Mixed messages: IMF loans and the green transition in Argentina and Pakistan

Mixed messages: IMF loans and the green transition in Argentina and Pakistan

Published by: Recourse, Fundeps, Alternative Law Collective, Policy Research Institute for Equitable Development Private Limited.

With thanks to FARN - Fundación Ambiente y Recursos Naturales for supporting our research efforts.

September 2022.

Written by Thomas Stubbs & Alexander Kentikelenis.

For further information on the issues raised in this report please contact:
Recourse
Kraijenhoffstraat 137A
1018 RG, Amsterdam
The Netherlands

Recourse campaigns for a world where people and planet are at the heart of development. For more information, please visit www.re-course.org.

This publication may be used free of charge for the purposes of advocacy, campaigning, education, and research, provided that the source is acknowledged in full. We request that all such use be registered with us for impact assessment purposes.

Introduction

Over the past few years, the International Monetary Fund (IMF) has presented itself as a climate champion through its flagship research publications, staff policy papers, public-facing factsheets, and speeches. In doing so, it has consistently highlighted the need to discourage fossil fuel subsidies and, in 2021, recognized that many countries could face transition risks from stranded fossil fuel-based assets if the world commits to greenhouse gas reductions in line with international agreements.

The objective of this report is to present policy recommendations to shape IMF conditionality so that it can be consistent with a low greenhouse gas economic future. To this end, the report assesses the organization's progress towards its emerging climate champion role by focusing on two significant countries currently participating in IMF programs: Argentina and Pakistan. It considers two key questions in relation to these cases. First, to what extent are the IMF programs consistent with enabling these countries to transition away from dependence on fossil fuels? This question relates to whether IMF conditionality directly or implicitly compels reliance on fossil fuels for domestic energy needs and as a source of foreign exchange, as well as the extent to which IMF recommendations interact with climate adaptation objectives as set out in Nationally Determined Contributions under the Paris Agreement. Second, are such efforts aligned with a just transition that safeguards the rights and needs of the poorest in society? This question relates to longstanding debates over whether the IMF mandates premature and excessive fiscal consolidation that fails to fulfil its own mandate vis-à-vis growth, jobs, stability, and debt reduction.

This report finds that IMF lending programs affect borrower countries' capacity to facilitate a green transition and just recovery above all via fiscal policy. In Argentina, energy subsidy reductions were consistent with a transition away from dependence on fossil fuels, but the encouragement of private sector energy investment to limit reliance on energy imports and generate export earnings was not. The rights and needs of the poorest were safeguarded to some degree, as they were protected from energy subsidy reductions, and the envisaged domestic fossil fuel production may offer reprieve from high energy prices. In Pakistan, removal of tax breaks on renewable energy technologies represented a fundamental threat to the country's green transition. And while energy price increases and subsidy reductions could aid decarbonization, they were not politically or socially palatable, despite attempts to buffer the poorest households with an expansion of social support schemes.

Ultimately, the IMF's lending programs provided mixed messages in relation to green transition and just recovery goals. Energy subsidy reductions were the IMF's prime policy advice, coupled with suggestions for for redistributive measures — both policies can help bring about a just green transition. However, at the same time, encouragement of investments in fossil fuel extraction in Argentina and the removal of tax incentives for investments in renewable energy can hamper this goal. Further, IMF programs lacked a serious consideration of climate-related objectives, despite clear relevance to the IMF's package of reforms and in terms of the risks to livelihoods and the economy associated with climate change.

IMF lending, fiscal policy, and the green transition

Since the onset of the Covid-19 pandemic, the IMF has reasserted its role as the world's leading financial firefighter. It scaled up financial support to countries in need, revamped its lending instruments, and boosted global liquidity (Stubbs et al. 2021), providing an unprecedented number of loans with relatively few strings attached in acknowledgement of the scale and depth of

the pandemic-related economic crisis. The IMF also became a strong public advocate of a green transition, positioning itself at the forefront of policy debates on climate change in the run-up to the 26th UN Climate Change Conference of the Parties (COP26). It has identified mitigating and adapting to climate change as critical to macroeconomic stability, and—to this end—recently began rolling out policy measures to underpin country efforts. Up until now, these attempts primarily pertain to IMF activities in the areas of economic surveillance and technical assistance (Kentikelenis and Stubbs 2021a, 2021b; Sward et al. 2021).

