Divide, and to ensuring the primacy of real economy strategies through public policies and investment versus the overreliance of private investors to finance sustainable development.

During this side event, speakers highlighted some of the ongoing barries to reducing inequalities within and between countries and also reflected on alternative approaches to ensure alignment of and participation by the private sector to a systemic reform agenda that can offer a truly transformative pathway to recover from COVID and tackle the challenges of socio-economic transformation of developing countries.

Mr. Rajat Bansal, Member, UN Tax Committee, spoke on tax treaties and allocation of taxing rights: “OECD model has always been tilted to capital exporting countries, providing taxing rights to the countries to which the multinational enterprises come from. Whereas the UN model tax convention is considered to be a model for negotiation between developing and developed countries and its emphasis has been to provide taxing rights to source countries/developing countries.”

“The digital divide highlighted the digital inequality that is part of the bigger picture of social, economic and environmental inequalities. (...) Digital governance should promote digital transformation.” Ms. Penny Dewi Herasati, Director for Socio-Cultural Affairs and International Organisation of Developing Countries, Ministry of Foreign Affairs, Government of Indonesia.

“The prevailing narrative calls for an agenda that heavily rests on using public money and public institutions to leverage private finance. (...) While private investors might bring additional resources that are much needed to deliver on the SDGs, it is critical to look at the broader implications of this agenda,” Maria Jose Romero, Eurodad. “Greater attention is needed to more effective and sustainable means to expand fiscal space; including meeting ODA commitments and preserving its quality, tackling tax avoidance and evasion by multinational companies, an immediate cancellation of debt payments linked to a comprehensive approach for debt crisis and resolution under the auspices of the UN. Some other concrete proposals include examining the actual developmental impacts of blended finance and PPP projects – this is key before expanding the use of these instruments even further. (...) Also promoting domestic regulation of finance and domestic measures against volatile capital flows”, says Romero.
“The big question we ask ourselves is whether the recent response to Covid-19 marks a change of course (…) or whether other features of the system such as the pitiful response to the debt crisis as an indication we haven’t broken with the traditional model.” Richard Kozul-Wright, Director of UNCTAD’s Globalization and Development Strategies Division. Kozul-Wright also pointed out the glaring inconsistencies in the narrative that is coming out of Covid-19 and what developed countries promote through their engagement on economic decision-making fora such as the WTO. Finally, he stated “We need a positive agenda that brings trade, finance, industrial development together in a more integrated manner that can genuinely deliver on the SDGs and other development goals.”

**Agenda**

**Moderator:** Bhumika Muchhala, Third World Network (TWN)

**Speakers:**

- **Ms. Penny Dewi Herasati,** Director for Socio-Cultural Affairs and International Organisation of Developing Countries, Ministry of Foreign Affairs, Government of Indonesia.

- **Mr. Rajat Bansal,** Member, UN Tax Committee. He is the Chief Commissioner of Income Tax at Ministry of Finance in India and former Competent Authority for treaty negotiations.

- **Maria Jose Romero,** Policy and Advocacy Manager, Publicly-backed private finance, European Network on Debt and Development (Eurodad)

- **Richard Kozul-Wright,** Director of UNCTAD’s Globalization and Development Strategies Division.