The Reality of Aid ASIA PACIFIC

A *primer* on austerity's history, impacts, and alternatives in the region

MAY 2024

end austerity IN ASIA PACIFIC

Executive Summary

Austerity was projected to impact 6.7 billion people in 2023 or 85 percent of humanity and the population most likely to be hit exceptionally hard is East Asia and the Pacific, and South Asia. Throughout decades, austerity has done nothing but increase poverty and inequality and exacerbate insecurities related to food, jobs, education, and reduced safety nets. It has also raised additional barriers that restrict marginalized groups, including women, children, people with disabilities, indigenous peoples and refugees from accessing essential services.

To promote a just and sustainable system, there is a need to examine these austerity measures and its impacts on the Asia Pacific region and its people, as well as to identify and highlight people-centered alternatives that will benefit the most marginalized in society. Demanding system change requires confronting actors involved and pushing for policy reforms that will forward a people-centered, rights-based, and climate-resilient development.

We at Reality of Aid - Asia Pacific (RoA-AP) developed this primer as part of our End Austerity in Asia Pacific Campaign this 2024 with the intention of raising peoples' awareness on the impacts of austerity in the region and mobilizing our members and their networks to amplify public discourse on the issue. The campaign aims to put pressure on the Asian Development Bank (ADB) and other international financial institutions (IFIs) to stop enabling corporate control in developing countries and instead truly deliver programs toward genuine sustainable development.

This primer first discusses austerity's brief history, from its origins in the Washington Consensus to its different conceptual transformations. The primer then expounds on the different policy articulations of austerity, the negative socioeconomic impacts of each, and their combined impact on deepening the crises they are supposedly designed to solve. We then zoom in and look at how austerity has been sowi`ng insecurity by analyzing public spending trends in four subregions: East Asia and the Pacific, Central Asia, the Middle East and North Africa, and South Asia.

The primer then ends on a hopeful note by highlighting that many countries have been diverging from the Washington Consensus towards alternative policies and recovery strategies centered on building local economies and bolstering social protection systems, which is supported by the United Nations development agenda. The UN Consensus on Development for All is an alternative framework to austerity and national governments are recommended to explore all possible options to expand fiscal space such as reallocating public expenditures, increasing tax revenues, eliminating illicit financial flows, managing debt by borrowing or restructuring existing debt, and expanding social security coverage and contributory revenues for social protection.

Austerity: A Brief History

Austerity refers to a set of fiscal policies aimed at the "sizable reduction of government deficits and stabilization of government debt achieved by means of spending cuts or tax increases, or both."[1] Such measures are often touted to be "needed to bring the government debt to sustainable levels."[2] Austerity advocates believe and push governments to adopt the retrenchment of public spending, easing of taxes and regulations and other measures to "restore business confidence prompting entrepreneurship, investment and economic revitalization."[3]

Neoliberal pundits would have us think that austerity has only become a buzzword after the implosion of the world's financial system in 2008-09 which caused a global deficit that ranges from $3 to $13 trillion dollars, the cost of bailing out and saving the global banking system.[4] But austerity has been taken as the 'commonsensical' approach - the default response to market failure - as early as the beginning of the 20th century. Its emergence can be traced only by the 20th century because the conditions for its realization only arose during this time. It has become a distinct economic doctrine in the 1920s when states have become large enough budgetary entities that warranted cutting. It has seen a revival alongside the neoliberal shift of the 1980s, which affected economic policy making in the global South and has enabled the International Monetary Fund to frame austerity as a developmental policy necessity, a set of ideas called "the Washington Consensus."[5]

The Washington Consensus was coined in 1989 to describe a standard set of policy measures prescribed to developing countries by international financial institutions (IFIs). The consensus on the Washington Consensus though, both by its proponents and critics, is that it failed to deliver its promised results and instead negatively impacted the countries it was supposed to help recover from crisis. See Table 1 for a comparison of Washington Consensus policies and country policy advice of IFIs. While some equity dimensions have been added, the overall agenda has not changed much. Countries constrained by debt and deficits are still supported through advice and lending to adopt austerity policies instead of identifying new sources of fiscal space.[6]

Even before the global financial crisis of 2008-09, decades of structural adjustment programs under the Washington Consensus framework have been proven to have deleterious effects, especially to the economies of the global South. Lessons can be gleaned from the United Nations Children's Fund's (UNICEF) work in the 1980s which showed that "poverty and infant mortality rates rose as a result of austerity policies that were largely imposed on governments in developing countries." The UNICEF has repeatedly been issuing warnings as early as 2010 on the negative social impacts and alternatives to austerity so as to ensure that "children and their families were not treated as collateral damage in the business of austerity and economic adjustment."[7] The World Bank has even admitted in its 2008 World Development Report that structural adjustment was a failure:

> “ *Structural adjustment in the 1980s dismantled the elaborate system of public agencies that provided farmers with access to land, credit, insurance inputs, and cooperative organizations. The expectation was that removing the state would free the market for private actors to take over these functions — reducing their costs, improving their quality, and eliminating their regressive bias. Too often, that didn't happen. In some places, the state's withdrawal was tentative at best, limiting private entry. Elsewhere, the private sector emerged only slowly and partially — mainly serving commercial farmers but leaving smallholders exposed to extensive market failures, high transaction costs and risks, and service gaps. Incomplete markets and institutional gaps impose huge costs in forgone growth and welfare losses for smallholders, threatening their competitiveness and, in many cases, their survival.*[8] ”

The eruption of the global financial crisis then seemed to have been an opportune time for a rebrand for austerity: from structural adjustment programs to fiscal consolidation. The United Nations held the 2009 Summit on the World Financial and Economic Crisis and its Impact on Development to get all world countries to agree on a set of policies to respond to the "worst global economic downturn since the Great Depression"[9]. This was disregarded by world powers who preferred to work through the more exclusive G20[10] whose meeting in June 2010 marked the start of calling for "growth friendly fiscal consolidation" to respond to the global financial crisis.[11]

Fiscal consolidation or fiscal adjustment is just austerity in another name. It refers to policies with the intent of reducing budget deficits and debt via fiscal measures, either on the expenditure or revenue side to achieve 'fiscal responsibility and debt sustainability'. Although fiscal consolidation could conceivably be achieved through progressive means, the more common measures include public spending cuts, the introduction of regressive taxes, wage bills cuts or caps and fiscal rules that limit debt and expenditure in relation to revenue.[12]

