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THE IMF'S RETURN TO LATIN AMERICA: BUILD FORWARD BETTER?*

Abstract

The International Monetary Fund (IMF), after over a decade of estrangement from several Latin American countries due to its socially costly interventions in the 1980s and 1990s, is now making a return under several lending modalities. This renewed engagement is occurring after the IMF's own internal transformation and rebranding. The critical question is whether the prescribed policies upon the IMF's return will deviate from historical patterns. To address this, we undertake a comprehensive analysis, juxtaposing the Fund's specific conditions (praxis) with its broader policy recommendations (rhetoric) in recent interventions, and employing text mining analysis and a customized dictionary tailored to IMF technocratic discourse. Findings reveal a significant evolution in policy advice, introducing socially friendly approaches while retaining orthodox measures. This study contributes to the broader discussion on IMF continuity, highlighting nuanced shifts and potential inconsistencies between IMF discourse and practices.

Keywords: IMF; Conditionality; Discourse; Text-Mining
JEL Classification: F02; F34; P16

Riassunto

Il ritorno del FMI in America Latina: si va avanti?

Il Fondo Monetario Internazionale (FMI) dopo più di un decennio di assenza da diversi paesi latino-americani a causa dei suoi interventi costosi dal punto di vista sociale avvenuti negli anni '80 e '90, sta tornando operativo in questi paesi attraverso differenti modalità di

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erogazione del credito. Questo rinnovato impegno segue la trasformazione avvenuta all'interno del Fondo stesso e della sua immagine pubblica. La domanda che occorre porsi è se le prescrizioni politiche associate a questo ritorno del FMI si distaccheranno dagli schemi passati. A questo fine si è fatta un'ampia analisi comparata delle condizioni specifiche dettate dal FMI (prassi) e delle raccomandazioni di policy suggerite dal Fondo stesso (retoriche) in alcuni suoi recenti interventi. A questo fine si sono analizzati approfonditamente i testi e il vocabolario tecnico usato dal FMI. I risultati evidenziano una significativa evoluzione nella raccomandazione di determinate politiche nelle quali, nonostante l'approccio socialmente amichevole, resta il sollecito ad adottare misure ortodosse. Questo studio contribuisce a una più ampia discussione sulla continuità del FMI, mettendo in evidenza cambiamenti marginali e potenziali incongruenze tra le raccomandazioni del FMI e le sue effettive pratiche operative.

1. Introduction

The International Monetary Fund (IMF or Fund), once a cornerstone of the International Financial Architecture, now operates within a complex and increasingly multipolar landscape. This transformation is characterized by the rise of debtor-led International Financial Institutions with more democratic structures and funding options free of political conditions and, notably, by China's rapid expansion in rescue lending to developing countries (Horn *et al.*, 2023; Wang, 2019). Simultaneously, the era of social media has brought about increased accessibility and rapid dissemination of information and, consequently, civil society is exerting a growing scrutiny and demand for accountability from international organizations.

In response, the IMF is likely to adjust its policy guidance, recognizing the necessity to adapt to remain relevant and uphold its "expert-based" authority. Latin America and the Caribbean stand out as particularly sensitive Fund's clients, marked by their tumultuous past. The region's experience with IMF-promoted policies in the last decades of the past century eroded their legitimacy, not only due to their highly political content and alignment with major creditors' interests but also because they simply failed to deliver the promised results. Premature liberalization left the region vulnerable to external shocks and financial markets sentiments, tying its growth to commodity prices and global trade cycles. Additionally, during crises, harsh fiscal austerity measures and structural adjustment exacerbated economic challenges, increased inequality, and limited the accessibility and quality of key public services (Nemiña and Larralde, 2018; Pop-Eleches, 2013).

This failure led to the IMF losing important Latin American clients since the mid-2000s, particularly in South America, for more than a decade, coinciding with the generalized regional shift to the left, known as the Pink Tide, and external favourable conditions fuelled by China's growth. However, with the waning influence of the Pink Tide since the mid-2010s and the subsequent impact of the pandemic since 2020, several governments found themselves seeking assistance from the IMF once again. This raises a crucial question: is this time different? During this prolonged absence of the Fund in the region, the IMF underwent internal reforms aimed at rebranding, reducing conditionality, and increasing flexibility. Global shocks, such as the Global Financial Crisis in 2008 and the pandemic, further prompted the Fund to adopt more socially friendly approaches.

To address this question, we employ a two-pronged strategy. Firstly, we scrutinize the IMF's concrete practices, examining in detail the content of specific conditions outlined in its conditional programs with Latin American and Caribbean countries. Secondly, we delve into the broader rhetoric regarding policy recommendations put forth by the IMF for the entire region, regardless of whether a country is under a conditional agreement. To conduct discourse analysis, we utilize text mining on a corpus of IMF official country reports spanning from 2000 to 2023. Subsequently, we compare the Fund's actual practices with its rhetoric across different periods and income level groups.

Our findings indicate a significant evolution in the IMF's policy advice, incorporating more socially friendly approaches, such as antipoverty measures, emphasis on good and transparent governance, and addressing climate concerns. However, this evolution doesn't entail a categorical rupture with the orthodox backbone, as antipoverty measures are only considered as cushion policies to compensate for negative outcomes of fiscal and structural adjustment. Conventional measures still persist in IMF thinking, including restrictive labour and pension reforms, rationalization of subsidies and state-owned enterprises, and austerity. Furthermore, we identify instances where the Fund's discourse diverges from its actual conditions, revealing a growing inconsistency between the image the IMF presents and its real-world practices.

The article is structured as follows: first, we provide an overview of the historical background of the IMF's evolution, with a specific emphasis on Latin America. The second section outlines our methods, while the third part discusses the new and old tendencies revealed in our results. Finally, we present our conclusions.

2. The IMF changing roles and Latin America: where we come from

The IMF is widely recognized as one of the most influential multilateral institutions, capable of shaping national policies and setting trends for economic reform (Halliday and Carruthers, 2007). Despite being commonly identified with its "one-size-fits-all" approach and paradigmatic homogeneity (Stiglitz, 2002, pp. 53-88), during its history the Fund had to adapt to changing conditions and mounting criticism, and to pragmatically adjust both its discourse and practices (Güven, 2012; 2018). Latin America played a pivotal role in the IMF's evolution and, conversely, the institution significantly contributed to shaping the economic, political, and social landscape of the region.

