

## Building Blocks To The Multilateral Framework : G 20 A Decade in Multilateralism – Part 3

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By the 2010 Toronto Summit, the G20 leaders had broadly developed the Building Blocks to the Multilateral Framework. At the 2009 Pittsburgh Summit, they had agreed on Policy and Macroeconomic Frameworks wherein all G20 members shared information with each other and the IMF about their policy plans and expected performance over the next 3-5 years. By the 2010 Toronto Summit, the IMF assessed the consistency of G20 members' policies with growth objectives to ensure that collective action contributed to better outcomes for all Member Countries and global rebalancing. By the 2010 Seoul Summit, specific policy commitments to help achieve the common growth objectives were identified. In the 2010 Toronto Summit, the G-20 noted that global recovery was moving at different paces in different countries, and individual countries needed to tailor their responses to their own circumstances. The Toronto Summit Communiqued said that "Those countries with serious fiscal challenges need to accelerate the pace of consolidation. This should be combined with efforts to rebalance global demand to help ensure global economic growth continues on a sustainable path". The Leaders Summit developed the G-20 Framework for Strong Sustainable and Balanced Growth. The G-20 sought to build on its achievement of addressing the global economic crisis by ensuring a full return to growth with quality jobs, to reform and strengthen financial systems and to create a strong and balanced global growth. The IMF released its assessment of scenarios for improving growth through the Mutual Assessment Process designed to enhance the synergy of country economic programs to achieve stronger growth worldwide. The G-20 Mutual Assessment Process was the mechanism through which the growth challenge was to be addressed. The G-20 Mutual Assessment Process showed that appropriate collective action could increase the global GDP by 2.5 percent over medium term, creating tens of millions of jobs and lifting tens of millions out of poverty. The G-20 Mutual Assessment Program envisaged action in 3 areas – first, fiscal consolidation in advanced economies with credible fiscal plans starting in 2011; second, economies with surpluses to boost internal demand by spending on infrastructure, social safety nets and allowing exchange rate flexibility; third, structural reforms in advanced economies – encompassing changes in labor markets that will lift growth and financial reforms on a sustainable basis. The G-20 Leaders Summit also made progress towards a comprehensive set of new standards to enhance strength and stability of the Financial Sector. A healthier and safer Financial Sector could play a significant role in government interventions to repair the financial system. The Financial Sector reform rested on four pillars – a strong regulatory framework, effective supervision of financial institutions in distress and transparent international assessment and peer review. Banks were required to hold significantly more and higher quality capital, the Financial Stability Board in consultation with IMF was to make recommendations on improved supervision, and there would be greater commitment to the IMF/ World Bank Financial Sector Assessment Program. At Toronto Summit too, the Leaders of the G-20 supported the IMF quota reforms and to deliver in parallel the other

governance reforms in line with the Pittsburgh summit commitments to enhance the IMF legitimacy and credibility. In November 2010, the Leaders of the G-20 met in Seoul, Korea in a meeting aimed at strengthening the international policy framework to help sustain the global economic recovery. The Communique said “Cohesion and cooperation defined the G-20 during the crisis. This allowed decisive policy action to help avert a second Great Depression. Now the challenge is to secure the recovery and to create the growth and jobs the world needs. We all recognize that much remains to be done, but the Seoul Action Plan is a step in the right direction.” The G20 leaders agreed that the Mutual Assessment Program should be continued and country specific commitments should be spelt out in key policy areas. Indicative guidelines were formulated to help identify large imbalances that require preventive corrective actions to be taken were to be formulated by the IMF and Financial Stability Board. Based on these guidelines the progress towards external sustainability and global consistency of national economic policies. The Fund’s modernized surveillance mandate and instruments - including new country specific spillover reports on the wider impact of systemic economic policies would support this effort. With the objective of strengthening global financial stability the G20 called upon the IMF to deepen its work on capital flow volatility. The G20 adopted the Seoul Development Consensus for Shared Growth that sets out the G20’s commitment to work in partnership and complement efforts to achieve Millennium Development Goals. The Multi-Year Action Plan on Development to make a tangible and significant difference in people’s lives, including in particular the development of infrastructure in developing countries. The G20 pressed for modernization of the IMF to better reflect the changes in the world economy. This necessitated providing greater representation to dynamic emerging markets and developing countries - China and India. Further the G20 sought to develop a multilateral approach towards tackling corruption by developing Anti Corruption Action Plans and to fight Climate Change by enhanced financing. The road G20 Multilateral Collaboration from Seoul in 2010 led to Cannes in France in 2011 and then to Los Cobos in Mexico in 2012.

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## G 20 A decade in multilateralism

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