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The Age of Austerity:

A Review of Public Expenditures and Adjustment Measures in 181 Countries

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Executive Summary

This paper: (i) examines the latest IMF government spending projections for 181 countries by comparing the four distinct periods of 2005-07 (pre-crisis), 2008-09 (crisis phase I: fiscal expansion), 2010-12 (crisis phase II: onset of fiscal contraction) and 2013-15 (crisis phase III: intensification of fiscal contraction); (ii) reviews 314 IMF country reports in 174 countries to identify the main adjustment measures considered in high-income and developing countries; (iv) discusses the threats of austerity to development goals and social progress; and (v) calls for urgent action by governments to adopt alternative and equitable policies for socio-economic recovery.

In a first phase of the global economic crisis (2008-09), most governments introduced fiscal stimulus programs and ramped up public spending, as the world was able to coordinate policies. However, premature expenditure contraction became widespread in 2010, which marked the beginning of the second phase of the crisis, despite vulnerable populations' urgent and significant need of public assistance. In 2013, the scope of public expenditure consolidation is expected to intensify significantly, impacting 119 countries in terms of GDP, and then steadily increase to reach 132 countries in 2015. The latest IMF projections suggest that this trend will continue at least through 2016.

One of the key findings of this analysis is that fiscal contraction is most severe in the developing world. Overall, 68 developing countries are projected to cut public spending by 3.7% of GDP, on average, in the third phase of the crisis (2013-15) compared to 26 high-income countries, which are expected to contract by 2.2% of GDP, on average. Moreover, comparing the 2013-15 and 2005-07 periods suggest that a quarter of countries are undergoing excessive contraction, defined as cutting expenditures below pre-crisis levels. In terms of population, austerity will be affecting 5.8 billion people or 80% of the global population in 2013; this is expected to increase to 6.3 billion or 90% of persons worldwide by 2015.

Regarding austerity measures, a desk review of IMF country reports published since 2010 indicates that governments are weighing various adjustment strategies. These include: (i) elimination or reduction of subsidies, including on fuel, agriculture and food products (in 100 countries); (ii) wage bill cuts/caps, including the salaries of education, health and other public sector workers (in 98 countries); (iii) rationalizing and further targeting of safety nets (in 80 countries); (iv) pension reform (in 86 countries); (v) healthcare reform (in 37 countries); and (vi) labor flexibilization (in 32 countries). Many governments are also considering revenue-side measures that can adversely impact vulnerable populations, mainly through introducing or broadening consumption taxes, such as value added taxes (VATs), on basic products that are disproportionately consumed by poor households (in 94 countries). Contrary to public perception, austerity measures are not limited to Europe; in fact, many of the principal adjustment measures feature most prominently in developing countries.

This paper questions if the projected fiscal contraction trajectory—in terms of timing, scope and magnitude—as well as the specific austerity measures being considered are conducive to socio-economic recovery and the achievement of development goals. The worldwide propensity toward fiscal consolidation can be expected to aggravate the employment crisis and diminish public support at a time when it is most needed. The costs of adjustment are being thrust upon populations who have been relentlessly coping with fewer and lower-paying job opportunities, higher food and fuel costs, and reduced access to essential services since the crisis began. In short, millions of households continue to bear the costs of a "recovery" that has largely excluded them. This paper encourages policymakers to recognize the high human and developmental costs of poorly-designed adjustment strategies and to consider alternative policies that support a recovery for all.

The Age of Austerity:
A Review of Public Expenditures and Adjustment Measures in 181 Countries

Isabel Ortiz and Matthew Cummins[1]

1. Introduction

In the wake of the food, fuel and financial shocks, a fourth wave of the global economic crisis began to sweep across countries in 2010: fiscal adjustment. It was the beginning of an age of austerity that is forecasted to continue at least through 2016, in both high-income and developing countries.

Serving as an update of our earlier work (Ortiz and Cummins 2012), this paper: (i) examines the latest IMF government spending projections for 181 countries by comparing the four distinct periods of 2005-07 (pre-crisis), 2008-09 (crisis phase I: fiscal expansion), 2010-12 (crisis phase II: onset of fiscal contraction) and 2013-15 (crisis phase III: intensification of fiscal contraction); (ii) reviews 314 IMF country reports in 174 countries to identify the main adjustment measures considered in high-income and developing countries; (iv) discusses the threats of austerity to development goals and social progress; and (v) calls for urgent action by governments to adopt alternative and equitable policies for socio-economic recovery.

Our review is based on information published by the IMF. The fiscal trend analysis uses country-level fiscal indicators extracted from the October 2012 *World Economic Outlook* database. To serve as a general reference, the projected changes in total government expenditures—both in terms of GDP as well as in real growth—for 181 countries are provided in Annex 1. Regarding the analysis of adjustment measures, the identification of different options considered by governments is inferred from policy discussions contained in 314 IMF country reports in 174 countries published between January 2010 and February 2013. Annex 2 presents the complete list of country reports reviewed.

2. Global Expenditure Trends, 2005-15

2.1. Data and Methodology

Our analysis of government expenditure trends is based on IMF projections contained in the *World Economic Outlook* database (October 2012), which is the only source of comparable, cross-national fiscal data. Several data caveats are worth mentioning. First, the scope of expenditure data varies across countries. While in most instances the data refer to central and local government, for some countries, the data refer to the public sector, which includes public enterprises. Second, total government spending projections may differ from the estimates used in this study as more economic and fiscal

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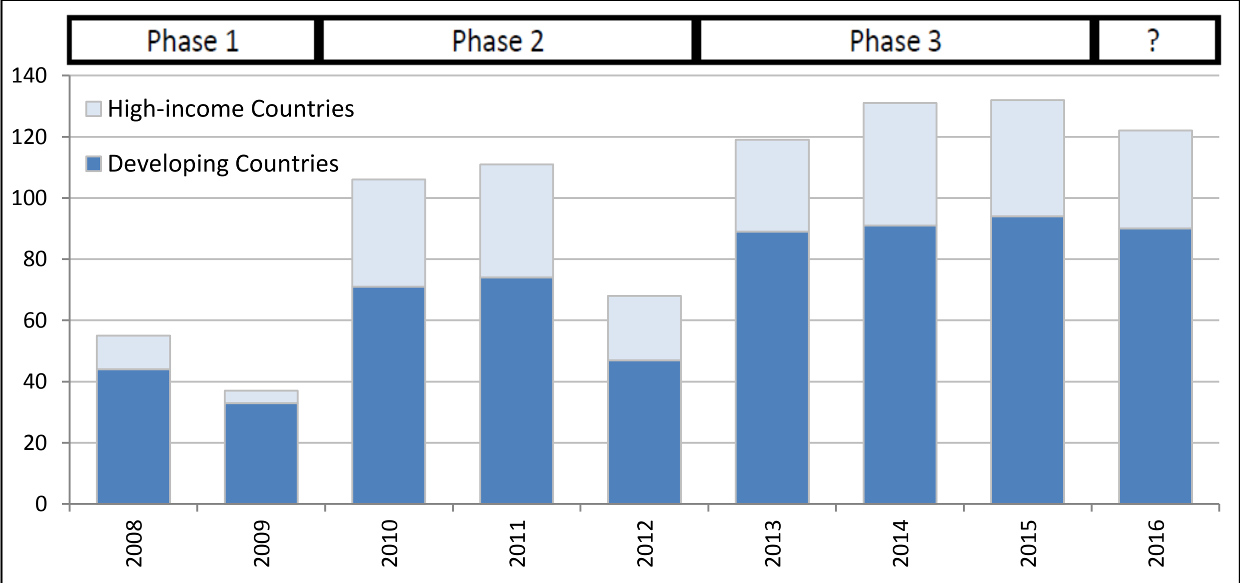
indicators become available.[2] Third, expenditure data from IMF sources may vary from those reported in national budgets due to alternative projection assumptions and methods.

In terms of methodology, we analyze changes in total government spending using two measures: (i) public expenditure as a percentage of GDP and (ii) the real value of public expenditure (the nominal value adjusted by inflation). Regarding the former, this is the most commonly used metric for cross-national comparisons and the most useful for assessing a government's fiscal position. In terms of the latter, absolute spending changes offer a better indication of the possible impact on the real welfare of populations. We apply both of these measures to the 181 countries that have government expenditure estimates during 2005-15, and we analyze the data across four time periods: 2005-07 (pre-crisis), 2008-09 (crisis phase I: fiscal expansion), 2010-12 (crisis phase II: onset of fiscal contraction) and 2013-15 (crisis phase III: intensification of fiscal contraction).

2.2. Results

Analysis of fiscal projection data verifies three distinct phases of government spending patterns since the onset of the global economic crisis (Figure 1). In the first phase, nearly all countries introduced fiscal stimulus and ramped up spending during 2008-09. Overall, the number of countries contracting public expenditures in terms of GDP was 46, on average, during 2007 and 2008, and only affected 37 countries in the latter year (or about 20% of the sample worldwide).

Figure 1: Number of Countries Contracting Public Expenditures as a % GDP, 2008-15



Source: Authors' calculations based on the IMF's *World Economic Outlook* (October 2012)

In 2010, however, governments started to scale back stimulus programs and reduce expenditures, which characterized a second phase of the crisis that lasted until 2012 (onset of fiscal contraction). Overall, the number of countries reducing their budgets as a % of GDP mushroomed between 2009 and 2010 and impacted 111 countries in 2011 (or more than 60% of countries). Interestingly, the worldwide drive

[2] See detailed discussion in Annex 3.

toward austerity appears to have temporarily tapered off during 2012, with 68 governments cutting spending as a percentage of GDP.

Then, beginning in 2013, the scope of public expenditure contractions is again projected to intensify in a third phase of the crisis. Overall, budget reductions in terms of GDP are expected to impact 119 countries in 2013 and steadily increase, reaching 132 countries in 2015. According to IMF projections, this trend is forecasted to continue at least through 2016. In terms of population, austerity will be affecting 5.8 billion people or more than 80% of the global population in 2013; this is expected to steadily increase to 6.3 billion or 90% of persons worldwide by 2015 (Table 1).

Table 1: Number of Countries Contracting Public Expenditures (%GDP) and Population Affected, 2008-15

	2008	2009	2010	2011	2012	2013	2014	2015
Number of countries contracting, year on year, % of GDP	55	37	106	111	68	119	131	132
Number of persons affected (billions)	1.1	1.2	5.4	4.1	1.7	5.8	6.2	6.3
World population affected (%)	15.7	17.1	75.8	57.4	24.5	81.4	87.3	89.0

Source: Authors' calculations based on the IMF's *World Economic Outlook* (October 2012) and United Nation's *World Population Prospects: The 2010 Revision* (2011).

In what follows, we provide a detailed analysis of each of these phases, after which we gauge whether some countries may be undergoing excessive contraction in the current phase of the crisis (2013-15).

2.2.1. Crisis Phase I, 2008-09: Fiscal Expansion

The vast majority of governments boosted public expenditures to buffer the impact of the different global shocks on their populations in what could be described as the expansionary phase of the global economic crisis. When comparing pre-crisis spending levels to this first phase, 80% of countries (or 144 in total) ramped up public expenditures, with the average expansion amounting to 3.9% of GDP (Table 2). It is interesting that this counter-cyclical, expansive fiscal policy was adopted quite evenly across all income categories (low, middle and high), both in terms of the number of countries increasing spending as well as the overall size of the increase.

Table 2: Changes in Total Government Spending, 2008-09 avg. over 2005-07 avg.

(in % of GDP)

Developing Region / Income Group	Total Sample		Contracted		Expanded	
	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ
East Asia and Pacific	19	3.1	3	-2.1	16	4.1
Eastern Europe and Central Asia	23	3.9	2	-2.2	21	4.4
Latin America and Caribbean	28	1.7	7	-1.5	21	2.8
Middle East and North Africa	11	3.6	4	-1.0	7	6.3
South Asia	8	1.1	2	-1.2	6	1.9
Sub-Saharan Africa	43	2.0	13	-3.5	30	4.4

Developing Region / Income Group	Total Sample		Contracted		Expanded	
	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ
Low-income	32	2.1	8	-3.0	24	3.8
Lower-middle-income	49	2.5	13	-1.9	36	4.1
Upper-middle-income	51	2.8	10	-2.4	41	4.1
Developing countries	132	2.5	31	-2.3	**101**	**4.0**
High-income countries	49	3.1	6	-1.2	**43**	**3.7**
All countries	181	2.7	37	-2.2	**144**	**3.9**

Source: Authors' calculations based on the IMF's *World Economic Outlook* (October 2012)

Positive trends are also evidenced in terms of real government spending (Table 3). Approximately 93% of countries (or 169 in total) increased real expenditures, with the average growth totaling 24% when comparing spending levels in 2008-09 and 2005-07. In terms of developing regions, expansions were largest in East Asia and the Pacific, as well as in Eastern Europe and Central Asia, with real expenditure growth amounting to an average of 41% and 34%, respectively. When looking at countries by income categories, it is surprising to find that fiscal stimuli measured in real terms were smallest in high-income countries. While expenditure growth equaled 16%, on average, in the wealthiest countries, spending growth was about 28%, on average, in the cohort of low- and middle-income countries.