In the mid-1950s, the IMF underwent a significant "on-the-fly adaptation," shifting its focus from European countries to assisting developing nations (Frenkel and Avenburg, 2009, p. 182). Another crucial transformation occurred in 1971 with the end of the Bretton Woods order, reshaping the IMF's mission from stabilizing exchange rates to advocating free markets and corresponding domestic reforms (Kentikelenis and Babb, 2019). These shifts paved the way for the Fund's involvement in Latin American and Caribbean economies. Between 1953 and 1979, twenty-two countries in the region entered into multiple conditional agreements, mainly Standby Arrangements (SBAs) and Extended Fund Facilities (EFFs), comprising 21% of the total IMF commitments during that period[1]. These agreements marked the beginning of a tumultuous relationship between the Fund and the region, with several destabilizing programs supporting capitalist dictatorships amid Cold War rivalries. Authoritarian yet market-friendly regimes in Bolivia (1964-1982), Argentina (1976-1983), Chile (1973-1990), and Brazil (1964-1985) received the IMF's tacit approval, often backed by its increased lending shortly after military coups or sustained throughout their duration (Kedar, 2012, pp. 136-144).

[1] Author's calculations based on IMF financial data, available on: https://www.imf.org/external/np/fin/tad/query.aspx. Accessed on 07 February 2024.

In the 1970s, as many emerging economies became crucial destinations for private capital flows, also known as petrodollars recycling, the IMF took on a role in legitimizing the growing indebtedness of the developing world. This culminated in the Latin American debt crisis, which started in Mexico in 1982 and rapidly spread throughout the region, reinforcing the Fund's role as an international crisis manager (Boughton, 2000) and a guarantor and intermediary in negotiations with creditors (Nemiña and Larralde, 2018, pp. 288-293). Throughout the 1980s, the IMF further expanded its involvement in Latin America and the Caribbean, engaging with twenty-three countries in the region, constituting 43% of its total commitments and 44% of disbursements, primarily directed to South America (Brazil, Argentina, Venezuela, Chile) and Mexico[2]. Much of Latin America's debt originated from periods of authoritarian rule, sparking a debate on odious debt. This notion posits that debts accumulated by despotic governments should not be a burden on successor administrations, emphasizing the ethical need to impose limits on financial flows – be they private, public, or multilateral – towards antidemocratic regimes.

In response to an escalating crisis, some Latin American countries attempted to form a united "debtor cartel" through the "Cartagena Consensus" to protect their interests against powerful creditors and international institutions. However, the IMF, aligned with creditor interests, played a key role in undermining unity among debtors by conducting case-by-case negotiations, providing more favourable conditions to major borrowers like Mexico and Brazil, thereby leaving the rest of the region with less advantageous terms for debt renegotiation (Pop-Eleches, 2013, p. 369). The introduction of the Brady Plan under the auspices of the IMF and World Bank changed the landscape governing debt markets and marked a turning point in addressing the debt crisis by facilitating debt restructuring and reduction in exchange for pro-market structural adjustment in debtor countries. This pro-market orientation additionally gained momentum in the wake of the Soviet Union's demise and the expanding influence of capitalism as the prevailing model (Boughton, 2004, p. 14). Since then, the Fund began to act as a globalizer (Woods, 2014), promoting neoliberalism and aiming to reduce the role of states in favour of free markets (Babb and Kentikelenis, 2018, p. 16). This ideological shift was operationalized through the implementation of the Washington Consensus (WC) (Williamson, 1990; Stiglitz, 2002), facilitated by growing quantitative and structural conditionality in

[2] *Ibid.*

exchange for the Fund's financial assistance. Structural conditions, intended to shape the organization of the economy over the medium and long term, surged from minimal levels in the early 1980s to an average of 16 measures annually in the late 1990s (Kentikelenis *et al.*, 2016, p. 555). This expansion also involved a growing spectrum of policy domains under consideration, a phenomenon known as "mission creep" (Babb and Buira, 2005). It marked a departure from the IMF's historically confined core mandate, which primarily encompassed restrictive fiscal and monetary policies, and exchange rate devaluations, to a broader and more politically sensitive set of non-core areas, such as privatization and rationalization of State-owned enterprises (SOEs), trade and capital account liberalization, economic deregulation, as well as labour market, social security, and social policy reforms of a restrictive nature.

Many Latin American countries that embraced WC-style reforms in the 1990s experienced severe crises despite the IMF's promises of achieving stable economic structures. On the contrary, these economies might have implemented capital account liberalization prematurely, exposing themselves to speculative capital outflows, shifting market sentiments and volatile commodity prices (Aizenman, 2005; Joyce and Noy, 2008). The first crisis under this new era of globalized and free markets was the Mexican crisis in 1994-1995, which also marked a transformation in the IMF's role toward becoming a global lender of last resort (Fischer, 1999). While the "Tequila crisis" was "successfully" contained, subsequent episodes, beginning with the 1997 Asian financial crisis and spreading globally and regionally through Russia (1998), Brazil (1999), and culminating with the IMF's "poster child" of the period, Argentina (2001), involved strong IMF intervention in terms of funding and policy advice. However, both proved ineffective, as the Fund's stabilization and austerity programs were either successful in resolving the crises but mainly served to ensure debt payments and defer defaults, at the expense of growth. This ultimately led to increased debt-to-GDP ratios (Capraro and Perrotini, 2013), deepening inequality, social polarization and job insecurity (Frenkel and Avenburg, 2009; Nemiña and Larralde, 2018), all of which resulted in social protests, austerity fatigue, and what became known as "IMF riots," a common denominator in the presence of the institution (Ortiz and Béjar, 2013).