Washington Consensus 1980s-90s	IFIs since 2010
1. Fiscal discipline and expenditure cuts	Same
2. Redirect public expenditures such as subsidies (except defense and corporate bailouts), to support growth with some targeted pro-poor expenditures	Same
3. Tax reform, expanding broad base consumption taxes (e.g., VAT/GST), lower corporate tax rates, limited income tax, nil/low trade and exercise duties	Generally the same
4. Financial liberalization (e.g. reduction of financial regulations supposedly for efficiency and higher savings, closing/privatization of specialized public development banks, market-based interest rates).	Same
5. Competitive exchange rates	Same
6. Trade liberalization, export-led growth	Same
7. Openness to foreign direct investment	Same
8. Privatization, promotion of the private sector, characterized as efficient, including through PPPs	Same
9. Deregulation (removal or reduction of public regulations, rules and standards on private sector activities)	Same
10. Secure property rights	Same
11. Corporate governance	Same
12. Minimize the state, epitomized as a source of inefficiency and corruption, crowding-out private sector	Same
13. Flexible labor markets	Same with active labor market programs
14. "Prudent" capital-account opening	Same; but with macro-prudential measures to manage capital flows and control as a last resort in the face of large capital flights
15. Independent Central Banks, inflation targeting	Same
16. Minimal social safety nets	Same
17. Targeted poverty reduction, microcredit	Same
18. Pension reform, pension privatization	Pension reforms, reduction tax wedge/ social security contributions leading to private saving schemes
19. Commercialization of social services, cost-recovery, user fees – minimal social policies	Same
20. No or limited attention to social groups, inequalities and sources of social conflict	Analysis of inequality, gender and vulnerable populations; some targeted interventions

***Table 1**: Washington Consensus policies in the 1980s-2000s vs policy advice by IFIs since 2010*

Isabel Ortiz and Matthew Cummins, Austerity: The New Normal A Renewed Washington Consensus 2010-2024 (New York: Initiative for Policy Dialogue et al., 2019), 45-46, table 6.

Proponents of austerity argue that fiscal consolidation stabilizes the debt of economies, promotes fiscal sustainability, boosts the confidence of investors and international financial markets in a country's credit rating and has the potential to lower borrowing costs.[13] But a look at the experience of European countries that implemented tough austerity measures during the financial crisis should have been sobering enough. As they cut their budgets and their economies shrank, their debt got bigger, not smaller, and their interest payments shot up. Portugal's net debt to GDP increased from 62 percent in 2006 to 108 percent in 2012 as the interest that pays for its ten-year bonds rose from 4.5 percent in 2009 to 14.7 percent in 2012. Ireland's net debt-to-GDP ratio of 24.8 percent in 2007 rose to 106.4 percent in 2012 while its ten-year bonds went from 4 percent in 2007 to 14 percent in 2011. Meanwhile, Greece's net debt to GDP rose from 106 percent in 2007 to 170 percent in 2012.[14]

The vast evidence of the severe negative impacts of fiscal consolidation also contradict these claims and show that austerity stalls, if not entirely hinder, recovery from crises with its adverse effects of inhibiting growth, shrinking tax revenues, increasing income inequality, reducing wages and increasing long-term unemployment, among others. Austerity has been shown to increase the income of the wealthiest 10 percent at the expense of the bottom 80 percent comprised of the middle class, most affected by wage cuts and pension reform, and low-income earners, who bear the impacts of cuts to public service spending, subsidies and social protection coverage.[15]

As a response to all these criticisms, the International Monetary Fund (IMF) created the concept of 'social spending floors,' another iteration of austerity, which essentially lead countries to view different kinds of social spending as trade-offs and force them to choose between them which should not be the case as expenditures in all sectors are essential to national development strategies and international commitments to achieve sustainable development goals.[16]

A desk review of IMF country reports show that austerity measures considered or already implemented by governments can be categorized into two: policies to reduce expenditure and policies to increase revenues. Measures to reduce expenditure usually fall into six:

(1) elimination or reduction of subsidies, on fuel and energy, electricity, food products and agriculture inputs such as seeds, fertilizers and pesticides;
(2) wage bill cuts or caps on salaries of education, health and other public sector workers;
(3) rationalizing safety nets and welfare benefits via revising eligibility and further targeting to the poorest;
(4) pension reforms such as raising contribution rates, delaying the retirement age and lowering benefits;
(5) labor market reforms, specifically, restraining the minimum wage, limiting salary adjustments to cost of living standards, decentralizing collective bargaining, relaxing dismissal regulations and enabling temporary/atypical contracts to hire workers; and
(6) healthcare reforms, in the form of raising fees for patients and introducing cost-cutting measures in public healthcare centers.

Austerity policies for revenue boosting are:

(7) the introduction of new, or the expansion of already-existing, consumption taxes on goods and services, like value added taxes;
(8) the privatization of government assets and services; and
(9) the strengthening public-private partnerships.[17]

The socioeconomic impacts of austerity

The negative social impacts of austerity are manifold and well-documented. Billions of lives have been upended (1) by reduced subsidies on food, energy and agriculture which led to price hikes; (2) by public sector wage bill cuts/caps which effected a significant loss of jobs and hampered the delivery of public services; (3) by reduced pensions and social security benefits, (4) by rationalization and narrow-targeting of social protection coverage, and (5) privatization of public services, all of which disenfranchised already vulnerable sectors; (6) by falling or stagnating wages and rising unemployment because of worsened job insecurity and dismantled labor regulations; and (7) by regressive revenue-generation measures like consumption taxes which strained disposable household income.

All these combine to drag and slow down economic activity hampering economic recovery. Even IMF Chief Economist Olivier Blanchard and an IMF review of program design and conditionality admitted to serious underestimation of these negative effects and over-estimation of growth in calculations used to argue in favor of fiscal consolidation.[18]

The impacts of the removal or reduction of subsidies

The elimination or reduction of subsidies on food and agricultural inputs impacts food security in general and can specifically result in (1) families eating fewer meals, smaller quantities and less nutritious foods, which have been widely reported behavior in India, Pakistan, Bangladesh, Cambodia, Kazakhstan, Mongolia, the Philippines, Thailand, Vietnam, and Indonesia; and in (2) the dampening of local production which then trigger the volatility of food prices.

The removal of energy subsidies and the resulting hikes in transport costs and prices of fuel products like kerosene, which lower-income households rely upon, can also lead to economies falling into the deathly cycle of higher costs of goods dragging down demand, bringing about slow economic growth that lowers tax revenues which then redound to add on to the already-existing budgetary deficit. These cuts on subsidies have also sparked protests such as in Algeria, Bangladesh, Burkina Faso, Egypt, India, Iraq, Kyrgyzstan, Jordan, Morocco, Syria, Tunisia and Yemen.[19]

The impacts of public sector wage bill cuts or caps and rationalization of social protection programs

As recurrent expenditure like the salaries of public sector workers tends to be the biggest chunk of a government's budget, wage bill cuts/caps result in significant adverse social impacts, the most immediate of which is the reduced availability and/or quality of public services. Wage bill caps also result in the contraction of the number, or retrenchment of, public health and education workers, or their salaries not being adjusted according to inflation, which is developmentally catastrophic for poverty-stricken areas where the designation of a health staff or teacher can decide an entire community's access to health and education services. This also translates to salaries being reduced or eroded in real value and to freeze hirings. All these negatively affect the delivery of public services to the population.[20] A decrease in pay also results in absenteeism, collection of informal fees/corruption and short-staffing, which can then lead to staff burnout.[21]

Rationalizing and further targeting of social programs to the extreme poor excludes most of the poor, who, in most developing countries, average about half of the population, and who are also in dire need of government assistance. Aside from this under-coverage, further targeting has also led to the deterioration and even dissolution of public services and contrary to its purported budget-saving promise is actually more costly and administratively complex.[22]