Table 3: Growth of Real Government Spending, 2008-09 avg. over 2005-07 avg.

(as a %)

Developing Region / Income Group	Total Sample		Contracted		Expanded	
	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ
East Asia and Pacific	19	35.2	2	-10.6	17	40.6
Eastern Europe and Central Asia	23	33.7	0	...	23	33.7
Latin America and Caribbean	28	16.5	3	-3.0	25	18.8
Middle East and North Africa	11	22.3	1	-0.9	10	24.6
South Asia	8	25.4	0	...	8	25.4
Sub-Saharan Africa	43	21.6	3	-20.1	40	24.7
Low-income	32	25.8	2	-20.3	30	28.9
Lower-middle-income	49	24.8	3	-7.3	46	26.9
Upper-middle-income	51	24.4	4	-7.3	47	27.1
Developing countries	132	24.9	9	-10.1	**123**	**27.4**
High-income countries	49	15.0	3	-4.0	**46**	**16.3**
All countries	181	22.2	12	-8.6	**169**	**24.4**

Source: Authors' calculations based on the IMF's *World Economic Outlook* (October 2012)

2.2.2. Crisis Phase II, 2010-12: Onset of Fiscal Contraction

Beginning in 2010, many governments started to withdraw fiscal stimulus programs and scale back public spending. When comparing expenditure levels in this second phase of the crisis (2010-12) to the expansionary phase (2008-09), 40% of countries worldwide (or 73 in total) reduced total expenditures by 2.3% of GDP, on average (Table 4). This initial shift toward austerity was most acute in the group of middle-income countries and largely concentrated in Eastern Europe and Central Asia as well as in the Middle East and North Africa. In both of these developing regions, about three-quarters of countries moved to cut spending by more than 3.0% of GDP, on average. Note that the magnitude of contraction in developing countries was nearly three-times larger than in high-income countries, on average.

Table 4: Changes in Total Government Spending, 2010-12 avg. over 2008-09 avg.

(in % of GDP)

Developing Region / Income Group	Total Sample		Contracted		Expanded	
	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ
East Asia and Pacific	19	2.2	6	-1.5	13	3.8
Eastern Europe and Central Asia	23	-0.9	17	-2.1	6	2.5
Latin America and Caribbean	28	1.2	9	-1.9	19	2.6
Middle East and North Africa	11	-2.1	8	-4.3	3	3.8
South Asia	8	0.8	3	-1.6	5	2.3
Sub-Saharan Africa	43	1.0	13	-3.7	30	3.0
Low-income	32	1.7	8	-2.2	24	3.1
Lower-middle-income	49	0.2	23	-2.9	26	3.0
Upper-middle-income	51	0.2	25	-2.6	26	2.9
Developing countries	132	0.6	**56**	**-2.7**	76	3.0
High-income countries	49	0.7	**17**	**-1.0**	32	1.7
All countries	181	0.6	**73**	**-2.3**	108	2.6

Source: Authors' calculations based on the IMF's *World Economic Outlook* (October 2012)

When examining the average changes in real government spending between 2010-12 and 2008-09, 22% of the sample (or 40 countries) experienced negative growth by an average of nearly 9% (Table 5). Although the depth of fiscal contraction appears less severe through the real spending gauge, the substantial rise in the overall number of countries undergoing negative spending growth from the previous period of analysis (from 12 to 40) is a clear indication that austerity was taking hold during this second phase of the crisis.

Table 5: Growth of Real Government Spending, 2010-12 avg. over 2008-09 avg.

(as a %)

Developing Region / Income Group	Total Sample		Contracted		Expanded	
	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ
East Asia and Pacific	19	21.9	1	-1.5	18	23.2
Eastern Europe and Central Asia	23	9.2	8	-5.9	15	17.2
Latin America and Caribbean	28	14.7	5	-12.2	23	20.5
Middle East and North Africa	11	2.7	4	-9.7	7	9.8
South Asia	8	19.0	0	...	8	19.0
Sub-Saharan Africa	43	18.1	9	-9.4	34	25.4
Low-income	32	23.6	5	-6.3	27	29.1
Lower-middle-income	49	14.8	9	-6.3	40	19.5
Upper-middle-income	51	10.2	13	-11.2	38	17.6
Developing countries	132	15.2	**27**	**-8.6**	105	21.3
High-income countries	49	4.6	**13**	**-6.5**	36	8.6
All countries	181	12.3	**40**	**-7.9**	141	18.0

Source: Authors' calculations based on the IMF's *World Economic Outlook* (October 2012)

2.2.3. Crisis Phase III, 2013-15: Intensification of Fiscal Contraction

Although public spending contractions became widespread during 2010-12, they are projected to gain further momentum in a third of phase of the crisis. Contrasting levels of government expenditures in 2013-15 to the expansionary phase (2008-09), just over half of all countries (or 94 in total) are expected to slash their budgets by 3.3% of GDP, on average (Table 6). Compared to the initial phase of fiscal contraction, there are significant increases in both the scope and depth of austerity in this latest phase when looking at expenditures in terms of GDP. Overall, the number of countries affected by spending cuts jumps from 73 to 94, with the average contraction size increasing from 2.3% to 3.3% of GDP. In this third phase, the intensifying drive toward austerity appears to be mainly affecting middle- and high-income countries, especially in the Middle East and North Africa, Central Asia and across Europe. As an average, fiscal contraction is significantly larger in developing countries (3.7% GDP, on average) than in high-income countries (2.2% GDP, on average). Note that expenditure data from 2016 is not incorporated in the analysis for a variety of reasons that are described in Annex 3.

Table 6: Changes in Total Government Spending, 2013-15 avg. over 2008-09 avg.

(in % of GDP)

Developing Region / Income Group	Total Sample		Contracting		Expanding	
	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ
East Asia and Pacific	19	1.2	8	-2.7	11	4.0
Eastern Europe and Central Asia	23	-2.1	18	-3.4	5	2.8
Latin America and Caribbean	28	0.8	11	-2.4	17	2.9
Middle East and North Africa	11	-3.3	8	-6.2	3	4.4
South Asia	8	0.9	4	-3.0	4	4.9
Sub-Saharan Africa	43	0.2	19	-4.2	24	3.6
Low-income	32	1.9	11	-2.3	21	4.0
Lower-middle-income	49	-0.9	27	-4.3	22	3.3
Upper-middle-income	51	-0.8	30	-3.7	21	3.2
Developing countries	132	-0.2	**68**	**-3.7**	64	3.5
High-income countries	49	-0.3	**26**	**-2.2**	23	1.8
All countries	181	-0.2	**94**	**-3.3**	87	3.1

Source: Authors' calculations based on the IMF's *World Economic Outlook* (October 2012)

In terms of real spending growth, the number of countries contracting slightly eases from 40 to 35 when comparing the third phase of the crisis to the expansionary phase, but the average real decline deepens from 8% to 11% (Table 7). According to IMF projections, the largest real contractions are expected to occur in the Middle East and North Africa, Latin America and the Caribbean, and Sub-Saharan Africa.

Table 7: Growth of Real Government Spending, 2013-15 avg. over 2008-09 avg.

(as a %)

Developing Region / Income Group	Total Sample		Contracted		Expanded	
	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ
East Asia and Pacific	19	40.0	1	-3.5	18	42.4
Eastern Europe and Central Asia	23	22.4	5	-6.8	18	30.5
Latin America and Caribbean	28	28.0	5	-14.3	23	37.2
Middle East and North Africa	11	12.4	2	-19.4	9	19.5
South Asia	8	41.4	0	…	8	41.4

Developing Region / Income Group	Total Sample		Contracted		Expanded	
	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ
Sub-Saharan Africa	43	34.4	6	-10.6	37	41.7
Low-income	32	47.1	2	-2.8	30	50.4
Lower-middle-income	49	29.9	3	-21.3	46	33.3
Upper-middle-income	51	20.3	14	-10.1	37	31.8
Developing countries	132	30.3	**19**	**-11.1**	113	37.3
High-income countries	49	7.4	**16**	**-9.9**	33	15.7
All countries	181	24.1	**35**	**-10.6**	146	32.4

Source: Authors' calculations based on the IMF's *World Economic Outlook* (October 2012)

2.2.4. Excessive Contraction in Crisis Phase III, 2013-15

For purposes of this paper, excessive fiscal austerity is defined as reducing government expenditure below pre-crisis levels (the average spending values during 2005-07).[3] Comparing the 2013-15 and 2005-07 periods shows that the vast majority of countries are expected to maintain total expenditures far above pre-crisis levels. Projected spending amounts in the latest phase of the crisis are 4.4% of GDP higher, on average, than those in the pre-crisis phase in three-fourths of the sample (Table 8); in real terms, public expenditures are projected to be 60% above earlier spending levels in 90% of countries (Table 8). These findings indicate that most governments are maintaining considerably higher levels of public assistance compared to the start of the global economic crisis.

Table 8: Changes in Total Government Spending, 2013-15 avg. over 2005-07 avg.

(in % of GDP)

Developing Region / Income Group	Total Sample		Contracted		Expanded	
	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ
East Asia and Pacific	19	4.3	4	-2.3	15	6.0
Eastern Europe and Central Asia	23	1.8	5	-2.7	18	3.0
Latin America and Caribbean	28	2.5	4	-3.6	24	3.5
Middle East and North Africa	11	0.4	7	-4.7	4	9.2
South Asia	8	2.1	2	-5.9	6	4.7
Sub-Saharan Africa	43	2.2	11	-5.4	32	4.8
Low-income	32	4.0	5	-6.4	27	5.9
Lower-middle-income	49	1.6	15	-4.3	34	4.2
Upper-middle-income	51	2.0	13	-3.5	38	3.8
Developing countries	132	2.3	**33**	**-4.3**	**99**	**4.5**
High-income countries	49	2.7	**11**	**-1.8**	**38**	**4.1**
All countries	181	2.4	**44**	**-3.7**	**137**	**4.4**

Source: Authors' calculations based on the IMF's *World Economic Outlook* (October 2012)

[3] The analysis does not make a judgment about the adequacy or not of pre-crisis spending levels; expenditures in 2005-07 are used to establish some type of reasonable baseline.

Table 9: Growth of Real Government Spending, 2013-15 avg. over 2005-07 avg.
(as a %)

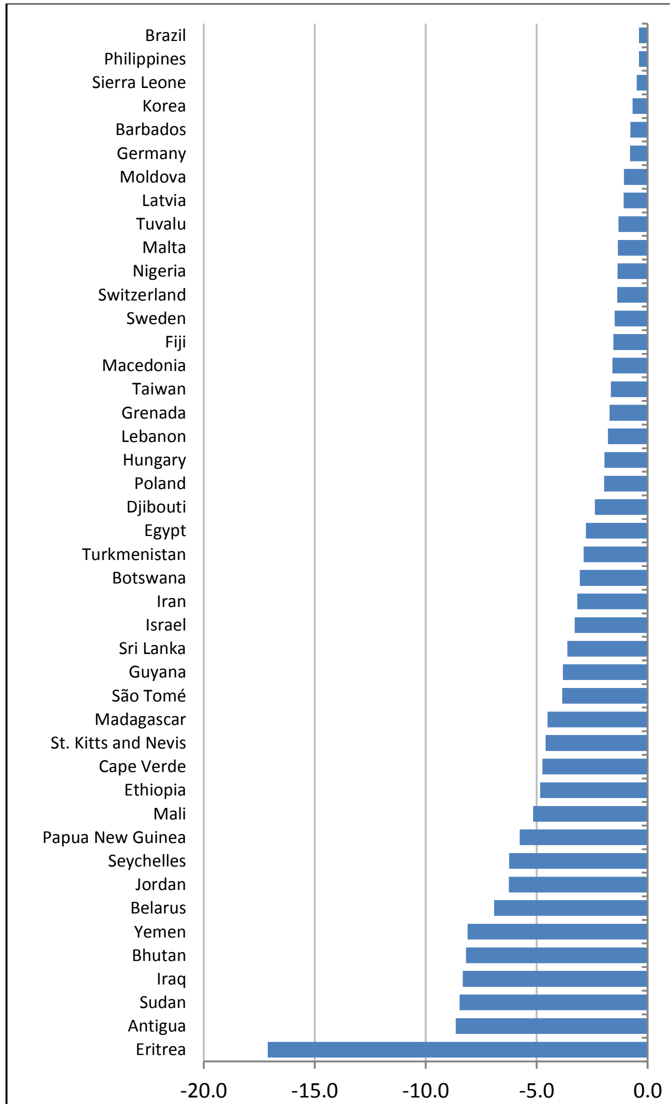
Developing Region / Income Group	Total Sample		Contracted		Expanded	
	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ	# of countries	Avg. spending Δ
East Asia and Pacific	19	95.3	2	-2.2	17	106.7
Eastern Europe and Central Asia	23	66.4	0	…	23	66.4
Latin America and Caribbean	28	51.2	3	-15.6	25	59.2
Middle East and North Africa	11	38.8	2	-17.1	9	51.3
South Asia	8	78.3	0	…	8	78.3
Sub-Saharan Africa	43	63.5	3	-22.9	40	70.0
Low-income	32	85.9	2	-21.6	30	93.1
Lower-middle-income	49	65.2	3	-15.4	46	70.4
Upper-middle-income	51	51.2	5	-13.0	46	58.2
Developing countries	132	64.8	**10**	**-15.4**	122	71.4
High-income countries	49	24.6	**7**	**-11.5**	42	30.6
All countries	181	53.9	**17**	**-13.8**	164	60.9