The failure not only to prevent and resolve crises but also the Fund's co-responsibility in exacerbating them and increasing their social and political costs reignited discussions about the adequacy of international financial institutions. The Argentine crisis in 2001 marked the end of the IMF's role as a major provider of financing through rescue packages until 2008, with its loan portfolio falling to historic lows since 2004 (Nemiña and Larralde, 2018). The Fund's stigma resulting from its prolonged interventions ultimately led to the loss of many traditional clients in Latin America. In the mid-2000s, Brazil and Argentina completely repaid their debts to the Fund, closing their dependency cycle. From 2006 to 2015, aligning with the pink tide movement and the leftward political shift in most Latin American administrations, coupled with the increasing significance of alternative financial sources such as Chinese Bilateral Swap Agreements, the Fund did not allocate funds in South America or Mexico. During this period, a few conditional programs, predominantly precautionary SBAs, were signed with Central American countries and Paraguay (2006 SBA). Flows were primarily directed to the Caribbean, constituting a mere 1.6% of the total IMF disbursements[3].

In response to this reputational crisis, the IMF underwent internal reforms since the early 2000s. It pursued modifying the governance structure, in order to align it better with changing economic landscape, increasing voting power of emerging economies. The Fund also added poverty reduction, governance, and transparency to its priorities and aimed to make conditionality more flexible by reducing the number and scope of conditions imposed. The goal was to increase member countries' representativity on one side, and on the other their policy autonomy. It was also an attempt to present a less intrusive and more socially aware form of neoliberalism, also labelled Post-Washington Consensus (PWC) (Güven, 2012; 2018; Stiglitz, 2008).

The 2008 Global Financial Crisis (GFC) marked another significant turning point for the IMF. On one hand, it reaffirmed and strengthened the organization's position as an international lender of last resort (Obstfeld, 2009). In 2009, Mexico and Colombia accessed the Flexible Credit Line (FCL), a precautionary lending instrument designed for countries with robust economic fundamentals. Unlike SBA and EFF that dominated IMF commitments before the GFC, FCL does not contain ex post conditionality and provide unrestricted access to the entire approved amount throughout the arrangement period, without a predetermined access cap.

On the other hand, the GFC increased criticism against the IMF, particularly its failure as a macroeconomic supervisor that, while monitoring and being exigent towards developing

[3] *Ibid.*

countries, was negligent towards developed ones, where the crisis started. This once again prompted changes in the Fund's rhetoric and practices. The IMF abandoned binding structural performance criteria (SPC), increased its flexibility, and adopted a permissive stance towards fiscal stimulus and progressive taxation (Ban, 2015). There was also less emphasis on financial liberalization and even acceptance of capital controls under certain circumstances (Chwieroth, 2014). The IMF started incorporating quantitative targets for social spending in loan conditions on a regular basis (Grabel, 2011; Clift and Robles, 2021). These changes signalled a departure from the conventional priorities. However, the initial optimism that they caused first faded in the face of the Fund's policy prescriptions implemented shortly after the GFC when the Institution – after two years of relative flexibility – returned to "business-as-usual" (Broome, 2015). Moreover, there has been an emerging double standard within the IMF. A distinction has arisen between countries that have sufficient fiscal space for counter-cyclical policies and those lacking such flexibility, prompting the need for consolidation and rationalization measures "at market demand" (Ban, 2015).

In the context of the Covid-19 pandemic, the Fund has once again adjusted its rhetoric and policies. It adopted a very permissive and flexible attitude towards the use of fiscal stimulus to face the crisis, moving further away from its conventional orthodoxy, allowing a greater State participation in the economy, recognizing the crowding-in effects, the need for public investment to create jobs, and the urgency of expanding universal safety nets (Amoretti *et al.,* 2021). The PWC was further expanded towards gender and climatic concerns (Kentikelenis *et al.*, 2022).

However, scepticism remains regarding the IMF's actual practices and its ability to maintain its new approach in the long term. Some argue that the Fund's operational practices may not always align with its rhetoric, leading to organized hypocrisy (Weaver, 2008), and there is growing concern that the institution is once again reverting to its old preferences for fiscal austerity and WC-style reform agenda (Kentikelenis and Stubbs, 2022; Tamale, 2021). This issue is particularly relevant for several Latin American governments once again involved, after a decade of estrangement, in conditional programs.

3. Methods and data

To assess whether the renewed interventions of the IMF in Latin America deviate from historical patterns – occurring after a period marked by the Fund's own internal reforms and rebranding, during which the region, with the exception of the Caribbean countries, was not actively involved in its conditional programs – we examine two key dimensions: the Fund's specific conditions attached to lending instruments (praxis) and its broader discourse related to policy advice towards debtor countries (rhetoric). Our analysis is split based on the income levels of the Latin American and Caribbean recipients, specifically categorizing them into lower and upper middle-income, and high-income economies, in accordance with the World Bank's 2022 classification[4].

To evaluate the Fund's praxis, we exclusively focus on its quantitative and structural conditionality, originating from memoranda of understanding signed by governments engaged in conditional lending. We build on Kentikelenis and Stubbs (2023) to construct a comprehensive database of IMF prescriptions for twenty-nine Latin American and Caribbean countries. While the authors cover the period from 1980 to 2019, we extend their data using Monitoring of Fund Arrangements (MONA) information and available official documents up to 2023. This compilation results in a dataset comprising 9032 quantitative conditions and 2882 structural measures for the studied region. We classify these conditions into core and non-core categories. Core conditions encompass, as in Kentikelenis and Stubbs (2023), fiscal and revenue policies, finance and central bank, debt, and the external sector. Non-core conditions cover typically Washington Consensus measures related to privatization, SOEs and subsidies' rationalization, labour and pensions, restrictive social policies (like reductions in health and education), and broader institutional reforms (including changes to the judiciary system, penal and civil procedures, insolvency laws, among others). The non-core category also includes some Post-Washington Consensus-related reforms with potential positive social impacts, addressing transparency, governance, anti-poverty measures, and conditions aimed at building resilience to climate change.

To evaluate the Fund's discourse, we specifically focus on the institution's policy recommendations for the region, excluding global publications like the World Economic

[4] Available on: https://blogs.worldbank.org/opendata/new-world-bank-country-classifications-income-level-2022-2023

Outlook and Fiscal Monitor. Our study encompasses 572 available IMF country reports related to Latin American and Caribbean economies spanning the period from 2000 to 2022, comprising program agreements, subsequent reviews, and IV Article consultations. The latter, published on a regular basis, are crucial sources containing information on the Fund's policy guidance for countries, regardless of whether they are subject to conditional programs.