The impacts of reforms in pensions, healthcare and labor

Old-age pension reforms in the form of reducing pensions and benefits exclude vulnerable groups and increase gender disparities as these disproportionately affect women who are more likely to face poverty in old age than men and are therefore more dependent on public support.[23] Future pensioners are also expected to receive lower benefits.[24] Austerity-driven pension reforms also increase the incidence of old-age poverty, erodes public social security systems and expansion of 'cheaper' social assistance targeted to the poor with lower benefits that are inadequate to ensure old-age income security.[25]

Meanwhile, healthcare system reforms such as increased charges for health services and reduction in medical staff exclude populations from, or provide them with, less and lower quality medical care which lead to worse health outcomes. Both austerity-framed pension and healthcare system reforms add pressure on household incomes, which then result in families having to increase precautionary savings.[26]

As for the effects of labor flexibilization reforms, evidence shows that these generate precarization instead of jobs, depress domestic incomes and in the end, aggregate demand, which also hinder economic recovery.[27]

The impacts of consumption tax increases, privatization and public-private partnerships

Increasing consumption taxes hikes the cost of basic commodities which weighs more on, and further erodes the purchasing power and incomes of already poor and vulnerable families as these taxes are usually regressive. This reduction of poorer households' disposable income further exacerbates existing inequalities. Meanwhile, privatization frequently leads to job losses and wage cuts for workers, higher prices for consumer goods, a compromised quality of the services due to the profit orientation of corporations and the surrender of the government of future revenues.[28]

Public-private partnerships (PPPs) are the most expensive method of financing infrastructure and services as they have a much larger cost to the public budget, and citizens end up paying more while private companies rack up profits. The incentive for governments to still opt for PPPs despite the costs is that these partnerships can be classified as private, not public debt, and can be kept off balance sheets, which perfectly aligns with the IMF directive for governments not to borrow or spend more.[29]

The impact of austerity on labor

Only about half of global workers are wage and salaried employees, while 61 percent, a staggering two billion are in informal employment, most of which are without social protection.[30] Around 700 million workers live in extreme or moderate poverty worldwide and around 200 million workers are unemployed. Austerity does not cause employment-generating growth.[31]

In the short term, austerity depresses incomes and hinders domestic demand, harming economic activity and employment and ultimately undermining recovery efforts. In the long term, as unemployment and excess capacity persist, potential output tends to decrease. Fiscal consolidation also has harmful effects on both short- and long-term unemployment, private demand and GDP growth, with wage-earners hurt disproportionately more than profit- and rent-earners.[32]

Austerity policies have caused the decline across all regions of labor force participation and employment-to-population rates, increased labor insecurity, segmented labor markets with large wage gaps. Essentially, austerity undermines the right to work with its erosion of other fundamental rights; its restraining of minimum living wages; its weakening of collective bargaining; and its push to cut on universal social protection.[33]

Impacts on women and other vulnerable groups

As many women opt to work in the public sector because it provides more decent and formal employment than in the private sector, women are particularly impacted by wage bill cuts and caps. Regressive taxation schemes hike the prices of basic commodities which can add strain to already limited household incomes. This can then reverberate to women working doubly hard to provide for their families on top of their unpaid care and domestic workload.[34]

Budget cuts also reduce services for women such as programs for single mothers, battered women, reproductive healthcare and maternity/child benefits. Austerity disproportionately affects women not just through budget and program cuts but by increased domestic and care work, effectively "turning women and girls into involuntary shock absorbers of fiscal consolidation measures."[35]

Social protection programs being enjoyed by migrants, refugees and people with disabilities are at risk of being cut or rationalized during periods of fiscal adjustment, resulting in more people being pushed into poverty or unemployment. Older people stand to be impacted the most by cuts to social spending and pension reforms while the LGBTQIA+ community is most likely to be hindered to accessing services because of cuts of public spending.[36]

Austerity in the Asia Pacific region

Austerity and public spending trends in the region from 2010 to 2025

Two distinct phases of spending patterns can be gleaned from an analysis of countries expenditure projections since 2008. The first phase, a short period of fiscal expansion, is followed by the second phase of a long period of fiscal austerity.[37] There had been two major crises that triggered these phases: the financial crisis of 2008-09 and the crisis brought about by the COVID-19 pandemic.

In the first phase of the financial crisis (2008-09), most governments ramped up total spending and introduced fiscal stimulus programs, upon the urging of the IMF, to avoid “a Great Depression scenario.”[38] One hundred thirty-nine countries expanded spending by an average annual increase of 3.4 percent of GDP. In the second phase, in 2010, after the banks had been bailed out, governments started scaling back these programs and reduced spending, again upon the directive of the IMF as can be seen in two IMF Board papers approved in February 2010[39] that called for fiscal consolidation.[40] This is a 180-degree turnabout that treated government spending as the cause of the crisis and painted the social welfare state as “unaffordable and a burdensome impediment”[41] to recovery from the crisis and which institutionalized austerity as the new norm.[42x]

We have seen governments go down the same pattern during the pandemic when 160 governments increased expenditure by 5 percent of GDP in 2020, during the first and second waves of COVID-19. Like in the fiscal expansion in 2008-09, the COVID stimulus was mainly channeled to corporate sector support.[43] The second phase is still currently unfolding. Estimates show that 143 countries contracted their budget in 2023 in terms of GDP.

A quick comparison of amounts allotted by governments of high-income countries for financial sector support, fiscal stimulus packages and the resulting public debt increase belie the true priorities of global financial policymakers. Nearly US$10 trillion was given to bail out the financial sector compared to just US$2.4 trillion for fiscal stimulus plans and a meager US$0.24 trillion in official development assistance for developing countries. See figure 1. As for its effects, austerity was projected to impact 6.7 billion people in 2023 or 85 percent of humanity. The population most likely to be hit exceptionally hard is East Asia and the Pacific and South Asia.[44] See figures 2 and 3.

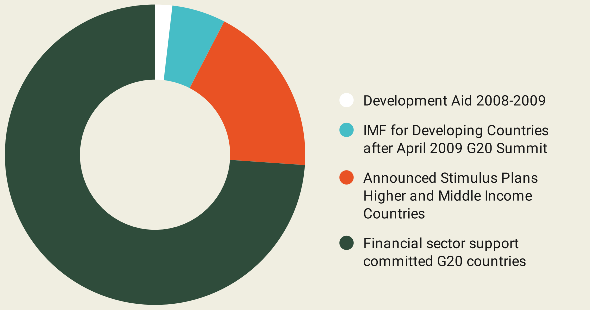

Figure 1: *Financial sector support/bank bailouts, fiscal stimulus packages and development aid, 2008-09 in US$ trillions*

Isabel Ortiz and Matthew Cummins, End Austerity: Global Report on Budget Cuts and Harmful Social Reforms in 2022-25 (New York: Initiative for Policy Dialogue et al., 2022), 11, figure 3.