Source: Authors' calculations based on the IMF's *World Economic Outlook* (October 2012)

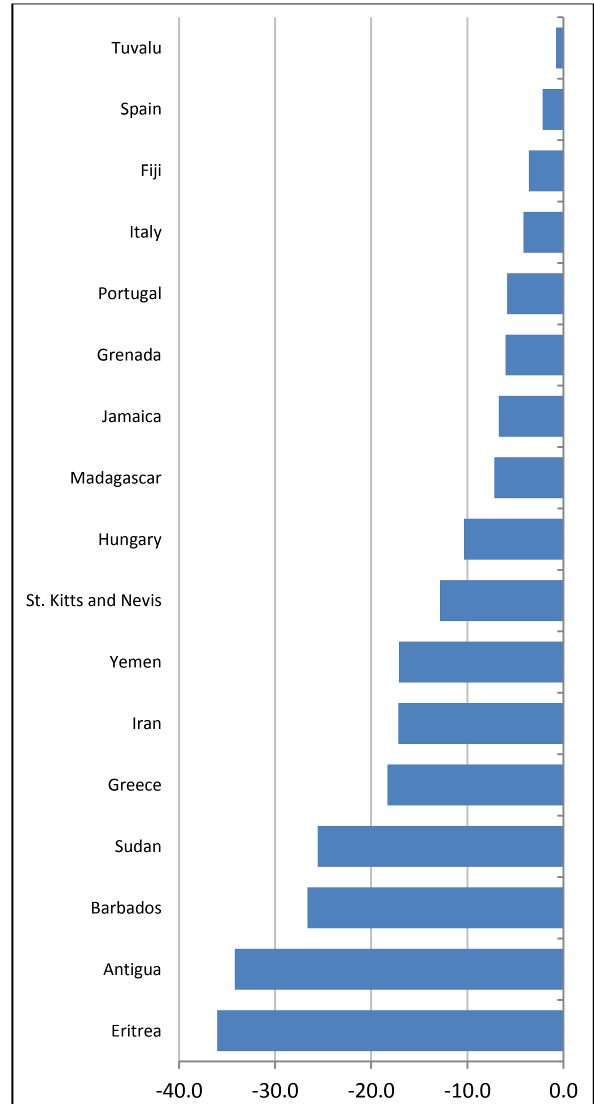
However, an alarming number of countries appear to be undergoing excessive fiscal contraction, which has major risks (see Section 5). In terms of GDP, analysis of expenditure projections reveals that 44 governments may be slashing their budgets excessively during 2013-15 (Figure 2A). Twenty-one of these countries are expected to be spending more than 3.0% of GDP less, on average, during this latest phase of the crisis when compared to expenditure levels during the pre-crisis period. These countries include: Antigua and Barbuda, Belarus, Bhutan, Botswana, Cape Verde, Eritrea, Ethiopia, Guyana, Iran, Iraq, Israel, Jordan, Madagascar, Mali, Papua New Guinea, São Tomé and Príncipe, Seychelles, Sri Lanka, St. Kitts and Nevis, Sudan and Yemen. In real terms, 17 governments are forecasted to have fiscal envelopes in 2013-15 that are smaller than those during 2005-07, on average (Figure 2B).

Figure 2: Changes in Total Government Spending, 2013-15 avg. over 2005-07 avg.

A. Change, in % of GDP



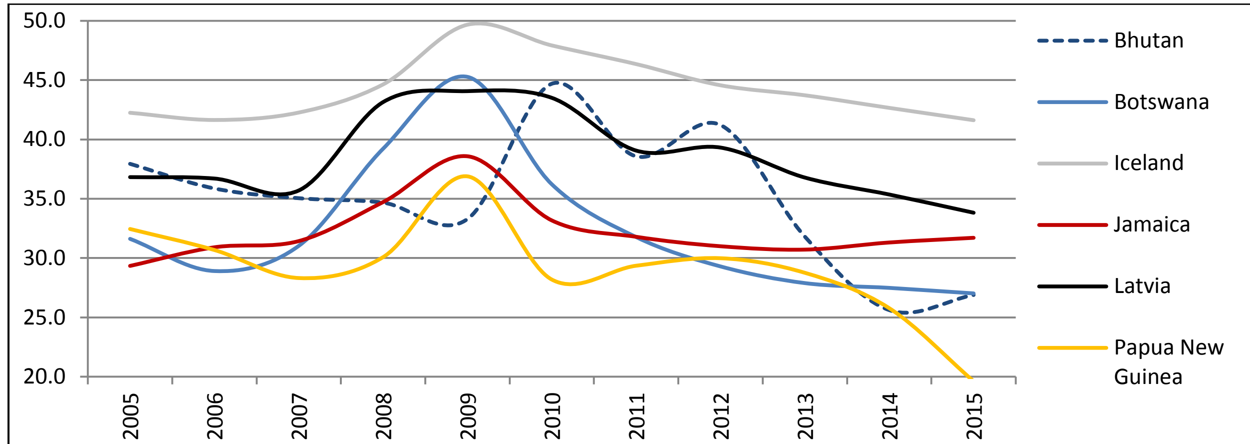
B. Growth, as a %



Source: Authors' calculations based on the IMF's *World Economic Outlook* (October 2012)

Excessive contraction is perhaps best illustrated by several country examples. Figure 3 presents cases from different regions. It is clear that each of these countries moved to bolster expenditures in the face of the global shocks during the 2008-9 period, but have since undergone steep spending cuts to the extent that projected levels were far below pre-crisis levels.

Figure 3: Government Expenditures, 2005-15
(in % of GDP)

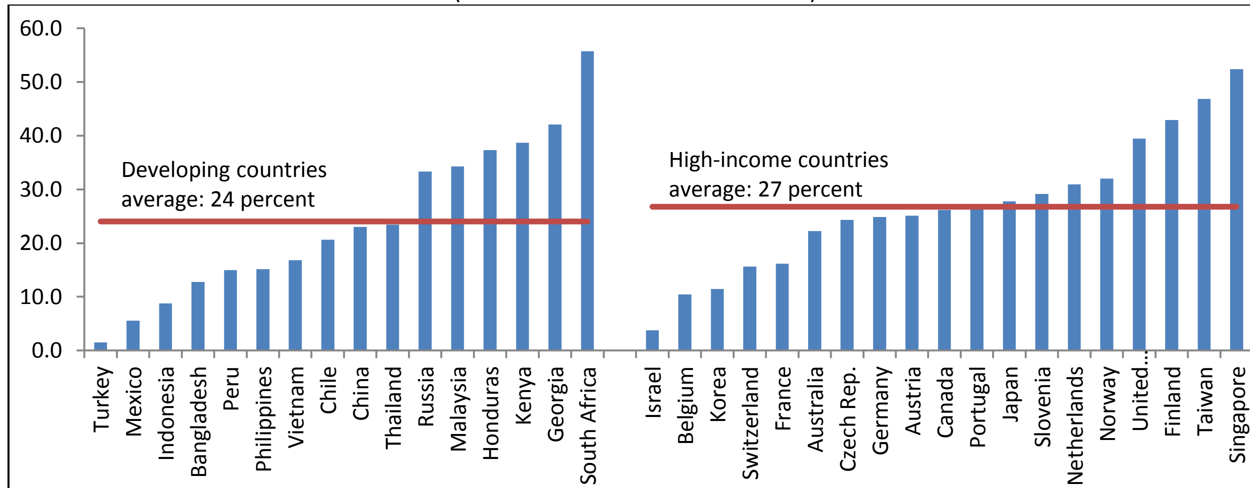


Source: IMF's *World Economic Outlook* (October 2012)

3. From Fiscal Stimulus to Fiscal Contraction

In 2008-09 there was a global countercyclical consensus, whereby countries coordinated policies to combat the negative social and economic impacts of the crisis. The IMF spelled out the need for global fiscal stimulus: "In normal times, the Fund would indeed be recommending to many countries that they reduce their budget deficit and their public debt. But these are not normal times… if no fiscal stimulus is implemented, then demand may continue to fall… what is needed is… a commitment by governments that they will follow whatever policies it takes to avoid a repeat of a Great Depression scenario."[4] As discussed earlier, 144 countries ramped up public expenditures during the first phase of the global economic crisis, with the average expansion amounting to nearly 4.0% of GDP. At least 48 countries announced fiscal stimulus packages totaling US$2.4 trillion, of which approximately a quarter was invested in social protection measures (Figure 4).

Figure 4: Size of Social Protection Component of Stimulus Packages 2009
(in % of total announced amount)



Sources: Authors' calculations based on Zhang, Thelen and Rao (2010) and IMF country reports for Chile and Peru

[4] Olivier Blanchard, Economic Counselor and Director, IMF Research Department, *IMF Survey Magazine*, 29 December 2008.

What induced the change in fiscal policy stances between 2008-09 (expansion) and the period since 2010 (contraction)? The conventional answer is obvious: to address debt and fiscal deficits. However this seemingly straightforward explanation deserves further exploration, especially given the fragile state of recovery in 2010 and the clear, negative impacts that fiscal retrenchment would have on economic activity.

Early in 2010, IMF advice underwent a major change. Two IMF Board papers approved in February 2010—"Exiting from Crisis Intervention Policies" and "Strategies for Fiscal Consolidation in the Post-Crisis World"—called for large-scale fiscal adjustment "when the recovery is securely underway" and for structural reforms in public finance to be initiated immediately "even in countries where the recovery is not yet securely underway" (IMF 2010a and 2010b). The OECD 2010 Economic Outlook also focused on the urgent need for fiscal consolidation and structural reforms (such as labor and product market reforms), pointing that in OECD and non-OECD countries the economic slack was disappearing rapidly. While these documents generally focused on higher income countries, they also urged fiscal adjustment in developing countries given that the risk of debt distress was increasing—they were the first signs of a worldwide policy reversal, which had the implicit support of the G20.

Thus the sovereign debt crises in Europe raised concerns about debt levels in governments everywhere, and public attention focused on government spending as if had caused the crisis. Yet debt and deficits were symptoms of the crisis, not the cause. In reality, rising debts and deficit s resulted from: (i) bank bailouts to rescue the financial sector from bankruptcy estimated at US$11.7 trillion in G20 countries alone (IMF 2010c); (ii) lower government revenue due to the slowdown in economic activity; and, to a lesser degree, (iii) stimulus packages, estimated at US$2.4 trillion. The austerity arguments focused on deep cutbacks to public policies and shrinking the state as a main way to fix the deficit, calm the markets and revitalize the economy; following this logic, the social welfare state was depicted as unaffordable and burdensome, which ultimately reduced competitiveness and discouraged growth.

Numerous studies have highlighted the fallacious basis of austerity programs (CESR 2012, ILO 2012, Krugman 2012, Stiglitz 2012, UNCTAD 2011b, United Nations 2013, Weisbrot and Jorgensen 2013). In the short term, austerity depresses incomes and jobs, hinders domestic demand and ultimately recovery efforts. Austerity also has negative impacts on employment, economic activity and development over the long term. Even recent research at the IMF acknowledges that fiscal consolidation has adverse effects on both short and long-term unemployment, private demand and GDP growth, with wage-earners hurt disproportionately more than profit- and rent-earners (Guajardo, Leigh and Pescatori 2011; Ball, Leigh and Loungani 2011). Further, IMF Chief Economist Olivier Blanchard recently admitted serious underestimation of multipliers with respect to the depth of the economic contraction in the design of austerity policies (Blanchard and Leigh 2013). However, these IMF research papers do not appear to be reflected in IMF operations.

