

## **New Delhi Leader's Declaration: Strong, Sustainable, Balanced and Inclusive Growth**

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### **State of the Global Economy and G20**

In the wake of a tentative recovery from the COVID-19 pandemic, the global economy has encountered a pronounced deceleration. As per the latest findings from the World Bank's Global Economic Prospects[1], the projected global growth rate for 2023 has plummeted to a mere 1.7 percent. Adding to the concern, emerging markets and developing economies are expected to experience a per capita income growth rate averaging 2.8% over the next two years, a decline of one percentage point from the 2019 average.[2]

The Delhi Declaration, arising from India's G20 Summit in September 2023, shines as a beacon of hope and guidance amidst challenging times. It prioritises Strong, Sustainable, Balanced, and Inclusive Growth (SSBIG)[3] through a comprehensive approach encompassing monetary, fiscal, and structural policies. This strategy aims to promote growth, reduce disparities, and maintain macroeconomic and financial stability. India's leadership in uniting developing nations and addressing Global South concerns is underscored. New Delhi's emphasis on unity, inclusivity, societal engagement, and a shared future has garnered widespread praise in press coverage and official statements.

### **Economic Deliberations and Recommendations Outlined in the Delhi Declaration**

Central Bank independence is fundamental to the document's recommendations, focusing on targeted fiscal interventions to shield vulnerable populations and supply-side policies geared towards augmenting labour supply and enhancing productivity. Moreover, it champions the increased involvement of private enterprises in the pursuit of sustainable development through the creation of inclusive Global Supply Chains (GSS) and the facilitation of foreign direct investment (FDI) in sustainable models.

In its multifaceted quest to reform multilateralism, the Declaration staunchly supports World Trade Organisation (WTO) reform. The goal is to foster a more member-driven process with a resolute focus on constructive dispute resolution. The Jaipur Call for Action is welcomed as a vital initiative for enhancing the role of micro, small, and medium-sized enterprises (MSMEs) in international trade. Furthermore, the adoption of the "G20 Generic Framework for Mapping Global Value Chains"[4] is lauded for its potential to enhance risk identification and resilience building within these chains.

Addressing the pressing issues of jobless growth, acute unemployment, and the evolving nature of work, the document endeavours to tackle skill gaps, promote decent work, and establish inclusive social protection mechanisms. It contemplates the development of an international classification of occupations by skill and qualifications to facilitate cross-country comparability. Additionally, the aim is to establish sustainably financed universal social protection coverage through multilateral and bilateral agreements.

Financial inclusion assumes a central role in the Declaration's vision. It encourages the continuous development and responsible utilisation of technological innovations, particularly innovative payment systems, to extend financial inclusion to marginalised populations. The G20 2023 Financial Inclusion Action Plan (FIAP)[5] is a roadmap to rapidly expand financial inclusion for individuals and MSMEs, especially those from vulnerable and underserved groups. Furthermore, the Declaration underscores the imperative of zero tolerance for corruption by

endorsing the three G20 High-Level Principles on strengthening law enforcement, asset recovery, and promoting integrity.

The G20's commitment to fostering a fair, sustainable, and modern international tax structure is reaffirmed. This commitment is exemplified by the pursuit of the two-pillar international tax package. Additionally, the document advocates for the swift implementation of the Crypto Asset Reporting Framework.

### **Examining the Robustness and Future Challenges of the Declaration**

In response to evolving global financial dynamics, advocacy for the creation of a global Lender of Last Resort (LOLR) to ensure unhindered access to international liquidity for financially constrained economies is crucial.<sup>[6]</sup> The existing disparities in international financial governance underscore the necessity for ongoing reforms, particularly in International Monetary Fund (IMF) governance and the establishment of a global financial safety net. While the Delhi Declaration is a clarion call for reform within the WTO, it fails to pay adequate attention to the concerning terms of IMF lending practices. Key reforming measures in this regard would include redesigning precautionary instruments for greater usability and cost-effectiveness, assigning the IMF the responsibility of monitoring capital account balances, and continuous monitoring of global liquidity flows to inform regulatory decisions.

However, the Declaration made some progress in strengthening Multilateral Development Banks (MDBs)<sup>[7]</sup> and emphasising the need for better, bigger, and more effective MDBs, which will contribute to enhancing representation and the voice of developing countries. In the Press Briefing by G20 Presidency, the establishment of the G20 independent expert group on strengthening MDBs is also mentioned, along with their recommendations for a triple agenda.<sup>[8]</sup> The G20 roadmap for implementing recommendations on the Capital Adequacy Framework of the MDBs is also endorsed. Overall, India has effectively articulated the priorities of the global South in the MDB reforms.

Further, by nature, the Declaration is an agenda document with policy recommendations that will need to be adapted to regional circumstances of each nation. India's commitment to implementing a suitable version of these policies still needs to be ironed out. Gita Gopinath, First Deputy Managing Director of the IMF in an interview, noted that major reforms will be needed to attract private investment to India.<sup>[9]</sup> Mainly, it is crucial to create an enabling environment and continue investment in public infrastructure. Further, there is a pressing need for labour market reforms and reducing red tape in opening businesses. On a different note, Gopinath also expressed global concerns about the inevitable slowdown of the Chinese economy but strongly recommended India take advantage of attracting investment and diversifying supply chains away from China.<sup>[10]</sup> However, she notes that India still needs to make further efforts to increase its share of manufacturing GDP.