What is the experience of IMF borrowers in attempting to simultaneously stabilize their economies and pursue a green transition? Low- and middle-income countries like Argentina and Pakistan commonly face major and overlapping policy dilemmas: macroeconomic and social challenges mount against a backdrop of growing climate risks. These and other nations resort to the IMF when they are facing serious economic trouble, like being unable to service external debt repayments or pay for essential imports. In exchange for IMF financial assistance, governments must agree to implement a range of policy reforms. These far-ranging policies—collectively known as conditionality—cover issues like balancing the government budget, improving debt sustainability, replenishing foreign exchange reserves, privatizing state-owned enterprises, and deregulating economic activities. The introduction of these reforms is phased throughout the duration of a lending program, often lasting between one and four years, with successful implementation unlocking access to subsequent loan payments (see Appendix 1 for the types of conditions included in IMF programs). From the perspective of low- and middle-income country publics, IMF conditionality is often viewed as an illegitimate imposition because financial resources are made contingent on ideological and politicized goals of advanced Western shareholders (Bretton Woods Project 2022), and because it frequently deepens pre-existing economic problems (Ban 2016; Tamale 2021), resulting in a series of negative human rights implications (Munevar 2020; Stubbs and Kentikelenis 2018; UNGA 2019).

IMF conditionality affects all aspects of borrowing countries' economies, above all via fiscal policy. 'Fiscal consolidation' or 'austerity'—shorthand for the mix of public spending cuts and revenue increases forming the staple response to past crises—has been the default policy recommendation attached to IMF loans (Babb and Kentikelenis 2021; Ortiz and Cummins 2019; Ortiz and Stubbs 2022). In relation to a green transition, this can mean cuts in subsidies to industries, including in domestic coal production and fossil fuel extraction for export. But it can also mean a reduction in fiscal space that would enable public investment—the prerequisite to transition away from unsustainable greenhouse gas emissions and fulfil commitments made in Nationally Determined Contributions. Evidence from IMF (2022f) fiscal projections for 2023—presented in Figure 1—already shows the organization is recommending austerity in 54 low- and middle-income countries. These fiscal responses make a green transformation and just transition unlikely.