In both high-income and developing countries, there is a strong need to continue countercyclical policies and higher public spending to avert recession, revitalize the economy, generate productive employment, support development needs and repair the social contract. Further, the focus on fiscal balances deviates public attention from the unsolved root cause of the crisis, which is excessive deregulation of financial markets, as well as from logical global solutions, like a sovereign debt workout mechanism that deals fairly with both lenders and borrowers (UNCTAD 2011a). The United Nations (2009a, 2009b, 2012 and 2013) has repeatedly called for forceful and concerted policy action at the global level to promote fiscal and employment policies, financial market stability and support

development. In 2013, however, the earlier mentioned fiscal fallacies remain prominent among high-level policy discussions across the globe.

It is less clear, though, why the drive to slash budgets in developing countries was as quick, intense and prolonged as our analysis of spending data reveals. The IMF's role in influencing policy appears as a main contributing factor (Molina 2010; Van Waeyenberge, Bargawi and McKinley 2010; Weisbrot and Montecino 2010). Here it is important to recognize that few governments actually have IMF programs, and the IMF's influence of global and national policy debates is mostly through its policy advice and surveillance (Box 1). Other international institutions also played a role, such as the Bank of International Settlements (BIS)—the bank for central bankers—joining the IMF in advocating for front-loaded fiscal consolidation and structural reforms as the limits to fiscal stimulus had been reached in a number of countries (BIS 2010 and 2011). Nonetheless, the earlier international coordination of economic policies—that can enhance policy effectiveness—disappeared in 2010, and governments started to address their fiscal balances in isolation.

Box 1: The IMF, Fiscal and Social Policy

The IMF influences fiscal and other policies through several channels, including advice to policymakers at global and national levels, surveillance missions (e.g. Article IV consultations), consultations under non-lending arrangements (e.g. Staff Monitored Programs) and loan conditionalities under lending arrangements (e.g. Stand-by Arrangements and Extended Credit Facility).

In April 2009, G20 leaders designated the IMF as the central vehicle for global economic recovery and tripled the Fund's lending capacity from US$250 billion to US$750 billion, reinforced by an additional allocation of US$100 billion from the United States in June 2009. Still, few countries borrow from the IMF, and most of the IMF's influence comes from policy discussions, often as a part of surveillance activities. For example, the IMF's Article IV consultations, carried out annually in nearly every country, provide recommendations on a broad range of issues, from fiscal, monetary and exchange rate policies to pensions, healthcare systems, safety nets, labor policies, among others. Following the 2009 summit in London, the G20 Communiqué endorsed strengthening "candid, even-handed and independent" IMF surveillance of member state economies.

The high social costs of IMF structural adjustment programs in the 1980s—reported among others by Cornia, Jolly and Stewart (1987)—led to the questioning of conditionalities attached to IMF loans and, more generally, of the IMF's macroeconomic and fiscal advice, based on a narrow cost-containment perspective instead of on broad-based development needs. Further, although social policy is not in the IMF's mandate, the institution advises on labor market regulations, the design and targeting of social programs, and wage bill ceilings, among others.

In response, the IMF has gone to great lengths to demonstrate a commitment to change. For instance, it supported countercyclical policies in 2008-09, protection of priority pro-poor social expenditures is now a feature of many of the IMF's current programs, and wage bill ceilings are no longer included as hard-core loan conditionalities (or performance criteria) in low-income countries (IMF 2009).

In practice, however, little has changed. Despite the fragility of recovery and the UN's reporting of rising levels of hunger, poverty and unemployment, orthodox pro-cyclical policy stances have been supported since 2010. And while wage bill cuts/caps are no longer included as a performance criteria conditionality, they remain as indicative criteria and are discussed in virtually all countries during surveillance missions, together with many other labor and social policy issues that are outside of the IMF's mandate (see Section 4).

With regard to protecting "priority" pro-poor social expenditures, there is no universally accepted definition of pro-poor social expenditures, and the definition changes from country to country. Primary education and selected health programs tend to be common elements of "priority" expenditures, but other necessary sector investments may not be included if they are not viewed as priority by the government, such as social protection, water supply and sanitation, public housing, employment programs or major necessary health areas outside of the selected

"priority" health programs. Our review of the latest IMF country reports also indicates that a wide variety of spending categories—such as electricity, judiciary and, in some cases, defense-related—were included in "priority" social spending to be protected under country programs. These approaches question the effectiveness of current IMF social safeguards in supporting vulnerable populations.

4. Main Adjustment Measures Considered, 2010-13

4.1. Methodology

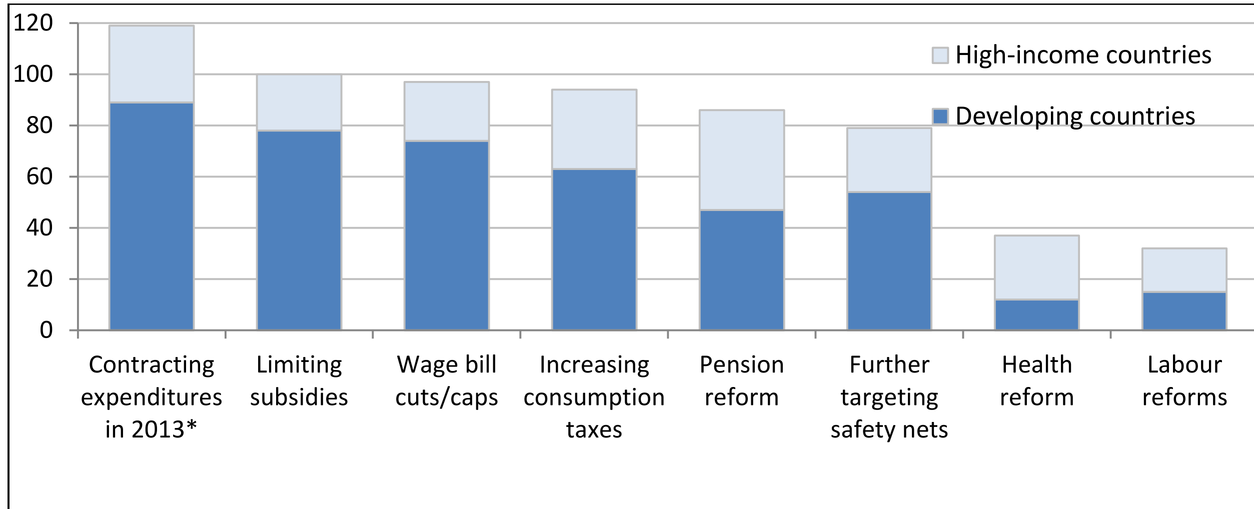
How are governments achieving fiscal adjustment? And what are the main adjustment measures that have direct social impacts? To answer these questions, this section looks at policy discussions and other information contained in IMF country reports, which cover Article IV consultations, reviews conducted under lending arrangements (e.g. Stand-by Arrangements and Extended Credit Facility), consultations under non-lending arrangements (e.g. Staff Monitored Programs) and other IMF reports publicly available on the IMF's website. Overall, we look at 314 reports covering 174 countries, all of which were published between January 2010 and February 2013 (see Annex 2 for details). Two caveats warrant mentioning. First, the findings are solely based on the authors' interpretation of information contained in IMF country reports. And second, to the extent that measures eventually adopted by governments may differ from those under consideration in IMF country reports, this analysis is only indicative, and actual outcomes require verification.

4.2. Results

4.2.1. Global Adjustment Trends

Our review of the latest IMF country reports indicates that six main policies are being considered by governments worldwide to consolidate budgets, along with one policy measure to boost revenues (Figure 5). The most widely discussed measures include (i) phasing-out or eliminating subsidies, (ii) wage bill cuts/caps and (iii) increasing consumption taxes, such as sales and value added taxes (VATs), all of which are being considered in nearly 100 countries worldwide. Not far behind, other widespread adjustment approaches include (iv) pension reforms and (v) rationalizing and/or further targeting of safety nets, which are affecting more than 80 countries, on average, across the globe. Although not as common, two other austerity policies are being considered in roughly 35 countries, which include (vi) healthcare system reforms and (vii) labor reforms. The review of IMF reports shows that other adjustment measures are also being considered, such as education reforms (e.g. Finland, Lithuania, Moldova, Portugal, Russia, Spain and the United States are discussing measures, such as rationalizing investments in education and raising tuition fees), but they have not been included since they only appear in a small number of countries. A discussion of the main adjustment policy approaches follows, and regional summaries are provided in Tables 10 and 11.

Figure 5: Incidence of Austerity Measures in 174 Countries, 2010-13
(number of countries)



Source: Authors' analysis of 314 IMF country reports published from January 2010 to February 2013
* Authors' calculations based on IMF's *World Economic Outlook* (October 2012); Contractions are based on changes in total expenditure as a percent of GDP, and the sample covers 181 countries

- *Eliminating or limiting subsidies* emerges as the most widespread adjustment measure. Overall, 100 governments in 78 developing and 22 high-income countries appear to be reducing subsidies, predominately on fuel, but also on electricity as well as on food and agricultural inputs.

- C*utting or capping the wage bill* is another common cost-cutting strategy. As recurrent expenditures, like salaries, tend to be the largest component of national budgets, an estimated 98 countries are considering reducing their wage bill, which is often carried out or planned as a part of civil service reforms. In total, 75 developing and 23 high-income countries are considering this policy stance.

- *Increasing consumption taxes on goods and services*, either through increasing or expanding VAT rates or sales taxes or by removing exemptions, is the third most popular response to fiscal pressures. Importantly, this approach differs from the options identified earlier because it impacts revenue rather than spending. Nonetheless, it is important to highlight because some 94 governments in 63 developing and 31 high-income countries are employing some form of change to their consumption-based taxes.

- *Reforming old-age pensions* is another common measure being considered to scale back public spending. Approximately 86 governments in 47 developing and 39 high-income countries are discussing different changes to their pension systems, such as raising contribution rates, increasing eligibility periods, prolonging the retirement age and/or lowering benefits, among others.

- *Rationalizing and/or further targeting social safety nets* surfaces as another frequently observed channel to contain overall expenditures and cut costs. The review of IMF country reports indicates that 80 governments in 55 developing and 25 high-income countries are considering rationalizing spending on safety nets and welfare benefits, often by revising eligibility criteria and targeting to the poorest, which is a *de facto* reduction of social protection coverage.

- *Healthcare system reforms* are being pondered by 37 governments in 12 developing and 25 high-income countries around the globe to contain budgets. The main strategies to do so include raising fees and co-payments for patients as well as introducing cost-saving measures in public healthcare centers.

- *Labor flexibilization reforms* are being considered by 32 governments in 15 developing and 17 high-income countries, but analysis by the ILO (2012) suggests that this approach is even more common than what is indicated by IMF reports. Labor flexibilization reforms generally include revising the minimum wage, limiting salary adjustments to cost of living standards, decentralizing collective bargaining and increasing the ability of enterprises to fire employees.

Contrary to public perception, this review verifies that austerity measures are not limited to Europe. In fact, many adjustment measures emerge more prominently in developing countries (Tables 10 and 11). For instance, while increasing VAT and labor, pension and health reforms are most dominant in high-income countries, wage bill cuts/caps and limiting subsidies are heavily concentrated in developing countries.

