

Second World Summit for Social Development

High-level Round Table 1

Robert Powell

Special Representative to the United Nations
International Monetary Fund

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- It is an honor to participate on behalf of the IMF. I will focus on the guiding question on fiscal policies.
- Development is not funded by hope. It is funded by the deliberate, disciplined, and equitable mobilization of resources.
- Sound public finances are essential to safeguard macroeconomic stability and lay the foundations for sustained growth.
- But across much of the world, increases in tax capacity have slowed. Productive expenditure is being crowded out by rising debt service.
- The key to progress lies in country-led reform agendas that focus on building trust, taxing fairly, and spending wisely.
- Tax capacity is not just about revenue. It is about the state's capacity to invest in infrastructure, respond to crises, and deliver services for people—including roads, electricity, health, education and security.
- There is a tipping point of tax to GDP that—once crossed—leads to higher sustained economic growth.
- The right level of taxation will depend on each country's economic and social circumstances. But our research suggests targeting at least 11-15 percent of GDP. Below that, it is very difficult for governments to provide adequate public services.
- Unfortunately, many countries are well below this level. With greater tax revenues, the returns on public investment in human and physical capital are very high.
- And as countries progress past the taxation tipping point, higher economic growth is accompanied by better financial development, more government effectiveness, and stronger legal institutions.

- But we know that it is not easy.
- In much of the developing world, progress on improving revenue levels has stalled. And deep political resistance to tax increases remains.
- And yet, some developing countries have made great progress.
- Our research shows that low-income countries could gain as much as 7 percent of GDP over the medium to long term by raising their tax efforts to match the best-performing developing countries.
- And they can ensure those revenues are used efficiently with modern and transparent medium-term spending and reporting systems.
- To be successful, spending and revenue reforms must be part of a coherent country program. And that can often benefit from international support.
- That is why we created the **Global Public Finance Partnership**. Through this, we provide flexible and holistic capacity development support to our members—tailored to each country's needs.
- We will continue to deliver this essential capacity development in close partnership with the international community.
- Without tax capacity, there is no fiscal space. Without fiscal space, no sustainable development.
- It's not just about revenue—it's about trust, fairness, and long-term stable and enduring growth.

Thank you.