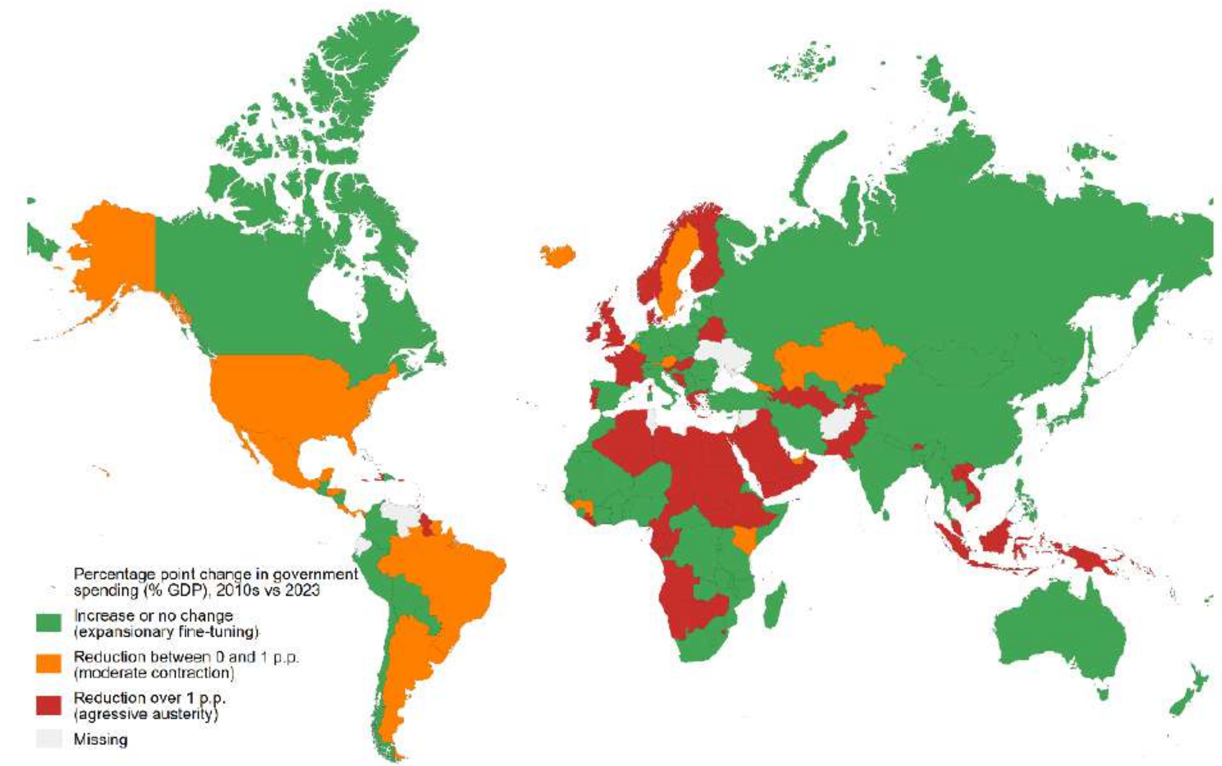

Figure 1. Government expenditure changes as a share of GDP, 2010s vs 2023

This dire fiscal outlook, combined with the scaled-up IMF involvement in low- and middle-income countries through its lending programs, begs important questions about the future of climate change adaptation and mitigation. As noted above, the IMF has a key role to play in facilitating the green transition, and its role as the world's lender of last resort provides the organization with unique power over its borrowers' policy choices. The view from the IMF's top seems to hold promise. As IMF Managing Director Kristalina Georgieva noted, "we embrace the transition to the new climate economy—one that is low carbon and climate resilient, that helps fight the causes of climate change and adapt to its consequences" (Georgieva 2021). This recognition of the central importance of a green transition builds on developments within the IMF prior to the pandemic. Over the last few years, IMF leadership positioned the organization as a champion of meeting Sustainable Development Goals, evidenced by initiatives to promote environmental sustainability, enhance engagement in social spending, and cultivate resilient regulatory and institutional frameworks (IMF 2018c, 2019d, 2019b; Kentikelenis, Stubbs, and Reinsberg 2022).

These large-scale ambitions have implications for the IMF's lending operations. Indeed, the organization's own 2018 review of program design identified gaps in conditionality related to climate change issues (IMF 2019a). But how green transition objectives can be embedded in conditionality remains unaddressed. In practice, the key policy that has been promoted in recent lending programs has sought to alter energy consumption patterns, rather than the behaviour of private investors. Most commonly, this has taken the form of policy reforms requiring the removal of energy subsidies provided by a government to households and/or businesses. From the perspective of the IMF, this type of policy has two key benefits: it reduces government expenditure, thereby contributing to alleviating budgetary problems; and it

prompts the population and corporations to reduce fuel consumption and use cleaner energy sources, thereby limiting greenhouse gas emissions (Parry, Black, and Vernon 2021).

These types of policies represent steps in the direction of a green transition, but they are far from comprehensive. What is missing from this approach is a fuller appreciation of different types of macroeconomic risks posed by climate change, and a streamlined approach towards aiding countries to address them. This would relate to the three key 'macro-critical' risks stemming from climate change: physical risks linked to the macroeconomic and fiscal impact of natural hazards, transition risks linked to the emergence of 'stranded assets' (i.e., assets that lose their market value due to decarbonization efforts), and spillover transition risks that capture the macroeconomic impact of climate policies in the Global North on countries in the Global South (e.g., the introduction of carbon taxes at the border for imported goods whose price does not capture their associate carbon emissions) (Gallagher, Gao, et al. 2021; Gallagher, Ramos, et al. 2021; Ramos et al. 2021; Volz et al. 2021; Volz and Ahmed 2020).

Engaging with these types of risks would not only entail more comprehensive analyses and recommendations by the IMF (currently done in a somewhat haphazard fashion for individual countries), but also considering the borrowing countries' own priorities. These are described in the Nationally Determined Contributions documents that are drafted by countries in compliance with the Paris Agreement to set out their targets and policies on climate change adaptation and mitigation. Already, other international financial institutions have embarked on a process of becoming 'Paris-aligned' in their lending portfolios, especially vis-a-vis project lending—such as that undertaken by the Asian Development Bank, Inter-American Development Bank, and World Bank. While the IMF does not provide that kind of investment financing, its lending operations nonetheless have a direct impact on the environment and countries' ability to fulfil their Nationally Determined Contributions. Climate change also has profound implications for the ability of the IMF to meet its own mandate of ensuring macroeconomic stability.