Table 10: Main Adjustment Measures by Region, 2010-13

(number of countries)

Developing Region / Aggregates	Limiting subsidies	Wage bill cuts/caps	Increasing consumption taxes	Pension reform	Rationalizing targeting safety nets	Health reform	Labor Reform
East Asia and the Pacific	12	13	8	4	9	0	2
Eastern Europe and Central Asia	9	15	13	16	15	9	6
Latin America and Caribbean	11	14	13	12	11	0	1
Middle East and North Africa	9	7	7	5	5	3	1
South Asia	6	4	4	1	4	0	2
Sub-Saharan Africa	31	22	18	9	11	0	3
Developing countries	78	75	63	47	55	12	15
High-income countries	22	23	31	39	25	25	17
All countries	100	98	94	86	80	37	32

Source: Authors' analysis of 314 IMF country reports published from January 2010 to February 2013

Table 11: Main Adjustment Measures by Region, 2010-13

(percentage of countries)

Developing Region / Aggregates (# of countries)	Limiting subsidies	Wage bill cuts/caps	Increasing consumption taxes	Pension reform	Rationalizing targeting safety nets	Health reform	Labor reform
East Asia and the Pacific (21)	57	62	38	19	43	0	10
Eastern Europe and Central Asia (21)	43	71	62	76	71	43	29
Latin America and Caribbean (25)	44	56	52	48	44	0	4
Middle East and North Africa (10)	90	70	70	50	50	30	10
South Asia (8)	75	50	50	13	50	0	25
Sub-Saharan Africa (43)	72	51	42	21	26	0	7
Developing countries (128)	61	59	49	37	43	9	12
High-income countries (46)	48	50	67	85	54	54	37
All countries (174)	57	56	54	49	46	21	18

Source: Authors' analysis of 314 IMF country reports published from January 2010 to February 2013

Another interesting finding relates to the scale of austerity measures being adopted by individual countries. Overall, at least two policy options are being discussed in 140 countries, three or more in 101 countries, four or more in 55 countries, five or more in 34 countries, six or more in 20 countries and all seven in nine countries: Belgium, Greece, Ireland, Italy, the Netherlands, Portugal, Romania, Slovak Republic and Spain. On the other side of the spectrum, only eight countries in the world appear not to be contemplating any type of adjustment based on information from their latest IMF country report: China, Equatorial Guinea, Lao PDR, Myanmar, Paraguay, Peru, Rwanda and the United Arab Emirates.

4.2.2. Adjustment Measures in High-Income Countries

The world's austerity debates have taken place mostly in high-income countries, particularly in Europe. Our review confirms that this is no surprise: all seven adjustment measures are being discussed by governments in Belgium, Greece, Ireland, Italy, Netherlands, Portugal, the Slovak Republic and Spain (Table 12).

The most widely considered approaches include pension reform and increasing consumption taxes. In terms of altering old-age pension systems, nearly all high-income countries (39) are considering this option, including Australia, Japan and the United States, whose governments have not embarked on major austerity reforms like their European counterparts. Common pension reforms include raising the retirement age, reducing benefits, increasing contribution rates and reducing pension tax exemptions. The Czech Republic is discussing privatization of part of its public pension, moving from a pay-as-you-go (PAYGO) to a multi-pillar system. In terms of higher consumption taxes, this appears in 32 high-income countries. To cite some examples, governments in Ireland and Portugal recently raised their VAT rates from 21% to 23%; in Spain, VAT rates increased from 16% to 18% in 2010 and, again, in 2012, to 21%.

The other five adjustment measures also feature quite prominently across high-income countries. About 26 countries are engaging in reforms to their health systems, such as rationalizing costs of public health facilities, adjusting the price of pharmaceuticals to generics and introducing or increasing patients' co-payments. Rationalizing social transfers by targeting is being considered in 25 countries as a cost-saving measure. The government in Greece, for instance, is reviewing disability criteria and replacing family benefits with a unified targeted allowance; Ireland is also replacing a universal child benefit by a means-tested allowance to low-income families.

In addition, cuts or caps on the wage bill are considered in 23 countries, mostly through cuts on public employment, not replacing the positions of retiring civil servants, increasing working hours, removing special wage regimes and eliminating bonuses (e.g. Christmas pay). Related, IMF reports indicate that labor flexibilization measures have been discussed in 17 high-income countries. In Slovenia, for example, the government is reducing the dismissal cost for workers and cancelling the indexation of the minimum wage; Spain introduced reforms to ease firing and lay-offs, curb severance pay and limit collective bargaining rights.

Table 12: Adjustment Measures in High-Income Countries, 2010-13

Country	Limiting subsidies	Wage bill cuts/caps	Increasing consumption taxes	Pension reform	Rationalizing and targeting safety nets	Health reform	Labor reform
Australia				X		X	
Austria	X			X		X	
Bahamas		X					
Bahrain	X		X	X			
Barbados		X	X			X	

Country	Limiting subsidies	Wage bill cuts/caps	Increasing consumption taxes	Pension reform	Rationalizing and targeting safety nets	Health reform	Labor reform
Belgium	X	X	X	X	X	X	X
Canada				X			
Croatia	X	X	X	X		X	X
Curaçao		X		X		X	
Cyprus		X		X	X		
Czech Republic		X	X	X	X	X	X
Denmark				X	X	X	
Estonia		X		X			
Finland			X	X		X	X
France		X	X	X	X	X	X
Germany			X	X	X	X	
Greece	X	X	X	X	X	X	X
Iceland	X		X	X	X		
Ireland	X	X	X	X	X	X	X
Israel				X	X		
Italy	X	X	X	X	X	X	X
Japan			X	X	X		
Korea	X		X	X	X	X	X
Kiribati	X	X	X				
Kuwait	X		X		X		
Luxembourg			X	X	X	X	X
Malta			X	X		X	X
Netherlands	X	X	X	X	X	X	X
New Zealand			X	X		X	
Norway	X			X	X		
Poland	X	X	X	X			
Portugal	X	X	X	X	X	X	X
Qatar	X		X	X			
Saudi Arabia	X		X				
Singapore	X			X			
Slovak Republic	X	X	X	X	X	X	X
Slovenia		X	X	X	X		X
Spain	X	X	X	X	X	X	X
St. Kitts and Nevis	X	X	X	X	X		
Sweden			X	X	X		X
Switzerland				X		X	
Trinidad and Tobago					X		
United Arab Emirates							
United Kingdom	X	X	X	X			
Ukraine		X		X	X	X	
United States			X	X		X	
Total	**22**	**23**	**31**	**39**	**25**	**25**	**17**

Source: Authors' analysis of 314 IMF country reports published from January 2010 to February 2013

4.2.3. Adjustment Trends in East Asia and the Pacific

More than half of East Asian and Pacific countries are considering adjustments to wage bills and subsidies, making these the most common options in the region (Table 13). On the one hand, wage bill cuts/caps are being discussed in 13 countries, which may include cuts, like in Cambodia, Micronesia or Palau, or wage restraints and hiring freezes, like in Fiji and Timor-Leste. On the other hand, subsidy reforms have taken center stage in public discussions in some 12 countries. In Indonesia and Malaysia, these are focused on reducing fuel and energy subsidies to consumers and industry and replacing them with targeted safety nets. In the Philippines, there are plans to limit rice and transport subsidies and move instead toward more targeted conditional cash transfer programs; Timor-Leste also intends to reduce rice and electricity subsidies. A similar policy stance is observed in countries in the Pacific Islands. In Palau, for instance, the government is considering phasing out water and sanitation subsidies, while in

Kiribati, policy discussions are focused on reforming "distortionary" subsidies to copra producers and other state-owned enterprises.

The rationalization and further targeting of safety nets and increasing consumption taxes are other widespread measures in the region. Overall, nine countries are discussing targeting safety nets as a policy priority for cost-savings, most notably Mongolia, which continues to receive pressure from the international financial institutions to target its popular universal child benefit. Other countries discussing the rationalization and further targeting of safety nets to the poorest are Cambodia, Fiji, Indonesia, Malaysia, the Marshall Islands, Palau, the Philippines and even Timor-Leste, a country with dismal human development indicators. In terms of tax regimes, eight countries are increasing VAT or sales taxes, often as part of wider tax reforms, such as in Cambodia, Vietnam and Thailand; in Fiji, the VAT rate is being raised from 12.5% to 15%.

While countries in East Asia and the Pacific are considering an average of two adjustment measures during 2010-13, it is worth noting that the region is struggling with lower global demand for its exports. In response, some countries launched fiscal stimulus packages in 2012, including China, Indonesia, Malaysia and Vietnam. With the exception of China, these stimulus packages are small in size and focus on tax incentives and infrastructure. In contrast to their neighbors, China, Lao PDR and Thailand do not appear to be considering any adjustment and are instead increasing their wage bills and expanding coverage of social services and transfers. It is also interesting to observe that although labor flexibilization reforms are being considered in small countries, like Fiji and Palau, the regional trend is to increase minimum wages, such as in China, the Philippines, Thailand, and Vietnam.

Table 13: Adjustment Measures in East Asia and the Pacific, 2010-13

Country	Limiting Subsidies	Wage bill cuts/caps	Increasing consumption taxes	Pension reform	Rationalizing and targeting safety nets	Health reform	Labor reform
Cambodia		X	X		X		
China							
Fiji	X	X	X	X	X		X
Indonesia	X				X		
Lao PDR							
Malaysia	X		X		X		
Marshall Islands	X	X		X	X		
Micronesia	X	X	X	X			
Mongolia		X			X		
Myanmar							
Palau	X	X		X	X		X
Papua New Guinea	X	X					
Philippines	X				X		
Samoa		X					
Solomon Islands		X					
Thailand	X		X				
Timor-Leste	X	X			X		
Tonga	X	X					
Tuvalu	X	X	X				
Vanuatu		X	X				
Vietnam			X				
Total	**12**	**13**	**8**	**4**	**9**	**0**	**2**

Source: Authors' analysis of 314 IMF country reports published from January 2010 to February 2013

4.2.4. Adjustment Trends in Eastern Europe and Central Asia

Most countries in Eastern Europe and Central Asia are considering wage bill adjustments, reforms to their pension and social welfare systems, and increasing VAT or sales taxes (Table 14). Wage bill cuts/caps started as early as 2009 in Lithuania, and were soon replicated in 14 other countries, including the downsizing of public sector workforces in Bulgaria, Macedonia and Montenegro; wage freezes appear to be planned in Belarus, Bulgaria, Kosovo, Kyrgyz Republic and Moldova.

Pension reform debates are taking place in 16 countries. These center on raising the retirement age, contribution rates and service periods (Russia) as well as reducing or re-indexing benefits (e.g. Lithuania, Montenegro, Serbia); Armenia and Turkey are discussing privatizing part of their public pensions, moving from a PAYGO to a multi-pillar system. Health reforms are based on rationalizing health funds and health facilities (e.g. Bulgaria, Lithuania, Serbia), redefining benefits (Macedonia) or increasing patients' copayments (Turkey). Nearly all countries in the region (15) are also discussing options to rationalize and/or further target safety nets to the poorest, such as in Moldova, which continues to consolidate its social allowances on a means-tested basis.

Altering consumption taxes and lowering subsidies are other common adjustment policies. While 13 governments are considering raising rates and eliminating loopholes to strengthen VAT regimes, about half of the countries in the region (9) are aiming to cut subsidies, including to energy (electricity and heating in Belarus, Kosovo, Macedonia and Romania), to public transport (Latvia), to agricultural inputs (Belarus) and to state-owned enterprises (e.g. Bulgaria, Romania).

Labor reforms are discussed in five countries. Kosovo finalized a Labor Law that, among other reforms, reduces the maternity leave period; Romania has put in place a new Social Dialogue Law to reform the collective bargaining process and ensure that wage developments are more in line with productivity growth at the firm level; and Turkey is considering labor market reforms to improve competitiveness by easing the severance pay system and slowing the growth of minimum wage.

Table 14: Adjustment Measures in Eastern Europe and Central Asia, 2010-13

Country	Limiting subsidies	Wage bill cuts/caps	Increasing consumption taxes	Pension Reform	Rationalizing and targeting safety nets	Health reform	Labor Reform
Albania				X	X		
Armenia			X	X	X		
Azerbaijan			X		X		
Belarus	X	X	X	X	X		X
Bosnia and Herzegovina		X		X	X		
Bulgaria	X	X	X	X	X	X	
Georgia				X			
Hungary		X	X	X			
Kazakhstan		X	X		X		
Kosovo	X	X					X
Kyrgyz Republic		X	X				
Latvia	X			X	X		
Lithuania		X	X	X	X	X	
Macedonia	X	X		X	X	X	
Moldova	X	X	X	X	X	X	
Montenegro		X	X	X	X	X	X
Romania	X	X	X	X	X	X	X
Russia		X		X	X	X	
Serbia	X	X		X		X	X
Tajikistan		X	X				

Country	Limiting subsidies	Wage bill cuts/caps	Increasing consumption taxes	Pension Reform	Rationalizing and targeting safety nets	Health reform	Labor Reform
Turkey	X		X	X	X	X	X
Total	**9**	**15**	**13**	**16**	**15**	**9**	**6**

Source: Authors' analysis of 314 IMF country reports published from January 2010 to February 2013

4.2.5. Adjustment Trends in Latin America and the Caribbean

Latin America is the region least engaged in the austerity drive. This may be partly explained by its experience with past crises, which has led to an increasingly skeptical perception of pro-cyclical policies. Two of its countries—Ecuador and Venezuela—have cut ties with the IMF, and two others—Paraguay and Peru—have not had any significant discussions of austerity measures mentioned in their IMF country reports. Moreover, Brazil and Peru launched fiscal stimulus plans in 2012. This is in contrast to the smaller nations of the Caribbean, which are very engaged in austerity, and elsewhere in the Americas some cost-saving and/or revenue-raising measures are being considered.