For analysing IMF documents, we use text mining and dictionary-based tools, increasingly popular in social science research for their efficiency, especially with extensive text corpora (Guo *et al.*, 2016, p. 19). This approach, prominent in discourse analysis, offers an effective alternative to manual coding. Drawing inspiration from the Policy Agendas Project broadly adopted in comparative politics, which applies a coding scheme to the content of policy documents across countries (John, 2006), we developed an extensive dictionary tailored to the technocratic language of IMF rhetoric and applicable not only to the Fund but also to other International Financial Institutions (IFIs). While some previous works have turned to text mining techniques to examine the evolution of the IMF priorities and policy design (Mihalyi and Akos, 2019; IMF, 2019; Anderson *et al.*, 2021; Garrido, 2021), they often relied on small dictionaries, primarily detecting topics through unigrams (a single word) and bigrams (two words), In contrast, we have deliberately chosen to employ approximately four thousand combinations of bigrams and trigrams, often complemented with frequently used synonyms of verbs such as "reduce", "decrease", "cut", "focalize", "increase", "expand", "extend", etc. This approach aims to enhance our ability to comprehensively capture nuanced policy directions, whether they involve constraints or expansions.

Our text-mining methodology adheres to conventional practices. Before applying the dictionary and visualizing results, we initiated the study by web scraping IMF official documents. The text data underwent preprocessing, involving conversion to text format and corpora cleansing. Tools like stop words removed common words lacking significant meaning ("the", "and", "is", etc.), and regular expressions eliminated punctuation, special characters, and numbers. After cleansing, we collected bigrams and trigrams – pairs and triplets of words that appear together – constructing a Document Term Matrix (DTM) with columns representing each analysed year and rows corresponding to each term in the corpus. Subsequently, we applied the dictionary to detect topic evolution by identifying matching terms.

TABLE 1 - *Example of Terms in IMF-Tailored Dictionary*

Category	Example terms
Austerity	budget tightening, spending cuts, fiscal sustainability, contain public expenditure, ...
Redistributive	antipoverty measures, increase social assistance, childcare benefits, expand social protection, strengthen health, ...
Green economy	carbon tax, sustainable development goals, carbon capture storage, climate change, ...
Transparency	anticorruption measures, against corruption, enhance transparency, curbing corruption, ...
Subsidy rationalization	subsidy elimination, subsidy reduction, subsidy rationalization, reduce subsidies, reduce energy subsidies, ...
Labour and Pensions	adjust wages, reduce pension benefits, align employment benefits, anchor salary, exit public sector, wage bargaining, wage cap, ...

Source: Author's elaboration based on policy area defined in Kentikelenis and Stubbs (2023) and IMF Article IV Scanner.

4. TOWARDS THE FUTURE: THE IMF'S RETURN TO LATIN AMERICA - WHERE WE GO

The IMF's return to Latin America in the second half of the 2010s, "in the wake of the receding Pink Tide" (Ellner, 2019, p. 56), and further reinforced since 2020 by its response to the Covid-19 pandemic, appears unprecedented in terms of Fund commitments and disbursements, as detailed in Table 2 (points 1 and 2). While these commitments and flows directed towards Latin America and the Caribbean were already substantial during the peak of the "old" IMF interventions between 1990 and 2004, representing 46% and 43.5% of the world total, the period from 2016 to 2023 shows a notable increase, reaching 74% and 51%, respectively.

However, when examining the actual number of countries involved (Table 2, points 3 and 4), especially in IMF conditional lending, this resurgence, while concentrating a substantial amount of funds, is selectively focused on only a few nations. In South America, only three economies resumed traditional debtor-creditor relations with the IMF by entering into conditional agreements and receiving disbursements: Argentina, emerging as the largest debtor to the Fund since 2018, where most of the institution's disbursements are currently allocated; followed by Ecuador (its fourth-largest debtor at the moment of writing) and Suriname. In Central America, Costa Rica and Honduras also engaged in conditional programs. Conversely, faced with the challenges posed by the Covid-19 pandemic, fifteen countries in the region in recent years opted to engage in programs with rapid disbursements without attached conditions, such as the Rapid Financing Instrument (RFI) and Rapid Credit Facility (RCF). This unconditional financial firepower deployed by the Fund to address the sanitary crisis amounted to 25% of total disbursements and 8% of commitments in the region during the first year of the pandemic[5].

TABLE 2 - *IMF Support in Latin America and the Caribbean*

		1952-1969	1970-1979	1980-1989	1990-2004	2005-2015	2016-2023
1. IMF commitments (% of total)	Central America	2,4	2,2	1,9	0,6	0,5	1,2
	Caribbean	0,5	4,3	2,4	0,5	0,6	0,8
	Mexico	1,3	3,6	12,8	5,8	38,7	42,2
	South America	16,6	12,0	26,1	39,2	4,0	31,0
	LATAM and CAR	20,8	22,1	43,1	46,2	43,7	75,3
2. IMF disbursements (% of total)	Central America	2,7	0,8	1,6	0,4	0,1	2,0
	Caribbean	0,6	2,3	2,4	0,6	1,6	1,3
	Mexico	1,0	1,1	16,2	6,1	0,0	0,0
	South America	15,7	8,9	24,0	36,3	0,0	47,7
	LATAM and CAR	19,9	13,1	44,1	43,3	1,6	50,9
3. N° of countries with at least one conditional IMF program	Central America and Mexico	7	7	7	7	5*	2
	Caribbean	3	3	7	6	6	2
	South America	11	9	9	10	2*	3
4. N° of countries with at least one IMF program (conditional or not)	Central America and Mexico	7	7	7	7	6	7
	Caribbean	3	3	7	6	8	9
	South America	11	9	9	10	3	7

Notes: *correspond to conditional, but precautionary SBAs without disbursements (except for 2007-SBA with Nicaragua).
Source: Author's elaboration based on IMF financial data. Accessed 07 February 2024.

[5] Authors' calculations based on IMF financial data, available on: https://www.imf.org/external/np/fin/tad/query.aspx. Accessed 07 February 2024.