India's G20 presidency has embodied its strategic posturing as a leader in the Global South. Its climate and Digital Public Infrastructure (DPI) agendas are important – DPI in particular offering a potential low-cost, software equivalent to China's 'Belt and Road' Initiative. However, presently, these initiatives remain in their infancy and lack sufficient financial and diplomatic heft to have an immediate impact.<sup>[11]</sup> Meanwhile, expanding global geopolitical fault-lines, and the caprices of India's domestic politics remain potential barriers to the country's global aspirations. Moreover, the finance track will further discuss these matters in a meeting

scheduled for Marrakesh. The Declaration, legally non-binding in nature, is yet to be discussed more thoroughly from the perspective of planning a robust implementation strategy.

The Declaration emphasised the need for data-driven growth through the Think20(T20) working group's recommendations[12], several of which have been included in the declaration. The absence of comprehensive and internationally comparable data makes it challenging to assess effectiveness and identify necessary corrections.[13] However, India's fiscal reporting practices lag behind most G20 nations, leading to a lack of essential data for shaping economic policies. New Delhi's commitment to the G20 Data Gaps Initiative, aiming to compile and share internationally comparable Government Finance Statistics (GFS) quarterly, is of utmost importance. Despite the initiation of the G20 Data Gaps Initiative nearly two decades ago, India has yet to make significant progress in this regard. Unfortunately, India still falls among the G20 countries that do not conform to GFS standards for full general government data reporting.[14] For a developing nation with immense growth potential and aspirations of becoming a leading global power, harnessing data-backed evidence for tracking development policies is imperative.

## Conclusion

The Delhi Declaration serves as a beacon of hope in the face of challenging global economic conditions. It acknowledges the fragile state of the world economy but offers a comprehensive roadmap towards SSBIG, buttressed by a comprehensive framework of policies and commitments aimed at shaping a more equitable and resilient global economic landscape. India's leadership in this endeavour has been commendable, emphasising unity and a shared future. It has positioned India as a nation with strong influence over global issues and proven capable of directing discourse at international fora. However, for India to achieve its goal of becoming a leading power, it will need to begin the mighty task of addressing pressing development concerns and implementing the Declaration thoroughly. This will represent a significant step towards a more equitable and resilient Indian economic landscape, offering optimism for the future.

## End notes

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[1] World Bank Group, "Global Prospects Report", January 2023, <https://openknowledge.worldbank.org/server/api/core/bitstreams/254aba87-dfeb-5b5c-b00a-727d04ade275/content>

[2] International Monetary Fund Blog, "Global Economy to Slow Further Amid Signs of Resilience and Chinese Reopening", January 2023, <https://www.imf.org/en/Blogs/Articles/2023/01/30/global-economy-to-slow-further-amid-signs-of-resilience-and-china-re-opening>

[3] G20 New Delhi Leader's Declaration, September 2023, 1-2 <https://www.mea.gov.in/Images/CPV/G20-New-Delhi-Leaders-Declaration.pdf>

[4] *ibid.*, 5

[5] *ibid.*, 33

[6] Anoop Singh, “The G20 Must Create a Global Financial Net”, *mint*, April 2023, <https://www.livemint.com/opinion/online-views/g20-urged-to-develop-sequenced-agenda-for-global-financial-safety-net-including-a-global-lender-of-last-resort-and-reforms-to-imf-governance-11681235495563.html>

[7] G20 New Delhi Leader’s Declaration, September 2023, 1-2 <https://www.mea.gov.in/Images/CPV/G20-New-Delhi-Leaders-Declaration.pdf>

[8] Ministry of External Affairs of India, G20 Day 1 Press Briefing, September 2023 <https://mea.gov.in/media-briefings.htm?dtl/37093/Transcript+of+Press+briefing+by+G20+Presidency+September+09+2023#>:

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[9] India Today News Desk, “India to be the third largest economy by 2027-28”, *India Today*, September 2023

<https://www.indiatoday.in/india/story/gita-gopinath-exclusive-india-will-be-third-largest-economy-by-2027-28-crypto-assets-2433813-2023-09-10>

[10] *ibid.*

[11] Dr Chietigj Bajpaee, “The G20 showcases India’s growing power. It could also expose the limits of its foreign policy”, *Chatham House*, September 2023 <https://www.chathamhouse.org/2023/09/g20-showcases-indias-growing-power-it-could-also-expose-limits-its-foreign-policy>

[12] Think 20 Working Group Outcome Document, G20, 2023 [https://www.g20.org/content/dam/gtwenty/gtwenty\\_new/document/G20\\_Trade\\_and\\_Investment\\_Ministers\\_Meeting.pdf](https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/G20_Trade_and_Investment_Ministers_Meeting.pdf)

[13] Anoop Singh, “Set the G20 pace on plugging public finance data gaps”, *mint*, 2023 <https://www.livemint.com/opinion/columns/set-the-g20-pace-on-plugging-public-finance-data-gaps-11672852531891.html>

[14] *ibid.*

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