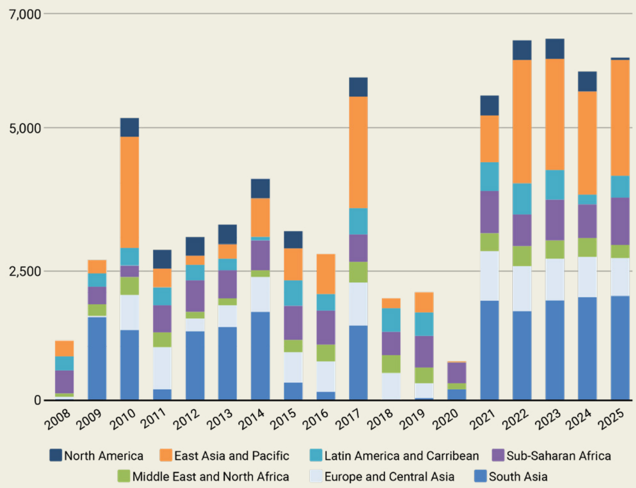

Figure 2: *Population affected by public expenditure cuts, 2008-2025, in number of persons by region*

Isabel Ortiz and Matthew Cummins, End Austerity: Global Report on Budget Cuts and Harmful Social Reforms in 2022-25 (New York: Initiative for Policy Dialogue et al., 2022), 13, figure 5.

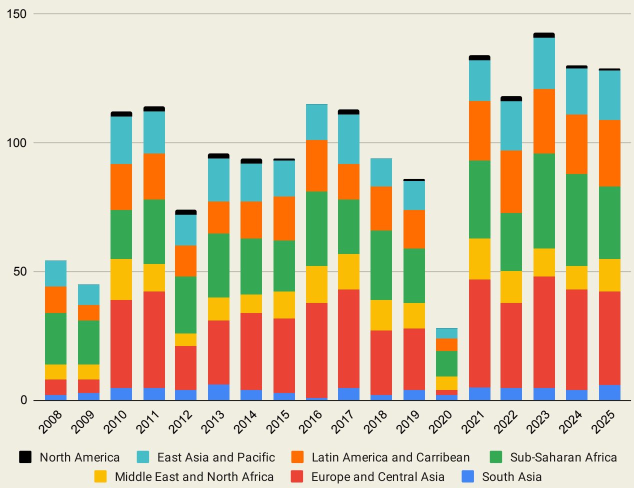

Figure 3: *Number of countries contracting public expenditure as a percentage of GDP by region, 2008-25*

Isabel Ortiz and Matthew Cummins, End Austerity: Global Report on Budget Cuts and Harmful Social Reforms in 2022-25 (New York: Initiative for Policy Dialogue et al., 2022), 11, figure 3.

From 2000, as many as 19 out of 30 countries in East Asia and the Pacific were affected by expenditure cuts, with a maximum of 92 percent of the population affected. Thirty seven countries out of 49, and a maximum of 83 percent of their population, were impacted in Europe and Central

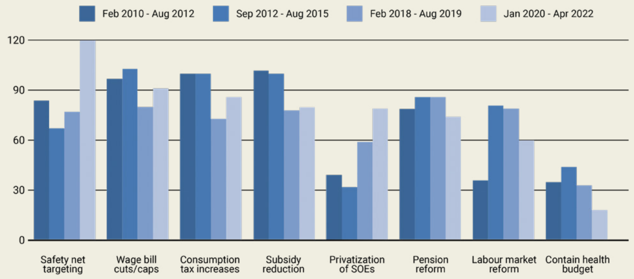

Figure 4: *Main austerity measures from 2010 to 2022*

Isabel Ortiz and Matthew Cummins, End Austerity: Global Report on Budget Cuts and Harmful Social Reforms in 2022-25 (New York: Initiative for Policy Dialogue et al., 2022), 21, figure 10.

Region/income	Subsidy reduction	Wage bill cuts/caps	Safety net targeting	Pension reforms	Labor reforms	Health reforms	Consumption tax increases	Privatization
East Asia and Pacific	15	18	10	6	9	2	18	8
Eastern Europe/Central Asia	14	17	18	18	12	9	14	11
Latin America/Caribbean	14	14	13	17	11	2	18	3
Middle East and North Africa	10	8	7	5	6	3	9	2
South Asia	6	7	5	2	3	0	7	3
Sub-Saharan Africa	38	32	15	12	8	6	27	13
Developing countries	97	96	68	60	49	22	93	40
High-income countries	35	34	39	45	40	34	45	15
All countries	**132**	**130**	**107**	**105**	**89**	**56**	**138**	**55**

Table 2: *Main austerity measures by region, 2010-15*

Isabel Ortiz et al., The Decade of Adjustment: A Review of Austerity Trends 2010-2020 in 187 Countries. (Geneva: International Labor Organization, 2015), 13, table 4.

Region/income	Pension reform	Wage bill cuts/caps	Labor reform	Subsidy reduction	Saftey net targeting	Consumption tax increases	Strengthening PPPs	Privatization	Healthcare reform
East Asia and Pacific	5	9	6	6	6	9	6	4	2
Europe and Central Asia	14	10	10	8	12	7	8	11	7
Latin America and Caribbean	15	15	12	11	13	11	10	6	3
Middle East and North Africa	6	4	3	6	6	3	4	2	0
South Asia	3	1	4	4	4	3	4	3	1
Sub-Saharan Africa	6	22	9	26	19	21	18	13	1
Developing countries	49	61	44	61	60	54	50	39	14
High-income countries	37	19	35	17	17	19	10	20	19
All countries	**86**	**80**	**79**	**78**	**77**	**73**	**60**	**59**	**33**

Table 3: *Main austerity measures by region, 2018-19*

Isabel Ortiz and Matthew Cummins, Austerity: The New Normal A Renewed Washington Consensus 2010-2024 (New York: Initiative for Policy Dialogue et al., 2019), 24, table 4.

Region/income	Targeting social protection	Wage bill cuts/caps	Consumption tax VAT	Subsidy reduction	Privatize SOEs	Pension reform	Labor flexibilization	PPPs	Reduce SS contributions	User fees	Reduce health budget	Total
East Asia and Pacific	15	6	12	9	9	9	7	8	6	2	0	**83**
Europe and Central Asia	38	26	23	18	19	28	21	11	27	5	6	**222**
Latin America and Caribbean	20	17	15	14	13	16	11	10	9	5	6	**136**
Middle East and North Africa	12	9	8	9	8	9	10	7	5	4	1	**82**
South Asia	5	5	3	4	4	2	3	3	0	1	0	**30**
Sub-Saharan Africa	29	28	24	25	26	9	8	16	0	11	2	**178**
All countries	**120**	**91**	**86**	**80**	**79**	**74**	**60**	**55**	**47**	**28**	**16**	**736**

Table 4: *Main austerity measures by region, 2020-22*

Isabel Ortiz and Matthew Cummins, End Austerity: Global Report on Budget Cuts and Harmful Social Reforms in 2022-25 (New York: Initiative for Policy Dialogue et al., 2022), 19, table 2.

Asia. As for the Middle East and North Africa (MENA), 16 out of 20 countries, with a maximum of 70 percent of their population, were affected. While in South Asia, as many as seven out of eight countries, with a maximum of 97 of their populations, have been affected.[45]

For East Asia and the Pacific, the most widely considered adjustment measures were wage bill cuts/caps and targeting social protection on the expenditure side and consumption tax increases on the revenue side. For Central Asia, pension reform and safety net targeting were the adjustment measures most common. For MENA, the most prevalent was subsidy reduction, pension reform and safety net targeting, while in South Asia, it was a mix of wage bill cuts/caps, consumption tax increases, labor reforms subsidy reduction, safety net targeting and strengthening PPPs. See Tables 2 to 4.