A just transition in the context of economic adjustment?

The high-level interest in positioning the IMF as a champion in the fight against climate change intersects with the organization's narrative on combatting income inequality and avoiding a 'divergent recovery' from the pandemic (Gopinath 2021), where some countries steam ahead and others fall further behind. To achieve this, new perspectives on economic management were introduced to supplement the traditional focus on fiscal and macroeconomic targets: from increasing taxes on wealthier individuals and corporations to scaling up social investments in health, education, infrastructure, and basic services (Sandbu 2021). While these are important steps, they point to the extensive efforts that are still necessary to ensure the IMF lives up to its own ambitions on facilitating a just transition.

In this context, tensions may occur between the green transition objectives (i.e., primarily meeting the terms of the Paris Agreement) and a just recovery in terms of reducing inequalities and strengthening social protection systems. The starkest example of such tensions is the case of energy subsidies. The IMF has long advocated for the removal of such subsidies because they do not expose consumers and businesses to the true cost of carbon, thereby leading to excessive use, and because they have adverse distributional implications, as richer households and corporations benefit more from them. However, while it is true that the bulk of these subsidies tend to benefit

middle-class or wealthy individuals, they still have the potential to make a real impact on the lives of the poor, who commonly spend a high proportion of their income on energy (IMF 2020b).

To address these issues, the IMF advises governments to couple the removal of energy subsidies with well-targeted social assistance programs to cater to the needs of those most adversely affected. At first encounter, this approach appears to carry obvious economic benefits, as it simultaneously reduces public subsidies to polluting industries and redistributes some of these savings to those in need. However, two problems may emerge. First, appropriately identifying the groups to be targeted by social assistance programs entails difficult and expensive administrative procedures. Comparative experience suggests that bureaucratic attempts at targeting tend to lead to the exclusion of many credible potential beneficiaries due to excessively stringent eligibility criteria or administrative hurdles (Mkandawire 2005). Second, the removal of energy subsidies can generate domestic resistance from carbon-intensive energy-producing firms, workers, and regions, which hampers the ability of governments to implement green transition policies (IMF 2019c). For example, in Ecuador successive governments attempted to remove fuel subsidies following IMF guidance, only to reverse course following widespread protests (Kueffner 2021; Valencia 2019). Opinion surveys also suggest that poorer households are less likely to favour protecting the environment over boosting economic growth. This is because they are more likely to experience losses in income as they tend to rely on employment in carbon-intensive sectors like manufacturing, transportation, and energy, and are also more likely to be hurt by higher energy prices, as they spend a relatively larger share of their income on energy-intensive goods, such as electricity and heating (IMF 2020b).
These arguments are not to defend the use of energy subsidies, but to point to potential short-run trade-offs between climate policies and inequality reduction. Consequently, a narrow green transition focus of IMF programs that is not sensitive to concerns about inequality and social cohesion can be short-sighted: it fails to adequately factor in political economy considerations by alienating potential supporters, disproportionately hurting the poor and contributing to political upheavals. To complicate matters further, these trade-offs are nested within a matrix of unpalatable economic policy decisions that countries requiring IMF assistance are facing given their macroeconomic problems, which necessitate recourse to the IMF in the first place. These decisions commonly entail sharp reductions in public spending, as discussed above, and extensive so-called structural reforms, which typically have adverse effects on inequality and the environment (Forster et al. 2019; Shandra, Shircliff, and London 2011).

What does recent experience suggest?

To what extent are IMF programs consistent with enabling countries to transition away from dependence on fossil fuels? Are such efforts aligned with a just transition that safeguards the rights and needs of the poorest in society? To generate fine-grained evidence on these questions, we analysed ongoing IMF programs in two countries: Argentina and Pakistan. Both countries are among the top 30 for global greenhouse gas emissions and therefore represent critically important cases in the array of different IMF lending programs. They are important not only as tests for whether the IMF is fulfilling its rhetoric on climate, but also have complex trade-offs relating to reform of their energy sectors and adequate protection of the needs of the most vulnerable groups in society. Moreover, as shown in Figure 1 above, Argentina is slated for a moderate contraction in expenditures in the medium-term, while Pakistan will experience aggressive austerity. In short, these cases illuminate current practices in

IMF lending and its implications for a green recovery and just transition.