On the aggregate, five adjustment measures are frequently viewed across the region (Table 15). The first is austere wage bill policies, which are discussed in 14 countries. In Antigua and Barbuda, for example, a 10% reduction in the government's wage bill was envisioned by 2012. Freezes in the civil service wage bill appear in policy discussions in a number of countries, including Grenada, Haiti, Jamaica and Nicaragua. Cutting subsidies is a second common measure, which is being discussed in 11 countries. This includes agricultural subsidies in Bolivia, electricity subsidies in the Dominican Republic, El Salvador, Haiti, Honduras, Nicaragua and Suriname, as well as fuel and other energy subsidies in Bolivia and Mexico. Three other austerity strategies feature prominently across a dozen countries or so that are primarily located in Central America and the Caribbean, including social security reforms, further targeting of social safety nets and increasing VAT/sales taxes.

Table 15: Adjustment Measures in Latin America and the Caribbean, 2010-13

Country	Limiting subsidies	Wage bill cuts/caps	Increasing consumption taxes	Pension reform	Rationalizing and targeting safety nets	Health reform	Labor reform
Antigua and Barbuda		X	X	X	X		
Belize		X	X	X	X		
Bolivia	X			X	X		
Brazil			X	X	X		
Chile		X					
Colombia			X	X			
Costa Rica		X	X				
Dominica				X	X		
Dominican Republic	X		X				
El Salvador	X	X			X		
Grenada	X	X			X		
Guatemala			X				
Guyana			X	X			
Haiti	X	X			X		
Honduras	X	X		X			
Jamaica		X		X			
Mexico	X	X	X	X			X
Nicaragua	X	X	X	X	X		
Panama			X				
Paraguay							
Peru							
St. Lucia		X	X	X			
St. Vincent & Grenadines	X	X			X		
Suriname	X	X	X		X		

Country	Limiting subsidies	Wage bill cuts/caps	Increasing consumption taxes	Pension reform	Rationalizing and targeting safety nets	Health reform	Labor reform
Uruguay	X						
Total	**11**	**14**	**13**	**12**	**11**	**0**	**1**

Source: Authors' analysis of 314 IMF country reports published from January 2010 to February 2013

4.2.6. Adjustment Trends in the Middle East and North Africa

Despite the Arab Spring, the region is considering an average of three austerity measures per country, mostly adjustments to the wage bill, subsidy programs and tax regimes (Table 16). Reduction or removal of subsidies is by far the most frequent measure. Many governments provide substantial energy and food price subsidies to their populations to offer relief from high commodity prices or to share the wealth from natural resource endowments. As such, policy discussions generally focus on eliminating or reducing these subsidies and replacing them with targeted safety nets. While this appears to have happened with some success in the reform of Iran's fuel subsidy, the fact that the region does not have well-developed social protection systems implies that governments should consider this reform with caution. For instance, after discussions with IMF staff in 2010 on streamlining subsidies to wheat, cooking oil, fuel and transport, Tunisia's government almost doubled its food and energy subsidies to offset higher international prices and respond to civil protests in 2011.

Although not as common as subsidy reform, other consolidation policies are being discussed across the Middle East and North Africa. For instance, increasing consumption taxes through higher VAT rates and/or fewer tax exemptions, as well as containing the public sector wage bill and/or reducing the operating costs of public institutions, are being considered by seven of the ten countries that have information. A number of governments are also discussing reforms to their pension systems, such as in Tunisia, which is focused on strengthening financial sustainability, as well as to their healthcare systems, like in Jordan, which is considering rationalizing health expenditures and the use of pharmaceuticals.

Table 16: Adjustment Measures in the Middle East and North Africa, 2010-13

Country	Limiting Subsidies	Wage bill cuts/caps	Increasing consumption taxes	Pension reform	Rationalizing and targeting safety nets	Health reform	Labor Reforms
Algeria	X	X			X		
Djibouti	X	X	X				
Egypt	X		X	X	X	X	
Iran	X		X				
Iraq	X						
Jordan	X	X	X	X	X	X	
Lebanon		X	X	X	X	X	
Morocco	X	X		X	X		X
Tunisia	X	X	X	X			
Yemen	X	X	X				
Total	**9**	**7**	**7**	**5**	**5**	**3**	**1**

Source: Authors' analysis of 314 IMF country reports published from January 2010 to February 2013

4.2.7. Adjustment Trends in South Asia

The most widely-discussed austerity measure in South Asia is limiting or removing subsidies, which emerges in six of the eight countries that have recent information in IMF country reports (Table 17). This policy option focuses on fuel subsidies (e.g. India, Nepal), electricity subsidies (e.g. the Maldives, Pakistan) and on subsidies to agricultural inputs, such as fertilizer (e.g. India, Sri Lanka). Four countries

are also discussing adjusting their wage bills, such as in the Maldives, which is the most pronounced case with the government intending to cut the nominal pay of public employees by 10% to 20%, as well as rationalizing safety nets and increasing sales tax collections (e.g. Afghanistan, Bangladesh, Bhutan, Pakistan).

Given its regional importance, India merits special consideration. It is worth mentioning that the IMF's latest Article IV consultation report praises the Finance Minister's renewed commitment to fiscal adjustment, despite India's growth slowdown and subdued recovery, and notices that sustainable fiscal consolidation will require tough choices on subsidy reform, taxation and labor regulations, among others. India is also planning to gradually implement direct cash transfers using the Unique Identification Number system beginning in 2013, which is expected to create fiscal space as targeting improves. India is further considering old-age pension reform and easing labor regulations.

Table 17: Adjustment Measures in South Asia, 2010-13

Country	Limiting Subsidies	Wage bill cuts/caps	Increasing consumption taxes	Pension reform	Rationalizing and targeting safety nets	Health reform	Labor Reform
Afghanistan			X				
Bangladesh	X		X				
Bhutan			X				
India	X	X		X	X		X
Maldives	X	X			X		
Nepal	X	X			X		
Pakistan	X		X		X		X
Sri Lanka	X	X					
Total	**6**	**4**	**4**	**1**	**4**	**0**	**2**

Source: Authors' analysis of 314 IMF country reports published from January 2010 to February 2013

4.2.8. Adjustment Trends in Sub-Saharan Africa

On average, countries in Sub-Saharan Africa are considering two of the seven adjustment measures identified (Table 18). Reducing subsidies, adjusting the wage bill and introducing or expanding sales taxes emerge as the most common approaches.

The review of IMF country reports shows widespread discussion on the need to eliminate or reduce subsidies, which affects some 31 countries. This includes fuel subsidies (e.g. Angola, Burkina Faso, Burundi, Cameroon, Central African Republic, the Democratic Republic of Congo, Cote d'Ivoire, Gabon, the Gambia, Ghana, Guinea-Bissau, Liberia, Mali, Mozambique, Niger, Nigeria, Sierra Leone, Sudan, Togo), electricity subsidies (e.g. Cape Verde, Ghana, Guinea, Mauritania), subsidies to agricultural inputs like fertilizers and pesticides (e.g. Benin, Cameroon, Guinea, Mali, Tanzania, Zambia, Zimbabwe), and food subsidies (e.g. Guinea-Bissau, Liberia, Mauritius, Sudan, Zambia). Generally, IMF staff calls for a gradual adjustment of subsidized prices to international prices, accompanied by either targeted subsidies or a targeted safety net to ease the impact of price adjustments on vulnerable groups.

Regarding the wage bill, adjustments are being considered in 22 countries, including rationalizing the wage scale in the civil service, such as in Kenya and Swaziland, as well as restraining public sector wages and imposing hiring freezes, like in the Democratic Republic of Congo. Noteworthy, several countries are increasing health and education workers (e.g. Central African Republic, the Gambia, Mozambique) while containing the wages of existing civil servants; in Niger, the savings generated by the removal of the fuel subsidy were used to recruit 4,000 new teachers in 2012.

Another common strategy observed throughout Sub-Saharan Africa is to increase sales taxes. This option is discussed in 18 countries and includes introducing VATs (e.g. the Gambia, Guinea-Bissau, Seychelles, Sudan, Swaziland) and reforming or expanding the coverage of VATs, such as in Benin, Burkina Faso, Ethiopia, Ghana, Guinea, Malawi and Mali. Even in Sudan, where authorities adopted a reform program centered on fiscal adjustment in June 2012, VAT was set to increase from 15% to 17%.

Although less frequent, the rationalization and/or further targeting of safety nets is discussed in about 11 countries in the region, despite high poverty levels and low government capacity. For instance, in Togo, a country where 59% of the population lives below the national poverty line and the arguments for universal policies are strong, authorities point to the lack of capacity to target the poorest rural populations. In Senegal, where 47% of the population lives below the national poverty line, IMF staff welcomes the government's drive to improve public spending efficiency, reconciling deficit reduction with addressing the country's social and development needs by reducing the cost of running the government and improving the targeting and efficiency of public expenditures. Pension reform is additionally being considered in nine countries in Sub-Saharan Africa.

Table 18: Adjustment Measures in Sub-Saharan Africa, 2010-13

Country	Limiting Subsidies	Wage bill cuts/caps	Increasing consumption taxes	Pension reform	Rationalizing and targeting safety nets	Health reform	Labor Reforms
Angola	X						
Benin	X	X	X	X			
Botswana		X	X				
Burkina Faso	X	X	X				
Burundi	X						
Cameroon	X						
Cape Verde	X						
Central African Rep	X						
Chad	X						
Comoros		X					
Congo, Republic of		X	X				
Côte d'Ivoire	X	X		X			
Equatorial Guinea							
Ethiopia			X				
Gabon	X	X					
Gambia	X		X		X		
Ghana	X		X				
Guinea	X		X				
Guinea-Bissau	X	X	X				
Kenya		X	X	X			
Lesotho	X						
Liberia	X	X					
Malawi	X		X				
Mali	X		X	X	X		
Mauritania	X	X			X		
Mauritius	X			X	X		
Mozambique	X	X			X		X
Namibia		X			X		
Niger	X						
Nigeria	X	X					
Rwanda							
São Tomé Príncipe	X	X					
Senegal	X	X	X		X		
Seychelles			X				
Sierra Leone	X						
South Africa		X		X			X
Sudan	X		X				
Swaziland		X	X		X		
Tanzania	X	X		X			

Country	Limiting Subsidies	Wage bill cuts/caps	Increasing consumption taxes	Pension reform	Rationalizing and targeting safety nets	Health reform	Labor Reforms
Togo	X				X		
Uganda		X	X	X			
Zambia	X	X		X	X		X
Zimbabwe	X	X	X		X		
Total	**31**	**22**	**18**	**9**	**11**	**0**	**3**

Source: Authors' analysis of 314 IMF country reports published from January 2010 to February 2013

5. The Threats of Austerity to Development and Socio-Economic Recovery

The previous sections presented evidence that aggregate budget cuts have intensified across most countries in the world since 2010 and identified the main adjustment measures that are being adopted. This section first discusses the inherent dangers of prioritizing austerity over jobs, and then describes the adverse social impacts that are associated with each of the most common cost-cutting and revenue-enhancing measures.

5.1. Prioritizing Fiscal Balances over Employment

During the first phase of the global economic crisis (2008-09), many governments mobilized large fiscal resources to safeguard the financial sector and support aggregate demand, employment and social protection. While unemployment figures worsened globally, the ILO estimates that 7-11 million jobs were created or protected among the G20 countries alone during 2009 as a result of fiscal stimulus packages (ILO 2009b).

These Keynesian measures, however, were short-lived. In the second and third phases of the crisis that were initiated in 2010, rising concerns over sovereign debt levels and fiscal deficits have led most governments to abandon fiscal stimuli and introduce austerity measures, as discussed earlier. This current policy environment is based on prioritizing fiscal balances and austerity first, which is then to be followed by economic growth and job creation. Defenders of fiscal consolidation often reference an outdated IMF study of 74 episodes in 20 industrialized countries during 1970-95, which found that sharp government spending contractions can lower interest rates and encourage consumption and investment (Dermott and Wescott 1996).

Criticism of this approach, however, has been widespread, including by Nobel Laureates Joseph Stiglitz—"Job creation, not austerity, should be policy goal"—and Paul Krugman—"Jobs now, deficits later was and is the right strategy."[5] This reflects historical evidence that indicates that fiscal consolidation is much more likely to contract economic activity, lower aggregate demand and ultimately lead to higher unemployment (Guajardo, Leigh and Pescatori 2011; Islam and Chowdhury 2010a, 2010b).