In terms of commitments, precautionary agreements dominate in the context of the pandemic. The Flexible Credit Line (FCL) has been extended to Peru and Chile, in addition to Mexico and Colombia. Furthermore, Chile accessed a new non-conditional IMF instrument, the Short-Term Liquidity Line (SLL), and Panama opened a Precautionary Liquidity Line (PLL) with few conditions. These preventive instruments constituted 75% of the total IMF commitments in Latin America and the Caribbean between 2020 and 2023[6]. However, due to their precautionary nature, they are not expected result in corresponding disbursements, unlike the EFF or SBA. In 2020, Colombia made history by becoming the first country to draw on the FCL since the instrument's creation, accounting for 9% of the total disbursements in the region made during this period and, through this move, entered the top 10 IMF debtors[7].

The aforementioned numbers, coupled with the magnitude of imbalances in key variables such as debt and deficits that Latin America and the Caribbean face due to the coronavirus crisis, along with the additional shock of the war in Ukraine that has lowered growth prospects and raised inflation, create a favourable scenario for the return of a strengthened IMF in the roles of lender, supervisor, crisis manager, and coordinator of future restructurings. While a greater presence of the Fund seems evident, some argue that its intervention this time will be distant from orthodox doctrines and instruments employed and recommended in previous periods (Amoretti *et al.*, 2021), as suggested by the ideological shift towards the Post-Washington Consensus explored in previous sections.

4.1 IMF Conditions: Praxis

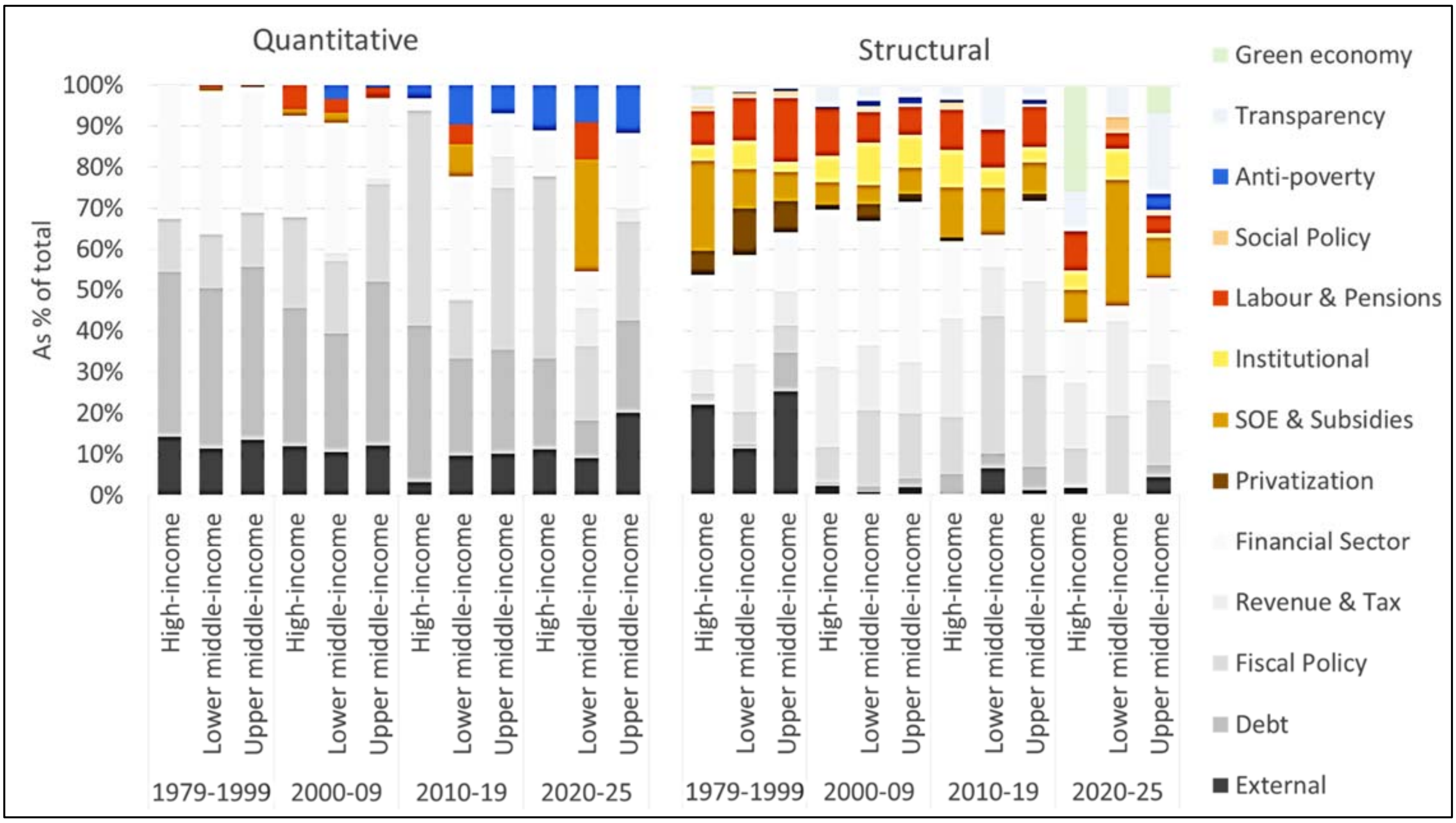
To evaluate whether the IMF's return is indeed "different", we compare its conditions over time and among Latin American and Caribbean countries categorized by income groups. An examination of the composition of IMF conditionality across policy areas, detailed in Figure 1, yields several conclusions.

Historically, there has been a consistent emphasis on core policy areas in quantitative conditionality across all income groups, primarily involving conditions such as ceilings on short, medium, and long-term debt, along with provisions to prevent the emergence of new

[6] *Ibid.*
[7] *Ibid.*

external arrears. Within fiscal policy, the conditions have predominantly focused on constraining fiscal deficits and managing domestic arrears, with less frequent attention specifically directed towards revenue requirements. These quantitative conditions also extend to monetary targets, including limitations on Central Bank financing of the public sector, as well as criteria related to net domestic assets and net international reserves. This historical trend underscores the importance placed on maintaining fiscal responsibility, debt sustainability, and monetary stability across diverse income groups.