Argentina entered into a 30-month $44 billion IMF program in March 2022 to replenish foreign exchange reserves, control inflation, reduce the budget deficit, and improve long-term growth (IMF 2022a). The country had been in the midst of a full-blown economic and social crisis since 2018, exacerbated by the Covid-19 pandemic and the war in Ukraine. An unsustainable public debt burden and current account deficit had drained the country of foreign exchange reserves, and a collapse of investor confidence meant there was little access to new loans. Inflation had reached over 50% year-on-year, fuelled by the Central Bank printing money to support the budget deficit as well as global commodity price rises, placing a massive burden on the poorest households. Most significantly, the new IMF loan meant Argentina could avoid defaulting on debt repayments of $19 billion in 2022 owed to the IMF itself as a result of a previous lending program in 2018.

Argentina's IMF program affects three key arenas in relation to the country's climate change efforts: energy subsidy reforms, energy investment, and climate risk and green transition. First, energy subsidy reforms are mandated in IMF conditions related to fiscal consolidation that would see a gradual decline in the primary budget deficit from 3.0% of GDP in 2021 to 0.9% by 2024. To reach these targets, the program calls for reducing the energy subsidy bill by 0.6% in 2022, with further reductions scheduled for subsequent years. These reforms can support climate objectives by raising the price of fossil fuels to the end-user, thereby encouraging more efficient usage of energy and incentivizing a shift to renewable sources like solar. However, the IMF discussed energy subsidies only in relation to immediate fiscal risks, thereby overlooking opportunities to foster a green transition in the long-term—for example, by reorienting savings from fossil fuel subsidies towards green transformation. While the removal of energy subsidies can place a disproportionate burden on poorer households, these are being phased out in a progressive way: eliminated for the top 10% of urban residential users and for large commercial users; pegged so that prices reflect 40% of average wage growth for poor households; and pegged so that prices reflect 80% of average wage growth for other residential users. That subsidies are pinned to wage increases rather than energy prices means they should remain affordable even as energy prices soar, thereby hinting at the IMF's constructive role at designing effective approaches in phasing out energy subsidies.

Second, Argentina's IMF program encourages the development of a strategic tradeable sector in energy in order to replenish foreign exchange reserves and ensure long-term debt sustainability. To this end, the IMF endorses promoting private investment in exploration, production, and transportation of energy from the shale oil and gas reserves of Vaca Muerta, a large untapped region in Northern Patagonia. This would allow the country to become an exporter of natural gas and reduce its reliance on expensive energy imports. But such incentives for fossil fuel expansion contradict the IMF's advertised climate orientation that centres on aiding countries phasing out of fossil fuel usage. Furthermore, the IMF missed opportunities to consider large-scale government investment in renewable energy production and supply-side subsidies to encourage private investment in wind and solar. Whether or not the provision of incentives for the exploitation of Vaca Muerta represents a just transition is a complex question. On the one hand, where consumer energy subsidies are being cut at the behest of fiscal expediency, it could be viewed as inequitable to advocate incentives for wealthy private investors through producer subsidies, tax breaks, and other guarantees. On the other hand, Vaca Muerta represents the potential to reduce domestic energy

costs throughout the country, including for poorer households. Vaca Muerta can also offer a crucial source of foreign exchange that would enable the country to avoid painful IMF austerity programs in the medium-term. Third, the IMF considered physical risks linked to climate change, such as climate-induced commodity export shocks impacting production and exports but provided only negligible coverage of such risks. The organization also failed to identify any risks linked to the green transition. For example, there was no consideration of the global spillover transition risks linked to the government's economic dependence on Vaca Muerta energy reserves and on highly-pollutive agroindustry. As an increasing number of countries commit to decarbonization, trade partners may impose carbon border taxes, impacting the earnings from such exports. There was also no recognition of national-level transition risks linked to asset stranding in the fossil fuel sector if the country chooses to move towards an energy matrix dominated by renewables.