In 2013, global growth has decelerated, and the jobs outlook is ever more daunting. Nearly 200 million people were without a job in 2012, and some 40 million workers are estimated to have dropped out of the labor market altogether, which has created a global jobs gap nearing 70 million since the start of the global economic crisis (ILO 2013). It is highly unlikely that the world economy will grow at a sufficient pace over the coming years to close the existing jobs deficit and provide employment opportunities for

[5] Stiglitz, J. in *Washington Policy Watch*, May 2011; Krugman, P., "The Austerity Delusion," *The New York Times*, 24 March 2011.

the more than 120 million youth that are projected to enter the global labor market every year, mostly in developing countries (Ortiz and Cummins 2012).

Moreover, the worldwide propensity toward fiscal contraction will likely reduce the quantity and quality of decent jobs and worsen the jobs deficit both in high-income and developing countries (ILO 2012). When viewing the crisis recovery in this context, there has been an enormous imbalance between the treatment of labor and finance. While government efforts since 2010 have mainly centered on servicing debt (mostly to private banks) and achieving fiscal balances, employment and social protection have become a secondary priority. In other words, finance continues to benefit at the expense of labor. Moreover, governments have acted as a banker of last resort to avoid the collapse of the financial system, but, despite stimulus plans and some labor market policies in the first phase of the crisis (2008-09), governments have generally failed to serve as an employer of last resort (van der Hoeven 2010).

Moving forward, an appropriate jobs-creating policy framework requires significant expansion of public investments and raising incomes to boost domestic demand, which is wholly incongruent with fiscal tightening. Given the ongoing fragile state of the recovery coupled with the pervasive jobs crisis, the United Nations has repeatedly warned that austerity is likely to tip the global economy back into recession and called on governments to avoid premature fiscal adjustment (ILO 2010a, 2012, 2013; United Nations 2012a; UNCTAD 2011).

Box 2: Addressing the Jobs Crisis: A Neglected Priority of the IMF and most Ministries of Finance

Employment is a core mandate of the IMF. In Article I of its Charter, one of the IMF's purposes is to support the "promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy." Despite this main obligation, Article IV ("surveillance") became a priority when the Bretton Woods system of fixed exchange rates collapsed in 1970; in response, the IMF started monitoring the compliance of governments with its policy obligation to promote macroeconomic stability. IMF missions visit member countries—usually annually—to discuss with Ministries of Finance, Central Banks and other main stakeholders, with a focus on exchange rate, monetary, fiscal and financial policies. In the 1980s and 1990s, policy discussions became increasingly detached from social objectives and narrowly focused on containing inflation, minimizing budget deficits, liberalizing product/factor markets and trade—a major reason why inequality increased worldwide.

Clearly, governments—and the IMF—want to generate employment, but job creation often becomes one of many developmental objectives. In general, the policy stance is that once macroeconomic and fiscal balances are in check, and once government intervention is minimized, including low taxation to promote foreign and national investment (first policy priorities), then, subsequently, the private sector will naturally generate jobs. This set of standard policies became known as the Washington Consensus. These ideas are old but somehow remain alive in the form of a "Washington Consensus Plus" that also includes competition polices to accompany privatizations, targeted safety nets for the poorest and other limited modifications of the traditional prescription (Stiglitz 2008). This approach appears present in most official policy discussions today, including those led by the IMF.

The United Nations and many economists have long argued that these policies are not conducive to generate employment: There was a job crisis prior to 2008 which has been exacerbated by a jobless recovery. The present contractionary policy stances fall short of what is needed for economic recovery and addressing the jobs crisis. Employment creation is associated with a different set of macroeconomic policies that promote investment in productive capacities and growth of aggregate demand, coupled with adequate social policies. In practice, an effective employment-generating strategy is linked to expansionary fiscal and monetary policies that foster public investment, technology policies, a managed exchange-rate regime that promotes export competitiveness, a financial sector that supports local economic activity, and adequate social and labor policies to ensure fair

incomes, productivity gains and decent jobs (Epstein 2009; ILO 2009a, 2010a, 2010b and 2012; Ocampo and Jomo 2007; Pollin, Epstein and Heintz 2008; United Nations 2009a and 2013; UNCTAD 2011a and 2011b; Weeks and McKinley 2007).

5.2. Eliminating or Reducing Subsidies

Eliminating or reducing subsidies is the most widespread adjustment measure being considered by governments, which are often accompanied by discussions of developing targeted social safety nets as a way to compensate the poor. This is largely driven by the logic that generalized subsidies can be ineffective, costly and inequitable, while replacing them with targeted transfers can remove market distortions and more cost-effectively support vulnerable groups (Coady et al. 2010). However, governments must carefully assess the human and economic impacts of lowering or altogether removing food or fuel subsidies and ensure that any such policy change is accompanied by measures that adequately safeguard the access and well-being of vulnerable populations and overall recovery prospects.

Poor households have been adjusting to high food costs for years, and their capacity for resilience is limited in 2013. Food security remains a critical issue in many countries, and families across the globe have reported eating fewer meals, smaller quantities and less nutritious foods.[6] In recent years, food protests have erupted in Algeria, Bangladesh, Burkina Faso, Egypt, India, Iraq, Jordan, Morocco, Mozambique, Nigeria, Senegal, Syria, Tunisia, Uganda and Yemen, to name but a few.

Moreover, some countries have removed food subsidies at a time when there is still a high level of need for food assistance (Box 3). Local food prices were at historic highs at the start of 2012 in a large sample of developing countries and likely remain so. Until a well-functioning social protection floor is in place, there is a strong case for extending general consumer subsidies, which can be possibly modified to encourage pro-poor self-selection (e.g. providing subsidies on food items that the poor consume) as a short-term measure to protect vulnerable households from unaffordable food costs. Moreover, while subsidies are often withdrawn quickly, a functioning targeted safety net takes a considerable amount of time to design and roll out. This means that any timing mismatch immediately threatens the most vulnerable groups, especially children who can experience irreversible, long-term adverse effects from nutritional shortfalls.

Linked to food subsidies are subsidies to agricultural inputs like seeds, fertilizer and pesticides that can sustain local production. A survey of 98 developing countries policy responses to the food crisis in 2008-10 shows that 40% of governments opted for agricultural input subsidies (Ortiz and Cummins 2012; Demeke, Pangrazio and Maetz 2009). Adequate subsidies and the distribution of productive inputs can bolster local production, and their removal should be carefully assessed given the negative impacts (Khor 2008).

A review of latest IMF country reports also shows that many countries are contemplating reducing fuel and energy subsidies. Indeed, the wide fluctuations in international oil prices can make fuel and energy subsidies costly and, therefore, an obvious target during austere times. However, the negative ripple

[6] These behaviors have been widely reported, such as in India, Pakistan, Nigeria, Peru and Bangladesh (Save the Children 2012), in Bangladesh, Cambodia, the Central African Republic, Ghana, Kazakhstan, Kenya, Mongolia, the Philippines, Serbia, Thailand, Ukraine, Vietnam and Zambia (Heltberg et al. 2012), in Bangladesh, Indonesia, Jamaica, Kenya, Yemen and Zambia (Hossain and Green 2011), and in Bangladesh, Cambodia, Guinea, Kenya, Lesotho Swaziland (Compton et al. 2010).

effects of reversing this policy should be carefully examined. First, cutting fuel subsidies can have a disproportionate negative impact on vulnerable groups, whose already limited incomes are further eroded by any of the resulting inflationary effects on basic goods and services. Second, removing fuel subsidies can hinder overall economic growth, since higher costs of goods and services drag down aggregate demand. Third, any slowdown in economic growth will lower tax receipts and create new budgetary pressures—which is ironically the original impetus of the subsidy reversal.

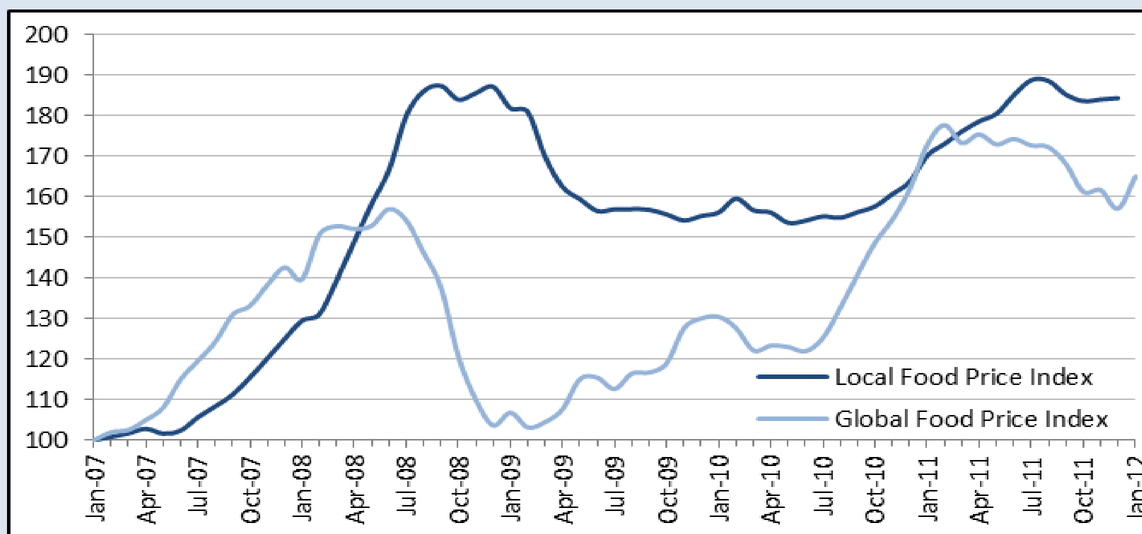
Box 3. Removing Food Subsidies despite High Food Prices

During the food and fuel crisis, many developing countries increased subsidies or cut taxes on food and/or fuel between 2006 and 2008 (IMF 2008). However, upon the easing in international commodity prices in late 2008, many countries started to reverse food subsidies, despite the lack of a clear indication that local food prices were lowered or that a compensatory social protection floor had successfully been put in place.

In 2012, local food prices were at near record levels in many countries, especially low-income. After two major international price spikes in 2007-08 and 2010-11, populations in a sample of 55 developing countries were paying 80% more, on average, for basic foodstuffs at the start of 2012 when compared to price levels prior to the 2007-08 crisis (Figure 6). Even more important is the apparent “stickiness” of local food prices once reaching new highs. While the international food price index dropped by more than 50% in 2009 after peaking in early 2008, local food prices fell only minimally and remained elevated. Moreover, after the 2011 peaks, global food prices dropped by 13%, but local food prices appear to have retracted by a meager 2%. Careful analysis of the local realities facing the poor, prior to the removal of the subsidies, is thus important to avoid generating further poverty and jeopardizing long-term human capital development.

Figure 6: Local and Global Food Price Indices, Jan. 2007 to Jan. 2012

(local food prices in unweighted average index values; Jan. 2007=100 for both metrics)



Source: Ortiz and Cummins (2012)

5.3. Wage Bill Cuts or Caps

Wage bill cuts and caps are widespread across the globe, and the immediate concern is that reduced availability and/or quality of public services at the local level will impede human development. For example, in rural areas and urban slums where poverty is prevalent, a teacher or a nurse can be the deciding factor to whether or not a child has access to education and health services. As a result,

employing and retaining service staff at local levels, and ensuring that they are sufficiently compensated to provide for their own families, is key to advancing social progress.

Today, however, IMF reports show that only a very limited number of low-income countries are expanding the number of health and education workers (e.g. Central African Republic, Gambia, Lao PDR, Mozambique, Niger). Elsewhere, policy discussions focus on "necessary" adjustments to the wage bill to achieve cost-savings, including many higher income countries.

This is reflective of past periods of crisis and adjustment, where salary erosion among public service providers was a common experience, especially in developing countries. Despite the fact that social expenditures tend to be low and insufficient to achieve human development objectives, governments frequently cut education and health budgets in times of fiscal contraction, often by adjusting the wage bill and public sector employment (Cornia, Jolly and Stuart 1987; Fedelino, Schwartz and Verhoeven 2006). As recurrent expenditures like salaries tend to be the largest component of the budget, wage caps and employment ceilings have been traditionally supported by the international financial institutions (Marphatia et al 2007; Chai, Ortiz and Sire 2010). For teachers and medical staff, this can mean that their salaries are not adjusted in line with local inflation, paid in arrears or reduced in cases of employment retrenchment. Low pay is also a key factor behind absenteeism, informal fees and brain drain. In sum, decisions on wage bills must ensure that the pay, employment and retention of critical public sector staff are safeguarded at all times.