Austerity measures in East Asia and the Pacific

Zooming into the 2012-2015 period, we can see dominating the list of austerity measures is increasing consumption taxes (Indonesia, Laos, Thailand) or introducing a new value added tax or VAT (Kiribati), changes to existing VATs (Marshall Islands, Palau, Tonga, Tuvalu) or goods and services taxes (Malaysia, Myanmar, and Timor-Leste). Subsidy reduction was considered by 13 countries and while cuts to state-owned utility companies have been the focus, there were also subsidy rollbacks for copra to assist low-income farmers in Kiribati and decrease in budgetary support for low-income housing in the Philippines.[46] In the first quarter of 2021, the IMF had supported the plans of Tonga to reform their public wage bill.[47] See Table 5.

	Subsidy reduction	Wage bill cuts/caps	Safety net targeting	Pension reforms	Labor reforms	Health reforms	Consumption tax increases	Privatization
Cambodia					●	●	●	
China					●		●	
Fiji	●	●	●	●				●
Indonesia	●		●		●		●	
Kiribati	●	●					●	●
Lao PDR		●					●	
Malaysia	●	●	●	●			●	
Marshall Islands	●	●		●			●	
Micronesia	●	●		●			●	
Mongolia	●	●	●					
Myanmar	●						●	●
Palau	●	●		●			●	●
Papua New Guinea								
Philippines	●						●	
Solomon Islands		●						
Thailand	●						●	
Timor-Leste	●	●			●		●	
Tonga		●					●	
Tuvalu	●	●	●	●	●	●	●	
Vanuatu					●		●	
Vietnam		●						
TOTAL	13	13	5	6	6	2	16	4

Table 5: *Austerity measures in East Asia and the Pacific, 2012-15*

Isabel Ortiz et al., The Decade of Adjustment: A Review of Austerity Trends 2010-2020 in 187 Countries. (Geneva: International Labor Organization, 2015), 17, table 7.

	Target social protection	Wage bill cuts/caps	Subsidy reduction	Privatization	Pension reforms	Labor reforms	Health reforms	Consumption tax increase + corporate tax reduction	Strengthening PPPs
Australia	●	●	●					●●	
Cambodia	●							○●	●
China			●	●	●	●		●●	
Fiji	●		●	●		●		●○	
Indonesia	●		●			●		●●	●
Japan	●				●	●		●●	
Korea	●		●		●	●		●○	
Malaysia	●	●	●		●	●		○●	●
Mongolia	●	●	●	●	●			○●	●
Myanmar			●	●	●			●○	●
Papua New Guinea		●		●					
Philippines				●	●			○●	
Samoa	●		●					●○	
Singapore	●							○●	
Solomon Islands	●	●		●					
Thailand	●				●	●		●○	●
Timor-Leste	●							●○	●
Vanuatu	●			●					
Vietnam	●	●		●				●●	●

Table 6: *IMF-advised austerity measures in East Asia and the Pacific, 2020-22*

In Table 6, we have identified 19 countries to watch out for in the subregion advised by the IMF to undertake specific austerity measures. Targeting social protection is the most popularly recommended with 15 countries advised to undertake it, while wage bills cuts/caps is the least recommended measure with six countries. No country has been advised to carry out health reforms.[48]

Austerity in focus ***Pacific islands***[49]

The Pacific's geographic and economic remoteness and vulnerability to natural disasters spell high infrastructure costs, import costs for capital equipment and fuel and other goods. The island nations are now enduring price hikes in basic commodities to supply disruptions caused by the pandemic and the Russia-Ukraine conflict. Climate-induced shocks also make Pacific debt levels more precarious.

Country reports from the United Nations Economic and Social Commission for Asia and the Pacific show that the debt-to-GDP ratio of Pacific countries has been increasing from an average of 32 percent in 2019 to 42.2 percent after COVID. Fiji and Palau's debt-to-GDP ratio are between 70 and 80 percent. The pandemic coupled with the growing climate crisis had been pushing Pacific countries to greater risks and deeper levels of debt distress and "austerity measures are only likely to undermine the region's economic recovery."

According to a debt-sustainability analysis by the IMF and World Bank, seven low-income Pacific island countries are at high risk of debt distress: Kiribati, Marshall Islands, Micronesia, Papua New Guinea, Samoa, Tonga and Tuvalu. Solomon Islands, Vanuatu and Timor-Leste are at moderate risk. Fiji, Nauru and Palau's debts are assessed to be sustainable but Fiji's creditworthiness has been downgraded by the Asian Development Bank, who is the major creditor for the island countries.

China is the next biggest creditor in the region and to the world's most indebted countries: Tonga, Samoa and Vanuatu. These high debt levels and a constant trade deficit may lead Pacific island governments to adopt austerity measures in order to build fiscal capacity, which will most likely worsen poverty and inequality and hamper recovery in the region. Fiscal consolidation is also seen as adversely impacting achieving climate resilience. Pacific island countries need substantial financial resources and long-term financing but the existing debt architecture does not cater to their vulnerabilities. The IMF has recently proposed debt-for-nature deals to Pacific island nations as traditional loans have become unsustainable because of high debt levels across the region. Debt-for-nature deals are arrangements where borrowing countries reduce their external debt and commit these savings to building resilience against the climate crisis. Though seen by many as a win-win, it ultimately benefits the creditors which profit off the debt without any real guarantee that the countries are saved from the ever deepening cycle of borrowing, aggravated exactly by their being in the frontline of the climate crisis.[50]

Alternatively, Pacific island countries could consider tapping their advantage in agriculture and manufacturing to increase revenues but only after addressing challenges such as high operational costs, consistent supply of materials and the needed political support. Governments of the Pacific islands must lead the process towards long-term fiscal sustainability and the wellbeing of their communities.

Austerity measures in Eastern Europe and Central Asia

Wage bill cuts/caps figure as the most common austerity measure across Eastern Europe and Central Asia. Serbia implemented a 10 percent public sector wage cut and Macedonia carried out a freeze on public sector wages and new hirings to achieve savings in the wage bill.[51] See Table 7. In the first quarter of 2021, the IMF had supported the plans of the Kyrgyz Republic to reform their public wage bill.[52]

In Table 8, we have identified 4 countries to watch out for in Central Asia advised by the IMF to undertake specific austerity measures. Targeting social protection, subsidy reduction and privatization are the most common to be undertaken by all four countries, while wage bills cuts/caps, pension reforms and labor reforms are the least common with only a country each. No country has been advised to carry out health reforms.[53]

Austerity in focus ***Kazakhstan***[54]

Even before the pandemic, Kazakhstanis have relied on loans to fulfill basic needs and access healthcare and housing. But things have turned for the worse since COVID because loans replaced wages for many when lockdowns were implemented. Limited business operations led to a decline in income or unemployment.

The country's debt problem started when the national government tried to curb post-World War 2 inflation with austerity measures. This immediately led to a decline or stagnation in incomes that continues to this day. To compensate for falling living standards and weak wage growth, the widespread use of retail lending services began. In mid-2019, a credit amnesty was implemented, though its effects have been limited. The volume of loans to Kazakhstanis has more than doubled to more than US$17 billion by the end of 2019. By 2020, at the peak of the pandemic, the loan portfolio increased by almost US$1.2 billion. Out of 9 million economically active Kazakhstanis, 7.1 million have loans averaging US$2,100 to US$2,300.