Turning to Pakistan, the IMF resumed its 39-month $6 billion lending program in March 2020 (approved in July 2019, but interrupted due to the pandemic), and completed the latest round of reviews and updates to conditionality in February 2022. The resurrected program seeks to reduce the fiscal deficit, control inflation, replenish foreign reserves, and improve the financial viability of the energy sector (IMF 2021c, 2022e). It responded to urgent balance of payments issues that arose due to a surge in the value of imports linked to higher commodity prices, which depleted Pakistan's foreign exchange reserves.

Pakistan's IMF program impacts three important facets of the country's climate change efforts: tax reforms, energy sector reforms, and climate risk and green transition. First, tax reforms were predicated upon a series of IMF conditions to achieve a fiscal consolidation of 2% of GDP for the 2022 fiscal year. As a result of the removal of various goods from tax zero-rating, discounted tax rates, and other tax exemptions, a 12% increase in sales tax was implemented for imported electric vehicles and a 20% tax was introduced on solar panels, wind turbines, and other renewable energy technologies. While the government has since announced a reversal on solar panel taxation, it has not done so for other renewable technologies. These reforms represent a fundamental threat to Pakistan transitioning away from fossil fuel dependence and achieving its climate commitments. By effectively increasing the price of renewable energy, the IMF-mandated tax reforms disincentivize investor uptake, including from existing fossil fuel-based producers, self-generating agriculturalists, and industrial consumers, who may instead opt for existing fossil fuel-based arrangements. The tax reforms also fail to safeguard the rights and needs of the poorest in society. Major beneficiaries of the growth in solar and wind energy in Pakistan have been poorer subsistence farming communities that remain without grid access. By thrusting higher costs onto these communities—which are also the most impacted by climate change—the tax reforms undermine the achievement of a socially just low-carbon transition.

Second, Pakistan's program contains conditions to reduce the fiscal deficit through energy subsidy and pricing reforms as part of a more comprehensive energy sector restructuring. Two reforms are co-occurring that raise costs to the end-user but reduce government expenditures: energy price reform, which seeks to bring electricity and gas prices in line with cost recovery along prescribed formulas and procedures; and energy subsidy reform, which seeks to target subsidies to a smaller group of consumers on a more progressive tariff structure. These energy sector reforms could support climate objectives by raising the price of fossil fuels to the end-user, thereby providing more incentive to invest in energy efficient production capacity

or shift to off-grid renewable sources like solar. However, more ambitious reforms to the energy sector are overlooked because the IMF's recommendations are guided by short-term fiscal expediency, rather than considering climate concerns that will impact macroeconomic fundamentals in the long run. For instance, cheaper renewable energy could allow for a financially viable long-term solution to addressing the sector's recurrent deficiencies. Similar to Argentina's experience, the IMF recognized that vulnerable populations will be most adversely affected by energy price hikes in Pakistan, since it constitutes a larger proportion of their spending, and called for the expansion and better targeting of social support schemes to compensate such households. However, recent social conflict over food and energy prices imply that this package of measures is neither politically palatable nor sufficiently compensatory for a just transition.

Third, Pakistan's IMF program contained negligible coverage of physical or transition risks, as was the case in Argentina. The IMF identified climate change as a risk to the program, but the analysis was too vague to be of substantive use. Higher frequency and severity of natural disasters is simply flagged as a potential cause of severe economic damage. Outside of the risk assessment, the IMF described the recent history of extensive damage that climate-related disasters have dealt to the Pakistan economy, and the country's position as one of the world's largest emitters on an absolute basis. But these descriptions were self-contained and did not consider trade-offs involved between the program and climate adaptation and mitigation objectives.

For instance, the IMF advised Pakistan to accelerate efforts to meet greenhouse gas reduction commitments by reforming energy prices, subsidies, and taxes. Not only does this fail to recognize how fiscal constraints prescribed by the program impede efforts to invest in new infrastructure and incentives for adaptation and mitigation efforts, but it also retrofits austerity measures as climate policy. In addition, the IMF did not consider risks linked to the banking sector from changes in carbon-intensive asset values or include any climate-related stress tests in its debt sustainability analysis, despite being well within its remit. As a result, the IMF failed to quantify the macroeconomic benefits of environmentally sound policy measures.

