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to the Board of Governors of the Fund
at the Joint Annual Discussions

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As prepared for delivery

A Story of Hope and Opportunity for the Next Generation

Introduction

Monsieur Kabbaj Conseiller du Roi, Monsieur le Premier Ministre Akhannouch, Chairman Marchenko, President Banga, Governors, Ministers, distinguished guests.

Mesdames et messieurs, bonjour. Salaam alaykum!

Let me begin by expressing my heartfelt sympathies for all those who have been affected by the recent devastating disasters—including here in Morocco—and those who suffer in wars and conflicts everywhere.

We hope for peace.

I would also like to pay tribute to our hosts—His Majesty, King Mohammed VI; the Government and the people of the Kingdom of Morocco. You have shown the world the meaning of courage and resilience—as well as your exceptional culture, hospitality, and warm hearts.

Marrakech marks the return of our Annual Meetings to the Arab world after 20 years.

And the first time in 50 years since we gathered on the African continent.

The Story of the Last 50 Years

Back in 1973 in Nairobi, our host President Kenyatta spoke of the need to find a cure for "the sickness of inflation and instability that had afflicted the world.”.

Sounds familiar, doesn't it? These challenges are all too similar today. Yet, in so many other ways, our modern world is vastly different.

It is a bigger world. There are many more people: population has more than doubled from 4 to 8 billion.

It is a richer world. Since 1973 global GDP per capita has more than doubled.

It is a more diverse world. There are many more countries, and the Fund's membership has grown from 125 in 1973 to 190 today.

There have been breathtaking advances in health, education, and technology.

Amazing developments ... but not everyone has benefited from them.

While global economic integration has helped billions of people become wealthier, healthier, and more productive—for too many, it has coincided with dislocation, poverty, and inequality.

For too many, the path of progress has been rough.

We have seen periods of turmoil: oil shocks in the 70s, the Latin American debt crisis, the Asian financial crisis, the global financial crisis.

Just in the past three years, we have seen a global pandemic, war in Europe, and a cost-of-living crisis.

The past 50 years is a story of extraordinary but disrupted progress. Also, massive shifts in the world economy. What will be the story of the next 50 years?

The Story of the Next 50 years

I don't have a crystal ball. So, as an experiment, I asked … Artificial Intelligence! What might the world look like in 2073?

Here's one prediction:

In 2073, a sustainable global economy may thrive, propelled by renewable energy and AI-driven industries. Space exploration could open economic frontiers, while enhanced global connectivity reshapes work dynamics. Digital currencies may become mainstream, replacing traditional financial systems. Revolutionary healthcare and cultural fusion might define the era, with efforts toward economic inclusivity. The vision *embraces technological progress, environmental consciousness, and a connected, equitable world. Remember, this is all speculative. Reality has a way of surprising us.*

I think it is safe to say there will be surprises!

The bigger question is how will we capture the benefits of transformation and manage the risks it will bring?

The starting point is not easy...

A Difficult Starting Point

As indicated in our World Economic Outlook a few days ago, while the world has shown tremendous resilience, the recovery from the shocks of the past few years is **slow and uneven**.

Slow, because at 3 percent, growth is currently well below the average of the two decades before the pandemic; and medium-term growth prospects also are the weakest in decades.

Uneven, because the economic "scarring" from the recent shocks is vastly different across countries—with emerging market and developing countries clearly the hardest hit.

After a long period of economic "convergence," a **dangerous divergence** between countries and regions has emerged. Made worse by fragmentation, climate change, and fragility, which has left many countries at a breaking point.

This is especially the case here on the African continent—home to the world's youngest population. Progress in closing the income gap with more advanced economies and generating job-rich growth will be vital over the next 50 years.

Writing a Better Story for the Next Fifty Years

So, in this moment of "radical uncertainty", what are the "no regrets" actions that will help us write a better story for the next 50 years?

I will place them in two groups: investment in strong economic foundations; and investment in international cooperation.

These are captured in *The Marrakech Principles* which—with the World Bank and the Government of Morocco—we announced earlier this week.

First, investment in strong economic foundations

In an environment with weak medium-term growth prospects, the right policies and reforms are essential. Here in Morocco, in the areas devasted by the earthquake, it was the buildings with strong foundations and a solid structure which sustained the shocks best.

The lesson is that—even if faced with very different economic settings—policymakers need to build strong economic foundations through sound policies.

What does that mean?

Price stability is key. It is a prerequisite for growth and it protects people, especially the poor. This means the fight against inflation remains paramount.

So is safeguarding financial stability. Clearly we are facing a higher-for-longer era, but a sharp further tightening of financial condition could hit markets, banks, and non-banks. Strong supervision is essential.