After the recently concluded Spring Meetings of the World Bank and the IMF, where directions for coming months were set, Jihad Azour, the IMF's Director of the Middle East and Central Asia Department shared his belief that "structural reforms offer the most promising opportunity" for Kazakhstan to "fast track the growth of the economy." He echoed this when he shared his vision for the future of Kazakhstan and Central Asia: "The priority needs to be to accelerate structural reform growth."[55]

	Subsidy reduction	Wage bill cuts/caps	Safety net targeting	Pension reforms	Labor reforms	Health reforms	Consumption tax increases	Privatization
Albania		●		●	●			
Armenia		●	●	●				
Azerbaijan	●		●	●				
Belarus	●	●					●	●
Bosnia		●	●					
Bulgaria	●	●	●	●		●	●	
Georgia								
Hungary	●	●	●	●	●	●	●	
Kazakhstan		●		●	●			
Kosovo		●			●			
Kyrgyz Republic	●	●	●	●			●	
Macedonia	●	●			●			
Moldova	●	●	●	●	●	●	●	
Montenegro		●		●	●		●	●
Romania	●	●	●	●	●	●	●	●
Serbia	●	●	●	●	●		●	●
Turkey		●	●	●	●	●		
Ukraine	●	●	●	●		●	●	
Uzbekistan								
TOTAL	10	16	11	13	10	6	9	5

***Table 7**: Austerity measures in Eastern Europe and Central Asia, 2012-15*

Isabel Ortiz et al., The Decade of Adjustment: A Review of Austerity Trends 2010-2020 in 187 Countries. (Geneva: International Labor Organization, 2015), 18, table 8.

	Target social protection	Wage bill cuts/caps	Subsidy reduction	Privatization	Pension reforms	Labor reforms	Health reforms	Consumption tax increase	Strengthening PPPs
Kazakhstan	●		●	●		●		●	●
Kyrgyz Republic	●	●	●	●				●	
Tajikistan	●		●	●					
Uzbekistan	●		●	●	●				●

***Table 8**: IMF-advised austerity measures in Central Asia, 2020-22*

Austerity measures in the Middle East and North Africa

For the Middle East and North Africa, subsidy reduction was the most prominent austerity measure as all countries have been pressured to reform their energy and food subsidies. Those who considered reducing energy subsidies and offering fuel at market prices were Algeria, Egypt, Iran, Jordan, Lebanon, Morocco, Tunisia and Yemen. While those who discussed cutting subsidies to food programs were Egypt, Jordan and Morocco.[56] See Table 9. In the first quarter of 2021, the IMF had supported the plans of Jordan, Georgia, Pakistan and Tunisia to reform their public wage bill and had advised Egypt to introduce or increase VAT. Both Egypt and Algeria have put a cap on public sector wage increases while Jordan and Morocco have set to reduce their wage bill. As for consumption tax increases, Egypt planned to introduce a VAT, Iran proposed a tax increase from 6 to 8 percent, while Algeria considered to limit tax exemptions.[57]

In Table 10, we have identified 12 countries to watch out for in the subregion advised by the IMF to undertake specific austerity measures. Targeting social protection is the most common as it had been advised by the IMF to all 12 countries, while health reforms is the least common with only Egypt advised to undertake it.[58]

	Subsidy reduction	Wage bill cuts/caps	Safety net targeting	Pension reforms	Labor reforms	Health reforms	Consumption tax increases	Privatization
Algeria	●	●			●		●	
Egypt	●	●			●		●	
Iran	●		●		●		●	●
Jordan	●	●	●	●	●		●	
Lebanon	●		●	●		●	●	
Morocco	●	●		●	●		●	
Tunisia	●	●	●	●	●			
Yemen	●	●						
TOTAL	8	6	4	4	6	1	6	1

***Table 9**: Austerity measures in the Middle East and North Africa, 2012-15*

Isabel Ortiz et al., The Decade of Adjustment: A Review of Austerity Trends 2010-2020 in 187 Countries. (Geneva: International Labor Organization, 2015), 20, table 10

	Target social protection	Wage bill cuts/caps	Subsidy reduction	Privatization	Pension reforms	Labor reforms	Health reforms	Consumption tax increase + corporate tax reduction	Strengthening PPPs
Algeria	●	●	●	●	●	●		●○	●
Djibouti	●		●			●		●○	
Egypt	●			●	●	●	●	●○	
Iraq	●	●	●	●	●			●○	
Israel	●	●			●			●○	
Jordan	●	●	●		●	●		●○	●
Kuwait	●	●	●	●	●	●		●○	●
Morocco	●	●	●	●	●	●		●○	●
Oman	●	●	●	●	●	●		●○	●
Saudi Arabia	●	●		●		●		●●	●
Tusinisia	●	●	●	●	●	●			●
United Arab Emirates	●	●	●			●			

***Table 10**: IMF-advised austerity measures in the Middle East and North Africa, 2020-22*

Austerity in focus ***Jordan***[59]

The government of Jordan, which has been implementing a series of IMF programs from 1989 to 2004 and then with another series starting in 2012, shows how the IMF's vision and approach fail, with the country's debt-to-GDP ratio now higher than it was when it implemented the IMF-recommended reforms. It was more than 97 percent of GDP in 2019 and then rose to 11 percent by the end of 2022.

The first in the second series of programs removed fuel subsidies which hiked prices, sparked nationwide protests and led to a 5 percent inflation. The second recommended the removal of bread subsidies and the raising of income and sales taxes, which also led to inflation and led to protests that peaked with the prime minister stepping down.

Jordan is also an early example of IMF efforts to mitigate austerity's negative social impacts with the introduction of social spending floors and targeted, instead of universal, cash transfers. In 2019, the government started its targeted cash transfer program and after three years, it has only reached a maximum of 120,000 beneficiary households. With a population of around 11 million, the program has reached only 5 percent of the country's population or one in five Jordanians living in poverty. Since the pandemic, poverty has increased from 15 to 24 percent.

The most recent IMF loan program continues fiscal consolidation and calls for freezing public sector hiring except in health and education, allows employers to reduce their social security contributions for employees, reduces electricity subsidies and introduces water tariff reforms.