FIGURE 1 - *Composition of IMF Conditionality in Latin America and the Caribbean by Income Group*



Source: Author's elaboration based on Kentikelenis and Stubbs (2023), MONA data and original documents.

However, a significant shift is noticeable since the IMF's internal reform at the beginning of this century, marked by the questioning of the validity of the expansive austerity hypothesis, which for decades constituted the backbone and rationale behind frontloaded fiscal adjustments in times of crisis. The recognition of the social and economic costs of consolidation on vulnerable populations prompted greater gradualism in fiscal adjustment (backloading) and the introduction of anti-poverty measures, in form of spending floors, which have become routine practice since the GFC and expanded further after the pandemic. While an important shift, such measures primarily aim at mitigating the negative distributional outcomes of the IMF approach itself.

Surprisingly, and in contrast to previous periods, during the years 2020-2025, anti-poverty targets constitute a slightly larger share in high- and upper-middle-income countries than in lower-middle-income economies, likely due to the more limited fiscal space of the latter. It is also in this group where the most substantial diversification of measurable conditionality towards non-core yet orthodox areas has been observed since the 2000s. During this period, these countries received additional quantitative prescriptions, such as limits on the wage bill and restrictions on public enterprises' finances and public transfers. These measures, in addition to fiscal adjustments, may have additional distributional effects, potentially resulting in lower income and higher living costs, further emphasizing the need to protect vulnerable groups.

However, the commitment to the latter is less evident, as 100% of anti-poverty measures prescribed for lower middle-income economies between 2010 and 2025 corresponded to non-binding Indicative Benchmarks, contrary to the mandatory Quantitative Performance Criteria – tied to disbursements – that represented 86%, 71%, 13% of total quantitative targets for fiscal policy, SOE, and wages, respectively.

On the structural front (Figure 1), IMF conditions have historically extended beyond its core mandate. While core-policies still constitute most of the structural conditionality, except for the post-pandemic period, non-core prescriptions have oscillated over time and across income groups from 28% to as much as 59% of total structural conditions. These non-core conditions faced significant criticism from within the IMF during its internal reform, leading the institution to commit to eliminating them through a streamlining initiative (Bird, 2009). This initial effort is evident across all income groups, with a significant reduction in such measures from 2000-2009 compared to programs from 1979-1999, followed by an increase after the GFC, aligning with the Fund's "back to basics" (Broome, 2015).

While certain WC-related conditions that were controversial during the IMF's interventions in the 1980s and 1990s, such as external sector liberalization and privatizations, have been practically erased or significantly diminished from the conditionality map, other conventional measures persist as part of the "new" Fund's agenda, albeit with a generally less significant share. These include labour and pension reforms, rationalization of SOEs and subsidies and, to a lesser extent, broader institutional changes, and socially restrictive policies. However, the distribution of these measures is not uniform across income groups. In high-income (Barbados) and upper-middle-income economies (Argentina, Ecuador, Suriname, and Costa Rica), non-core orthodox conditions represent only 22.6% and 16.8% of total structural conditionality between 2020 and 2025, respectively. On the contrary, the lower-middle-income country under an IMF conditional program during that period – Honduras – bears a heavier burden, with such conditions accounting for as much as 46.2% of its total structural conditionality, with strong emphasis on SOEs' rationalization and subsidies. Throughout the pandemic, the Fund mandates that the Honduran government rationalize the operational expenses of its National Electric Energy Company (ENEE), requiring the implementation of a new tariff scheme to ensure the recovery of electricity generation costs, entailing regular tariff adjustments. These adjustments have the potential to impact the cost of living, and notably, there is no apparent mechanism of segmentation designed to protect the most economically vulnerable segments of the population. This stands in contrast to the current IMF conditions for Argentina, an upper-middle-income country, where such protective mechanisms are explicitly accepted by the Fund. However, the sustainability of the segmentation scheme in Argentina is acknowledged to require revaluation.

The "new" Fund interventions since 2015 also adhere to an orthodox approach concerning labour market and social security reforms. The sustainability of the pension system is under scrutiny in Argentina, Jamaica, and Costa Rica (upper-middle income), Honduras (lower-middle income), and Barbados (high-income). Structural measures in this area also include restrictive reforms to public employment bills, constraints on nominal wages, the implementation of centralized bargaining mechanisms or broader labour flexibilization in Argentina, Costa Rica, Grenada, Jamaica, Suriname (upper-middle income), and Honduras (lower-middle income).

While orthodox WC-style reforms persist, a notable shift towards the Post-Washington Consensus is evident in structural conditions, especially since the onset of the pandemic. This shift encompasses a broader set of principles, including transparency, redistributive policies, and, more recently, climate-related measures. Across all income groups, there is a discernible trend towards enhanced governance, extending beyond fiscal transparency to encompass increased audits, anti-corruption initiatives, efforts against financial terrorism, promotion of good governance, and the creation of publicly available information and reliable statistics. This growing emphasis on institutional accountability aligns with Kristina Georgieva's call to "spend but keep the receipts". In the post-pandemic scenario, upper middle-income countries, such as Ecuador and Argentina, which receive substantial disbursements from the Fund, have a notable share of transparency-related structural conditions in their programs.

In addition to the establishment of quantitative social spending floors, there is a modest but growing integration of anti-poverty structural measures since the Fund's internal reform. However, in response to the pandemic, only middle-income countries received conditions aimed at bringing about structural changes in social assistance systems. These structural measures, however, fall short of providing long-term and paradigmatic shifts toward more protective welfare states with universal schemes, as deemed necessary by the pandemic. Instead, they tend to be of low-depth or quasi-quantitative in nature. In more advanced cases, such measures involve upgrading social registries and expanding coverage, as observed in Ecuador. In other instances, operational and technical changes are implemented to enhance efficiency, such as centralizing and digitalizing payment systems for social transfers and introducing a single window for social programs, as seen in Costa Rica. Some countries, like Argentina and Suriname, focus on simply conducting and publishing studies for the improvement of existing programs. While the latter strategy is not entirely clear, it suggests a shift toward further focalization rather than expansion and universalization. The Fund has also recently incorporated restrictive social policies, such as strong means-testing by targeting access and restrictively updating eligibility thresholds for social assistance in countries like Argentina and Ecuador.