Prudent fiscal policy is more important than ever. Why? Because debt and deficits are well above pre-pandemic levels. The time has come to restore fiscal room. This means tough decisions for governments. By prioritizing spending and with credible medium-term fiscal frameworks, it can be done.

Complementing these foundational policies, transformational reforms are also key to boost medium-term growth.

Think of improved governance—helping to fight corruption. Streamlined regulation—making it easier to open and run a business. Reforms to boost trade and improve access to capital. And increasing labor force participation, especially for women.

The right package of reforms could boost output levels by up to 8 percent in four years.

The highest return of all comes from investing in people: especially education to ready the young people – including those right here in Africa – for the jobs of tomorrow.

Where will the money come from for these investments? If I had a magic wand, I would move more capital from the wealthy world—where populations are aging—to the developing world—the world of the young.

But I don't.

The good news is that domestic resource mobilization holds huge potential. Our research shows that tax reforms alone could add up to 5 percent of GDP in revenue for emerging markets—and up to 9 percent for low-income countries. The Fund is prioritizing its work in this area.

External financing, of course, remains critical. The advanced economies have a shared responsibility, as well as a shared interest, in supporting the emerging and developing countries.

This brings me to my second overarching priority: investment in global cooperation.

A story of inclusive and sustainable growth for the next 50 years is only possible if we work together--again, in the spirit of the ***Marrakech Principles***.

Climate and trade are obvious examples.

Let me highlight two other major areas for global cooperation, where the IMF is already playing an active role.

First, **debt**. More than half of low-income countries remain in or at high risk of debt distress; about a fifth of emerging economies face "default-like" spreads. The *Common Framework* is starting to deliver on debt restructurings, albeit slowly. And the more recent *Global Sovereign Debt Roundtable*--established by the Indian G20 Presidency, the IMF, and the World Bank--is bringing all relevant creditors and debtors together with promising signs.

Second, the global financial safety net—the lifeline for so many countries in their time of need. At its center stands the IMF: our role as the "insurer of the uninsured" has been prominent during the past three years.

What have we done?

Since the onset of the pandemic, we have provided about **$1 trillion** in liquidity and financing. This came via the $650 billion SDR allocation and $320 billion in lending to 96 countries, including 56 low-income nations.

How did we do this?

First, we activated our program for providing **direct debt relief to our poorest members**.

Then, we mobilized—in record time—**emergency financing** during the pandemic.

But the shocks kept coming, and our members turned to us for **full-fledged programs**.

We tailored our support to our stronger members with **precautionary credit lines** – an added buffer against shocks.

We also launched our newest instrument—the **Resilience and Sustainability Trust** (RST). For the first time in Fund history, it provides long-term, affordable resources to vulnerable low- and middle-income countries. One year after it was operationalized, we have 11 countries benefitting from RST support to help them adapt and build resilience, especially to climate change.

In addition, we have worked with our economically stronger members to channel a significant share of their SDRs to more vulnerable members. This has so far generated around $100 billion in new financing through our trust funds, especially the Poverty Reduction and Growth Trust (PRGT) and the RST.

So, the Fund has responded to recent shocks in an agile and unprecedented way. But with countries likely to face larger and more complex future crises—to continue to play its role at the center of the global financial safety net—the IMF needs to be urgently strengthened on two fronts.

First, by boosting our permanent quota resources—which will bolster our capacity to support members with lower financial buffers.

Second, by replenishing the subsidies that enable the PRGT to provide zero-interest loans to our poorest members.

At the same time, we must continue to work towards adapting our governance structure to better represent our membership and the dynamic changes in the global economy. The possibility of adding a third Chair for Africa to our Executive Board is a welcome step in the right direction.

I am hopeful the membership will support these efforts.

Conclusion: Finding the Key to The Next 50 Years

The IMF's strength is based, fundamentally, on the trust which our 190 members place in us.

The Fund's magnificent staff work tirelessly—day and night, at the office and at home—to repay that trust. I could not be more proud of them and I want to thank them.

My deepest appreciation also goes to my dear colleagues in the Management team. And to our Executive Board members who play such an important role in guiding the institution.

We draw tremendous strength from our partnership with our sister institution, the World Bank, and I want to thank Ajay and the staff of the Bank for it.

Together, we are working hard to ensure that the IMF will remain responsive and effective into the future.

I want to conclude by quoting some lines from a Malhoun poem which I saw during my visit to the Museum of JAMAA EL-FEENA Square:

« Go and contemplate the wall of Marrakech the Red
Your heart will find peace
There is then no closed door to which you will not find the key »

Our meetings here in Marrakech the Red leave me in no doubt that, together, we will unlock the door to opportunities for the next generation.

Merci. Shukran.