Austerity measures in South Asia

As for South Asia, subsidy reform is the top austerity measure considered or adopted. Bangladesh, India, Nepal, Pakistan and Sri Lanka, who had large energy and food subsidies, have cut these back through adjustments of prices and tariffs and by slashes to state-owned fuel companies and utilities that sell at regulated prices. Meanwhile, for wage bill cuts/caps, Afghanistan pursued a wage bill cap; Bhutan recommended public sector wage adjustments; Nepal proposed hiring freeze; and Pakistan sought civil service reform to control the wage bill. With regard to increasing consumption taxes, Sri Lanka planned to increase revenues from taxes by extending VAT to more sectors; Bhutan wanted to introduce a VAT and to remove sales tax exemptions for basic items; Afghanistan instituted a VAT in 2014; India aimed to impose a goods and services tax in 2015. Both India and Bangladesh have been advised by the IMF in policy discussions to divert focus from their food subsidies to more targeted programs, like direct cash transfers.[60] See Table 11. In the first quarter of 2021, the IMF has advised Afghanistan and Pakistan to introduce or increase VAT.[61]

In Table 12, we have identified 7 countries to watch out for in South Asia advised by the IMF to undertake specific austerity measures. Targeting social protection and wage bill cuts/caps are the most prevalent while pension reform is the least common. No country has been advised to carry out health reforms.[62]

	Subsidy reduction	Wage bill cuts/caps	Safety net targeting	Pension reforms	Labor reforms	Health reforms	Consumption tax increases	Privatization
Afghanistan		●					●	●
Bangladesh	●		●				●	
Bhutan		●					●	
India	●	●	●	●	●		●	
Nepal	●	●	●	●	●			
Pakistan	●	●					●	●
Sri Lanka	●						●	
TOTAL	5	5	3	2	2	0	6	2

***Table 11**: Austerity measures in South Asia, 2012-15*

Isabel Ortiz et al., The Decade of Adjustment: A Review of Austerity Trends 2010-2020 in 187 Countries. (Geneva: International Labor Organization, 2015), 21, table 11.

	Target social protection	Wage bill cuts/caps	Subsidy reduction	Privatization	Pension reforms	Labor reforms	Health reforms	Consumption tax increase	Strengthening PPPs
Afghanistan		●						●	●
Bangladesh	●	●	●	●	●			●	●
India			●	●		●			
Maldives	●	●							
Nepal	●	●				●			●
Pakistan	●		●	●		●			
Sri Lanka	●	●	●	●	●			●	

***Table 12**: IMF-advised austerity measures in South Asia, 2020-22*

Austerity in focus ***Sri Lanka***[63]

Sri Lanka has defaulted on its external debt in April 2022, after widespread protests over lack of essentials such as fuel and medicines and government resignations. And it is one of the first countries to restructure its debt in the post-COVID era. The IMF leads the debt restructuring process and is geared to protect the interests of past creditors and future investors by ensuring that Sri Lanka would still use a third of its revenue for external debt servicing along with other contractionary measures, such as interest rate increases and fuel and electricity price hikes, even before the four-year IMF-led recovery program was approved. These measures dampened overall demand which led to the economy contracting by 7.8 percent in 2022 and 3.6 percent in 2023, the bankruptcy of businesses and disruptions both in the formal and informal sectors.

When the IMF program started in March 2023, the principal conditionality was that Sri Lanka's revenues be higher than its expenditure – a push to further reduce already-low public spending. Being considered in Sri Lanka's budget for 2024 are the sale of strategic lands, privatization of energy, fuel, transport, banking and telecom infrastructure and even currently-profitable public companies, such as Sri Lanka Telecom. In strict adherence to the austerity dictum of passing the debt burden onto working people, the government raised the goods and services tax from 8 to 18 percent, as the main driver of resource generation, and increased electricity tariffs, which has led to electricity costs shooting up to 400 percent. As the cost of living rises while livelihoods crash, other negative impacts foreseen are the rise of malnutrition, school dropouts and youth unemployment.

Also part of the IMF program are social spending floors which exposes the IMF's true priorities as it demands a maximum of 4.5 percent of GDP for debt servicing, with only 0.6 percent of GDP for social safety net through targeted cash transfers that is aimed to gradually replace universal provision of social benefits. These socioeconomic impacts run parallel to an unfolding political crisis met with authoritarian measures such as the postponement of elections and the railroading of the passage of antidemocratic laws on terrorism, free speech, privatization of higher education and dispossession of livelihoods by a government that does not enjoy wide public confidence.

While Sri Lanka undergoes its debt restructuring program, which is already wreaking havoc on its working class, it has also become a battleground for international financial behemoths such as China and India who would grab the opportunity to stake their claim on strategic public assets for sale, such as ports and power grids. Sri Lanka can now be looked at as the latest petri dish on how development financing can be structured in such a way that countries retain the reins in driving development for the benefit of its own people.

Conclusion

Austerity is a strategy of international financial institutions to limit the public sector and erode the welfare state in favor of the private sector, with the same austerity measures over the years, regardless of the context or the crisis.[64] It is a "zombie economic idea because it has been disproven time and again, but it just keeps coming back."[65]

Austerity misrepresents the crisis as mainly a debt crisis caused by states spending too much when it is in fact, first and foremost, a "transmuted and well-camouflaged banking crisis."[66] It produces the very outcomes it purportedly tries to avoid. It does not work to reduce debt and promote growth and it always plays out in a vicious cycle: the people of the poorest countries are characterized as living beyond their means and are squeezed to pay the bill by channeling a big percentage of their income as payments to the lending agencies. "Austerity is not just the price of saving the banks. It's the price that the banks want someone else to pay."[67]

But crises are always opportunities to rethink and reform development models. The chronic crisis has put into question the neoliberal development model driven by liberalization, privatization and deregulation where the biggest beneficiaries are international investors at the expense of workers and the poor. Many countries have since then veered away from the Washington Consensus towards alternative policies supported by the United Nations development agenda, which covers areas ranging from sustainable development and finance to social inclusion and employment. The crisis has also redirected policymakers in Asia from export-led growth models to employment-intensive recovery strategies centered on building local markets and bolstering social protection systems.[68]

The UN Consensus on Development for All is an alternative to austerity which revolves around governments maximizing available opportunities to expand the generation of financing resources: (1) reallocating public expenditures, (2) increasing tax revenues, (3) eliminating illicit financial flows, (4) managing debt by borrowing or restructuring existing debt, and (5) expanding social security coverage and contributory revenues for social protection.[69] See Table 13.

Recommendations

For national governments

Reallocate, instead of cut, public expenditures – If spending needs to be scaled back, governments can replace defense and corporate subsidies, prevent corruption and the mismanagement of public funds in order to fund public services. Thailand reallocated funds from military spending to universal health services while Costa Rica abolished its army and channeled the funds to environment, health and education spending.

Increase progressive tax revenues – generate resources by imposing taxes on corporate profits, personal wealth, property, natural resource extraction, luxury items, imports/exports and other tax exemptions/breaks to big corporations and curb the increase of levels of inequality by making wealthier income groups pay the lion's share. In line with the proposal from the UN Financial Accountability, Transparency and Integrity Panel, it is recommended to impose a minimum corporate tax rate of at least 25 percent.

Eradicate illicit financial flows – governments need to crack down on money laundering, bribery, tax evasion and other crimes that rob governments of revenues needed for socioeconomic development as a huge amount of financial resources illegally escape developing countries annually.

Restructure/eliminate existing debt – if the legitimacy of the debt is questionable and when debt service repayments decenter human rights and impede development, reducing or eliminating debt may be cancelled or repudiated. There are five main options available to governments: (1) outright debt relief/cancellation, (2) debt renegotiation, (3) debt swaps/conversions, (4) debt repudiation and (5) defaulting.