The Covid-19 pandemic has introduced a new "colour" to the IMF conditionality map – a "green" one. This significant development reflects the IMF's undertaking of a new international role in addressing the environmental crisis by tailoring its conditions to guide the transition towards a greener economy. These measures encompass initiatives such as renewable energy projects and licensing, climate resilience infrastructure, integrating climate risks into budget, monetary, and financial planning, implementing green procurement, disaster risk management, tax incentives for energy transition, among others. However, as of now, these ambitious measures are limited to its new Resilience and Sustainability Facility with Barbados (high-income) and Costa Rica (upper-middle income), both of which are particularly exposed to climate change. Nevertheless, considering that other lower- and upper-middle-income countries are also vulnerable, it would be beneficial to contemplate similar measures in traditional programs.

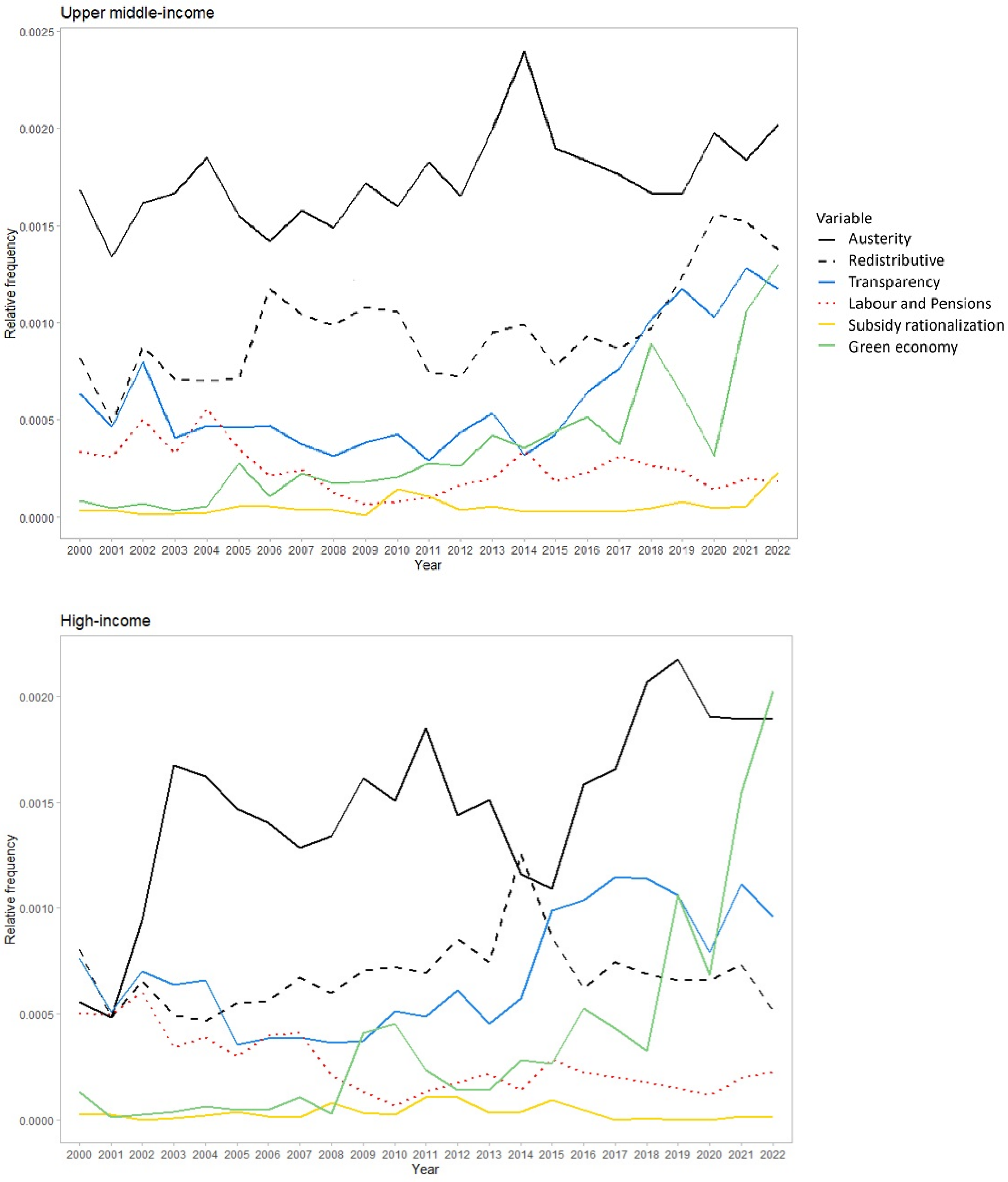
4.2 IMF Policy Recommendations: Rhetoric