The path towards a just green transition and the role of the IMF

Whither IMF conditionality? As the organization tries to increase its role in efforts to combat climate change, it currently sits at a critical juncture: will it reform its conditionality to help facilitate country efforts to meet the goals of the Paris Agreement, or will it continue to promote policies that have been shown to have adverse effects on climate goals? We weave together the different strands of research, policy analysis, and the evidence presented here to develop a set of recommendations on how to ensure that IMF lending is more consistent with a low greenhouse gas economic future.

Target audience	Recommendation	Action item
IMF	IMF leadership should adopt a 'do no harm' approach and commit to ensuring that lending programs do not impede countries' efforts to meet their Nationally Determined Contributions under the Paris Climate Agreement.	Shift from the incomplete and ad hoc incorporation of climate concerns in IMF programs toward more systematic treatment.
	All IMF assessments should systematically analyse the trade-offs of short-term (1 to 3 years) macroeconomic needs against long-term (10 to 30 years) macroeconomic needs and climate adaptation and mitigation needs, to ensure that the economic and social benefits of environmentally sound policy measures are quantified.	Develop templates and operational guidelines on how to provide ex ante assessments of physical, domestic transition, and global spillover transition risks in IMF programs—including the risks posed by the IMF's own programs, and especially in relation to fiscal consolidation and support for fossil fuel exports.
	The IMF should generate an evidence base on how its programs are fulfilling or impeding commitments to green transition and just recovery.	Conduct regular ex-post impact assessments of IMF program impact on the green transition, and communicate to IMF staff best practices and areas for policy improvements.
	The IMF should ensure representatives from environmental ministries are privy to program discussions with domestic counterparts in finance ministries and central banks.	Develop a protocol that encourages staff to work across ministries to ensure macro-critical issues are considered in light of domestic environmental commitments.
	The IMF should ensure policies that directly impact energy and climate are firmly embedded within national dialogue on just transition pathways with reference to Nationally Determined Contributions, and are politically and socially acceptable.	Consider alternatives to eliminating consumer energy subsidies, such as reducing fossil fuel producer subsidies while using savings to expand investment incentives for renewable energy. If no other options exist, energy tariff increases should occur in a progressive way by reducing subsidies more at the top of the income distribution than at the bottom and should be accompanied by the expansion of social assistance (see Argentina case).
Civil society	Civil society should prioritize clear transmission of priorities to IMF officials both through national dialogue channels and via direct communication with IMF mission staff, and invest in a knowledge-exchange infrastructure that can be drawn on if/when IMF programs are being negotiated.	Initiate informal contacts with the IMF resident representatives and/or mission chiefs.
	Civil society should link up to global efforts at the G20 level (especially the 'Governing Climate' policy stream), in order to foreground how green transition issues interact with the international financial architecture.	Engage with C-20 and T-20 (the G-20's advisory network) on feeding civil society priorities into the preparatory policy work of subsequent summits and communiques.

Appendix 1. Types of IMF conditionality

Quantitative Performance Criteria	Quantifiable binding macroeconomic targets, such as monetary and credit aggregates, international reserves, fiscal balances, and external borrowing. These are typically monitored at quarterly intervals and compose the majority of conditionality. These must be met—or otherwise require waivers—for the IMF Executive Board to conclude a review. These targets specify policy ends rather than means, and governments can—in theory—pursue a range of alternative policies to meet them.
Indicative Benchmarks / Targets	Quantifiable non-binding macroeconomic targets, such as monetary and credit aggregates, international reserves, fiscal balances, and external borrowing. These are typically monitored at quarterly intervals and are intended to supplement quantitative performance criteria for assessing progress on program goals. Sometimes these targets are set because of data uncertainty about economic trends (e.g., for the later months of a program) and, as uncertainty is reduced, are converted into quantitative performance criteria.
Prior Actions	Microeconomic binding reforms that alter the underlying structure of an economy and/or specify the policy 'means' toward meeting macroeconomic targets and other objectives. These must be undertaken before the IMF Executive Board approves new financing or concludes a review.
Structural Benchmarks	Microeconomic non-binding reforms that alter the underlying structure of an economy and/or specify the policy 'means' toward meeting macroeconomic targets and other objectives. These are intended as markers for assessing broader progress on program goals.

Kraijenhoffstraat 137A
1018 RG, Amsterdam
The Netherlands
www.re-course.org