Scale up social protection, expand social security coverage and contributory revenues – governments should invest, instead of rationalize, universal social protection. Social security employers' contributions should be increased to adequate levels and the collection of new contributions should be initiated in order to expand coverage. Those who reduced/waived employers' social security contributions to support companies/corporations should quickly reverse policy. Help to reduce the burden of unpaid care work and loans arising from maternity, child-rearing costs and domestic violence. Extend universal transfers to provide immediate support to vulnerable populations such as families with children, older persons and persons with disabilities.

Focus on people-centered recovery through redistributive policies such as free, quality, universal healthcare and education and universal social protection. Invest, not just temporarily, but in a sustained manner, in education, health and other public services to promote human development, increase productivity and reduce inequalities.

Facilitate national dialogues to discuss publicly any budget cuts and explore all possible fiscal space options, to forge political will and consensus on the best combination of public policies before it is approved and implemented, to negotiate agreements transparently with input from trade unions, employers' federation and civil society organizations so as to avoid civil unrest and conflict. Facilitate dialogue between unions and employers to articulate labor market policies that have positive synergies between economic and social development and to identify a balance between ensuring sustained economic activity and positive social outcomes.

Instead of wage bill cuts or caps, **increase the number of and provide adequate and timely salaries to public sector workers who deliver essential social services like education, health, social protection, water supply and sanitation, transportation, to the general population**. Strengthen worker protections to ensure living wages, safe and productive workplaces, labor rights and job security. Help formalize and protect workers in the informal economy by providing them with contracts and decent work conditions. Invest in job creation in climate-friendly sectors, sustainable infrastructure and the care economy.

Support sustainable agriculture and energy alternatives instead of reducing subsidies, to ensure that food, transport and energy costs are accessible and affordable.

Put a premium on advice on social security and labor reforms coming from the International Labour Organization, on health from the World Health Organization and UNICEF; on education from UNESCO and UNICEF, as IFIs do not have expertise on social policy and their recommendatory scope should be delimited to financing and fiscal space options to enable universal social protection, health and education.

For civil society and people's organizations

Civil society has successfully challenged and reversed austerity measures that were designed behind closed doors by government technocrats. People in more than 100 countries have pressured governments, following demonstrations and protests, to reinstate subsidies as in Bolivia, Ecuador and Nigeria; reversed tax increases on basic goods, like in Burkina Faso, Cameroon and the Ivory Coast, reversed water fee increases in Ireland. Courts in Latvia, Romania and Portugal have declared cuts unlawful and unconstitutional and reinstated social benefits. See Figure 5.

Amplify public discourse and parliamentary debates on ending austerity, articulate positive demands for a people's recovery and bring these to the electoral agenda.

Call for national public social dialogue. Negotiate and agree on optimal policies through national social dialogue with governments, trade unions, employers' federation and civil society organizations.

Lobby for full engagement and shared control, like trade unions having a seat in pension boards.

Pursue legal responsibility and reparations from both governments and IFIs as both can be held accountable for complicity in the implementation of economic reforms that ultimately violate human rights.

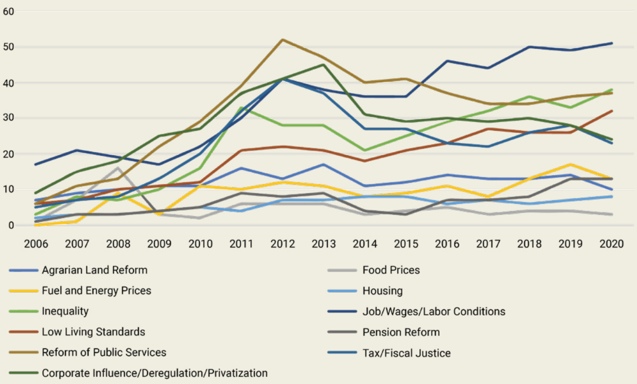

***Figure 5**: Anti-austerity protests in 101 countries, 2006-20 (in number of protests per year)*

Isabel Ortiz and Matthew Cummins, End Austerity: Global Report on Budget Cuts and Harmful Social Reforms in 2022-25 (New York: Initiative for Policy Dialogue et al., 2022), 66, figure 13.

For international financial institutions and donor countries

Conduct and publish social impacts assessment of policy proposals before approval so as to ensure their effectiveness in both facilitating economic recovery and advancing human rights.

Help governments restructure their debts and back the cancellation of all middle- and low-income countries debt payments owed during the pandemic and even after the pandemic if deemed necessary.

Encourage countries to make increases in social spending, a permanent measure to securing quality, universal and free public services; to ensure that social policies must carefully balance sustainability and equity or adequacy of benefits; and to carefully define social spending floors, including specific targets, to safeguard all social and other priority spending to achieve sustainable development goals and international commitments.

Coordinate policy action at the global level to promote employment-generating growth, financial market stability and support development agenda grounded on country ownership of national development strategies that integrate social, economic and environmental policy, and that addresses systemic issues, such as the differential impact of globalization and inequalities among and within countries. Enable frameworks that promote peace and conflict prevention, good governance and human rights.

Washington Consensus 1980s-90s	UN Consensus Development for All
1. Fiscal discipline and expenditure cuts	Public economic and social investments for development; expand governments' fiscal space
2. Redirect public expenditures such as subsidies (except for defense and the financial sector) to support economic growth with some targeted pro-poor expenditures	Redirect only regressive expenditures, such as defense or subsidies to large corporations
3. Tax reform, expanding broad-base consumption taxes and minimizing others	Taxation for development purposes, with attention to needed redistribution
4. Financial sector liberalization	Making finance work for real economy growth, adequate regulation, selective capital controls to avoid financial volatility
5. Trade liberalization and export-led growth	Free trade not priority, industrial/ technology policy to support growth of employment-generating domestic industry prior to (selective) trade liberalization under adequate global agreements
6. Openness to foreign direct investment	FDI with knowledge transfer, proper taxation and decent working conditions, including global supply chains
7. Privatization and promotion of the private sector, including through PPPs (characterized as efficient)	Public services for all; supplementary private services for those with higher incomes
8. Deregulation	Adequate regulation
9. Secure property rights	Secure Human Rights and other rights and standards
10. Minimize the state (epitomized as a source of inefficiency and corruption, which crowds-out the private sector)	Building state capacity to promote development, growth and equity through active promotion of development policies
11. Flexible labor markets	Decent work agenda
12. Independence of Central Banks and inflation targeting	Accommodating macroeconomic framework; employment targeting instead of exclusive focus on inflation targeting
13. Minimal social safety nets	Social protection systems for all at adequate benefit levels
14. Targeted poverty reduction and microcredit schemes	Universal policies, for all
15. Pension reform, including privatization	Universal social protection, sustainable and equitable pension systems with adequate benefits
16. Commercialization of social services, cost-recovery and user fees (minimal social policies)	The focus needs to be expansion of coverage of quality services, ensuring quality services for all
17. Ad hoc attention to inequality, gender and vulnerable populations	National dialogue with trade unions, employers and representative CSO, Parliaments; ensure that policies respond to all citizens including women and other social groups. Empower people though rights and standards. Building social cohesion and political stability

Table 13: *The Washington Consensus versus the UN Consensus Development Agenda*

Isabel Ortiz and Matthew Cummins, Austerity: The New Normal A Renewed Washington Consensus 2010-2024 (New York: Initiative for Policy Dialogue et al., 2019), 49, table 8.

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