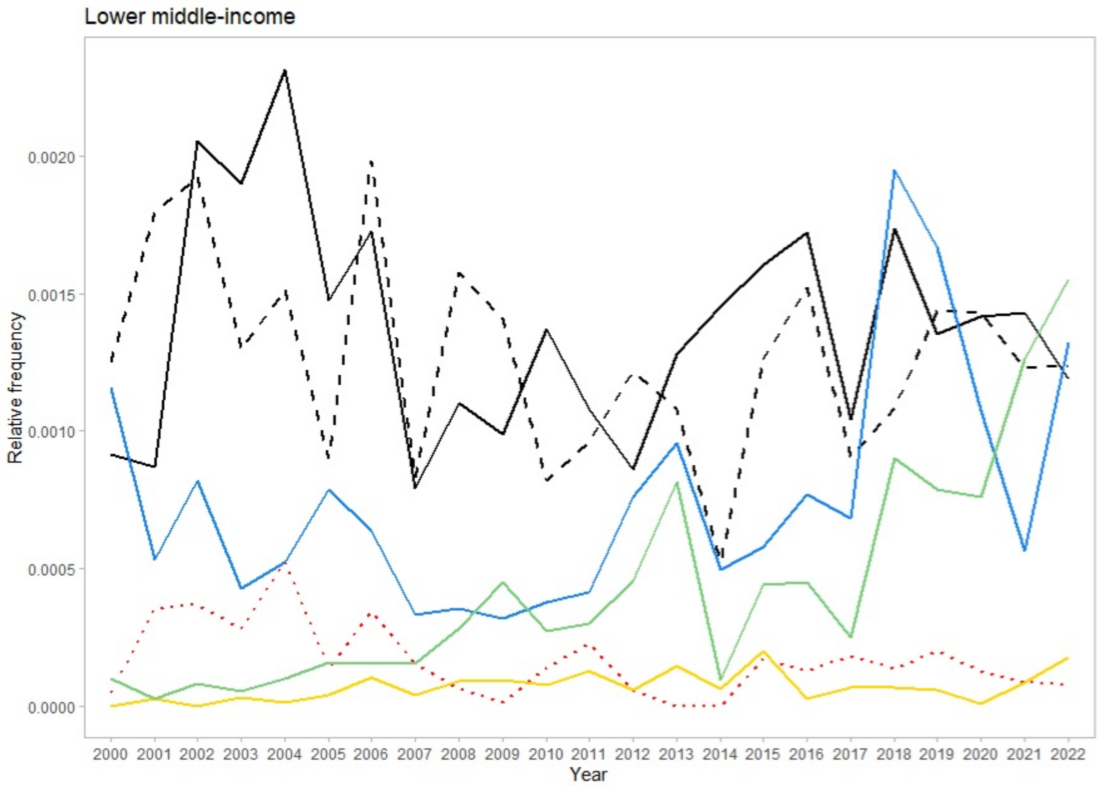
While the analysis of conditions provides valuable insights, the IMF's renewed conditional lending is currently confined to a selected number of countries. A thorough comprehension of the "new" Fund's guidance for the region requires an exploration of its broader policy recommendations that extend beyond conditional agreements.

There are instances where the conditions set deviate from the stated discourse, even within the same country document, such as the text of an agreement. In this regard, the overall tone of country documents may project openness and social friendliness, while the imposed conditions might significantly impact the less affluent. An illustrative example is the IMF 2018-SBA agreement with Argentina, where the general text emphasized addressing inequality and gender-related issues, yet no gender-specific conditions were included. Instead, the agreement contained stringent austerity measures in its structural and quantitative targets, disproportionately affecting Argentine women (Elson and Rodríguez-Enríquez, 2021). This phenomenon might be considered a form of organized hypocrisy (Weaver, 2008), intentionally diverting attention from actual conditions with a soft and, at times, appealing discourse.

As illustrated in Figure 2, discussions emphasizing the importance of redistributive policies and protecting the interests of vulnerable groups are not a recent development linked to the Global Financial Crisis or, more recently, the Covid-19 pandemic. Instead, they have consistently accompanied the IMF's policy recommendations, aiming to soften the perception of the Fund as indifferent to the challenges faced by the poor, often exacerbated by its own programs.

FIGURE 2 - *IMF Discourse on Policy Recommendations*





Source: Author's elaboration based on text-mining analysis of IMF Country Reports.

Particularly noteworthy is the observation that in lower-middle-income countries, where poverty concerns are most pressing, there are instances where the relative frequency of mentions of redistributive and expansionary policies exceeds that of austerity discourse. However, this emphasis is not adequately reflected in the composition of conditions directed towards this group, particularly concerning structural aspects where addressing inequality could be prioritized. In contrast, in high-income group, the discourse on social protection has consistently diminished in favour of austerity since 2015, while anti-poverty quantitative measures have been consistently applied in these economies. For middle-income countries, redistributive recommendations saw a significant increase at the onset of the pandemic, but they have since experienced a decreasing tendency, a trend also observed in other income groups.

In all the studied country categories, aligning with the observed trends in conditionality evolution, there is a noticeable increase in the IMF's focus on transparency. Recently, this emphasis has even surpassed the relative frequency of the austerity topic in lower-middle-income countries, and it is comparable or higher than references to redistributive policies in upper-middle and high-income economies. Discourse analysis also allows us to conclude that the Fund has taken on a leadership role in the transition towards a green economy and cleaner energies in recent years. By 2022, the frequency of discussions on this topic has surpassed the discourse on austerity in high- and lower-income countries. In upper-middle-income economies, it is comparable to discussions on transparency. It's important to recall, however, that conditions specifically related to climate considerations remain a novel aspect for the Fund and are currently confined to only one facility and two countries.

Finally, in categories that have historically contributed to the IMF stigma, such as subsidy rationalization impacting the cost of living, and labour and pension reforms that further affect the already precarious working class in Latin America and the Caribbean, these issues are relatively less frequently discussed compared to the other topics. Mentions of labour and social security reforms have consistently followed a declining trend across all income groups, while subsidy rationalization has experienced only a slight increase since the pandemic in all cases. The limited inclusion of these problematic topics may suggest that, despite retaining these measures in conditions and practices, the Fund avoids excessive use in discourse due to their political and social costs. Therefore, understanding the Fund's policy guidance involves considering not only what it discusses but also what it avoids.

5. Concluding remarks

Our paper contributes to the broader discussion on IMF continuity and change, affirming, in the case of Latin America, what other authors have already pointed out: there is a growing differentiation in policy prescriptions and recommendations, as well as a distinct degree of IMF flexibility, depending on income levels and, consequently, the available fiscal space for government discretional intervention (Tamale, 2021; Ban, 2015), before running the risk of losing market confidence, still praised as a paramount objective.

Second, rather than paradigmatic changes, the Fund's rebranding consists of pragmatic and eclectic adaptation (Güven, 2018 and 2012). Although positive aspects, such as transparency claims, climate resilience building and antipoverty measures, are necessary whether within or outside the neoliberal model, the changes serve more as a cushion rather than a drastic alteration of the Fund's guiding principles.

In this regard, the IMF's discourse and practices have become more diversified to better adapt and respond to a more multipolar world, where the institution must compete with other organizations and emerging powers to regain its traditional long-term clients. Moreover, it is constantly and increasingly subject to public opinion and scrutiny in an era of social media and information revolution. In contrast to times when agreements were highly confidential, the Fund nowadays, while still resorting to many conventional policies, must bite its tongue before discussing them publicly.

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