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The Debt-Growth Agenda: Unlocking Fiscal Space for Climate Prosperity and Resilience

18 October 2025 (Saturday) | 11:00 AM to 1:00 PM (EDT)

*Conference Hall 1, International Monetary Fund Headquarters 2 (IMF HQ2),
Washington D.C., United States of America*

We meet at a time of deep transformation and high uncertainty for the global economy, a time of upsides and downsides come thick and fast.

Let me start with some good news. Global growth is stronger than six months ago we feared it would be. Many economists, although not the IMF, were predicting a recession back in April. Now we are projecting growth this year and next that is slightly higher than we forecast in April.

The world economy has proved to be resilient, but the news is not all good. The growth we have is not nearly strong enough to deliver the gains in income and jobs that we need. We expect growth through the end of next year to average 3% on an annualized basis compared with the pre-pandemic average of 3.7%. This is a challenging situation for all countries, but it is most challenging for the poorest and most vulnerable. These countries need faster growth and more and better jobs to meet the aspirations of their young populations. They need faster growth and more jobs to build resilience against the environmental shocks they face.

Many low-income countries are also burdened by high debt service costs. These are putting even more pressure on their budgets at a time when they face growing spending needs. For the middle and low-income countries, interest payments on total debt have doubled in the past 10 years from 7% of total government revenue to 8%. And the cuts to development assistance will add to the challenges in many of these countries.

So what is to be done? We propose that we step up our efforts in four areas.

First, we need stronger domestic policies to boost growth, increase revenues, and improve governance. The good policies that many countries introduced after the global financial crisis are a big reason for the resilience we have seen, but we need more of them.

My second point is to deal with debt. Countries with unsustainable debt should work hard to restore sustainability. The Global Sovereign Debt Roundtable has improved this process. But more can be done to shorten the process and improve creditor coordination and information sharing.

This brings me to my third point. We need to make international support more effective.

And finally, my fourth point, that is to maintain open trade.

Let me end by assuring you that in these uncertain times, the IMF is here for our members. We are conducting a comprehensive surveillance review with a focus on promoting resilience and growth, on strengthening our assessment of external imbalances and spillovers, and on

supporting our members' capacity to manage shocks. We are reviewing the joint IMF-World Bank Debt Sustainability Framework, scaling up support to countries undergoing restructuring, and continue to support the Global Sovereign Debt Roundtable.

We continue to embed our expertise in the macroeconomic dimensions of climate shocks into our core functions: surveillance, policy advice, and capacity development, and in the Resilience and Sustainability Trust which continues to see strong demand. And we are doing all this with a flat real budget. I don't think the Fund has ever been leaner or more efficient than we are now. And we will continue to look for ways to maximize our resources in support of our members, including the smallest and most vulnerable.

MR. BO LI

Deputy Managing Director
International Monetary Fund