Box 4. Cambodia's Wage Bill Cuts

In Cambodia, the number of poor people is estimated to have increased by at least 200,000 in absolute terms as a result of the recent crises, according to the World Bank. Confronted by a growing fiscal deficit, the government announced that it would be reducing the number of contracted and temporary staff in all sector ministries by 50% in fiscal year 2010. However, after discussions with sector ministries and development partners, an exception was granted to the health and education sectors since it would be impossible to deliver social services without necessary staff. Yet it remains enforced for other ministries, some with long-term implications for development. To further contain the wage bill, the government also announced that salary supplementation, allowances and incentive schemes for civil servants would be cancelled and replaced by a new streamlined system. Site surveys showed increased staff absenteeism and reduced working hours.

Source: Ortiz and Cummins (2012)

5.4. Increasing Consumption Taxes

Revising consumption-based taxes is another policy option being discussed extensively. While this is a revenue-side rather than a spending-side approach to adjustment, it is important to highlight because increasing the costs of basic goods and services can erode the already limited incomes of vulnerable households and stifle economic activity. The primary danger of this approach is that it is regressive and shifts the tax burden to lower income households. Contrary to progressive taxes, taxing basic goods, like food and household items, does not discriminate between consumers. For example, given that poor families spend a higher proportion of their disposable income on food, raising consumption taxes on food items means that relatively more of their income is subjected to product taxes. As a result,

consumption-based taxes can have a disproportionate negative impact on poorer households, reducing their already limited disposable income and further exacerbating existing inequalities.[7]

It is worrisome that austerity discussions focus on consumption taxes rather than other types of taxation that can support equity objectives, especially in countries characterized by high levels of income inequality. More progressive tax approaches should be explored, such as on income, inheritances, property, luxury goods and corporations, including the financial sector. Additionally, there has been limited action to curb tax evasion, tax heavens or illicit financial flows, which could potentially capture billions of resources that are effectively "lost" each year. A discussion on fiscal space options for a socially-responsive recovery can be found, among others, in Hall (2010), and Ortiz and Cummins (2012) (Box 5).

In recent history, increasing progressive taxation from the richest income groups to finance social and pro-poor investments has been uncommon. This is largely the result of the wave of liberalization and de-regulation policies that swept across most economies in the 1980s and 1990s. These led both developing and high-income countries to offer tax breaks and subsidies to attract foreign capital, as well as to scale back income taxes applied on wealthier groups and businesses to further encourage domestic investment. The former logic is being questioned in many countries as a result of the crisis, especially regarding the financial sector. Different financial sector tax schemes are being proposed on currency transactions as well as on the profits and remuneration of financial institutions,[8] the most important of which is the European Commission's proposal to introduce a financial transaction tax in some European Union member states by 2014. Discussion on raising income taxes, inheritance and property taxes is also starting in several countries, as well as efforts to combat tax evasion.

Despite these positive discussions, the tax policy framework associated with liberalization and de-regulation continues to typify most governments today. Contrary to progressive, equity-based policies, many tax regimes may be characterized as regressive since they heavily rely on VATs for revenue, thus taking a larger percentage of income from poorer households. In light of this reality, it is imperative that distributional impacts are at the forefront of tax decisions, and that alternative options to increase fiscal space are considered in policy discussions

Box 5: Alternative Options to Increase Government Revenue Exist even in the Poorest Countries

There are other options available to governments to expand fiscal space for a socially-responsive recovery, even in the poorest countries, all of which are supported by policy statements of the United Nations and international financial institutions:

- ***Increasing tax revenues*** through other tax sources—e.g. corporate profits, financial activities, natural resource extraction, personal income, property, imports or exports—or by strengthening the efficiency of tax collection methods and overall compliance, including fighting tax evasion.

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[7] Different consumption taxes can be progressively designed by allowing exemptions for necessary basic goods that many low-income families depend on while setting higher rates for luxury goods that are principally consumed by wealthier families (see Schenk and Oldman 2007 for discussion). For instance, our review of IMF country reports found that Kenya is lowering taxes on fuel and food staples consumed by vulnerable populations, and Ghana and the Republic of Congo are considering tax increases on luxury items, like vehicles.

[8] For instance, Turkey taxes all receipts of banks and insurance companies (IMF 2010); Brazil introduced a temporary bank debit tax which charged 0.38% on online bill payments and cash withdrawals, before its discontinuation in 2008, it raised an estimated US$20 billion annually and financed healthcare, poverty alleviation and social assistance programs; Argentina operates a 0.6% tax on purchases and sales of equity shares and bonds, which, in 2009 accounted for more than 10% of overall tax revenue for the central government (Beitler 2010).

- ***Restructuring debt****:* For those countries at high debt distress, restructuring existing debt may be possible and justifiable if the legitimacy of the debt is questionable (e.g. nationalized private sector debts) and/or the opportunity cost in terms of worsening growth and living standards is high. Five main options are available to governments to restructure sovereign debt: (i) re-negotiating debt (more than 60 countries since 1990s), (ii) achieving debt relief/forgiveness (e.g. HIPC), (iii) debt swaps/conversions (more than 50 countries since 1980s), (iv) repudiating debt (e.g. Iraq, Iceland) and (v) defaulting (more than 20 countries since 1999, including Argentina and Russia). There is ample experience of governments restructuring debt, but in recent times creditors have managed to minimize "haircuts," a popular term that refers to investor losses as a result of debt restructuring. The IMF has proposed a Sovereign Debt Restructuring Mechanism, and the United Nations has also called for a sovereign debt workout mechanism that deals fairly with lenders and borrowers alike.
- ***Domestic borrowing****:* Many developing countries have underdeveloped domestic bond markets and could tap into them for development purposes.
- ***Using fiscal and central bank foreign exchange reserves****:* This includes drawing down fiscal savings and other state revenues stored in special funds, such as sovereign wealth funds, and/or using excess foreign exchange reserves in the central bank for domestic and regional development; for instance, a country like Timor-Leste, where the share of people living in poverty increased from 36% to 50% between 2001-07, has an estimated US$6.3 billion stored in a Sovereign Wealth Fund invested overseas.
- ***Adopting a more accommodating macroeconomic framework****:* This entails allowing for higher budget deficit paths and higher levels of inflation without jeopardizing macroeconomic stability (e.g. quantitative easing in the United States).
- ***Curtailing illicit financial flows (IFFs)*** could also free up additional resources for economic and social investments. IFFs involve capital that is illegally earned, transferred or utilized and include, *inter alia*, traded goods that are mispriced to avoid higher tariffs, wealth funneled to offshore accounts to evade income taxes and unreported movements of cash. In 2009, it is estimated that US$1.3 trillion in IFFs moved out of developing countries, mostly through trade mispricing, with nearly two-thirds ending up in developed countries; this amounts to more than ten times the total aid received by developing countries.

See Ortiz and Cummins (2012) for a summary and discussion of different options for increased fiscal space
Some official sources: IMF and World Bank 2006; IMF 2003 and 2009; UNCTACD 2011a; UNDP 2007 and 2011; United Nations 2009a-b and 2013; WHO 2010

5.5. Pension and Health Reforms

Reforming old-age pensions and health systems are other common measures being discussed to scale back public spending whose risks are straightforward: vulnerable groups are excluded from receiving benefits or critical assistance is diminished at a time when their needs are greatest. Moreover, since women are more dependent on public support and more likely to face pensioner poverty than men, pension cuts are likely to have a disproportionate negative impact on women and further gender disparities (UK Women's Budget Group 2010). As a result, it is imperative that policymakers complement any systematic pension reforms with specific measures that safeguard income support and the delivery of essential services, especially health, to older persons and their families.

Interestingly, a small number of countries are reversing earlier pension reforms, including Argentina, Bolivia, Chile, Hungary and Poland, which had privatized their pension systems in the 1990s. The transition from a public to a privately-funded system has proved costly and difficult for many countries to afford, especially in the current crisis setting. In particular, the administrative costs of private insurance and pension fund companies tend to be very high, which diminish overall returns. Another major drawback is that pensioners bear all of the financial risks, which can effectively wipe out their life

savings during market collapses. In several countries, the state (e.g. the taxpayer) was forced to act as a guarantor of last resort, bailing out private companies and providing a tax-funded solidary pension for older persons (Riesco and Durán 2010). Despite these experiences, a number of countries are considering reforming their pension systems to preserve financial viability and to deepen capital markets, such as in Armenia, the Czech Republic, India or Tunisia.

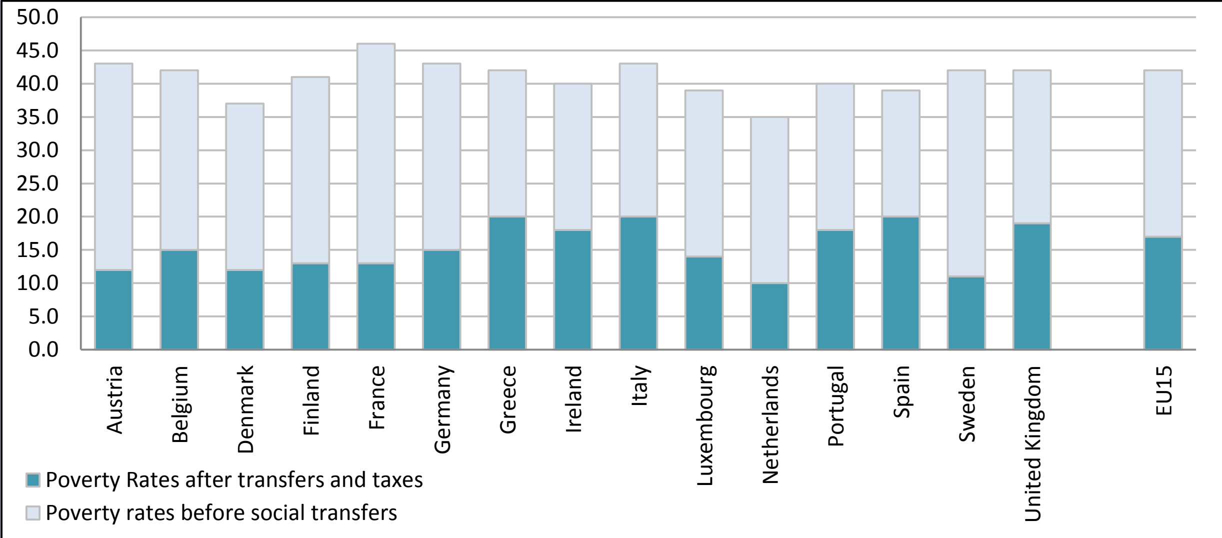
Typical health adjustment measures include increased user fees or charges for health services, reductions in medical personnel, discontinuation of allowances and increased copayments for pharmaceuticals. Health spending cuts can present significant dangers to populations in developing countries, in particular. Given that more than half of public health budgets in Sub-Saharan Africa depend on foreign aid, funding shortfalls can increase stress on women who are the predominant caretakers of sick persons (Seguino 2009). Moreover, due to the income losses stemming from the employment crisis, families have consistently reported lower healthcare spending and service utilization. For example, crisis-affected households in Armenia, Bulgaria and Montenegro significantly reduced doctor visits, medical care and prescription drug use (World Bank 2011).

In short, reducing pensions and health services places additional pressures on household incomes, which, aside from the direct physical consequences, reduces aggregate demand and delays recovery. As a result, governments should consider rationalizing expenditures that have less severe social and economic consequences. At the same time, they should look to sustain pensions and social services and, when necessary, introduce new schemes and extend health and social protection for all persons.

Box 6: Increasing Poverty in High Income Europe

A fact unknown to many is that the richest 15 European Union (EU15) countries have poverty rates similar to developing countries, although this is partially due to different calculation methods. In 2009 over 40% of the EU15 population was poor before social transfers and taxes, on average; it was by using progressive social and taxation policies that the poverty rate dropped to just 15% (Figure 7). However, the combined effects of unemployment and policy adjustments in the EU15, including to their welfare systems, have since augmented poverty rates. In 2011, poverty had increased by 5.0% in Austria, 4.7% in Belgium, 8.5% in France, 8.6% in Greece, 6.5% in Italy, 11.7% in Spain and 5.2% in Sweden.

Figure 7: Poverty Rates in EU15 Before and After Social Transfers and Taxes, 2009



Source: Ortiz and Yablonski (2010), and EUROSTAT (2013)

5.6. Rationalizing and Further Targeting of Safety Nets

Rationalizing spending on safety nets and welfare benefits is another common policy channel to contain overall expenditures. Economists often advise governments to better target their spending when budget cuts are called for, as a way to reconcile poverty reduction with fiscal austerity (Ravallion 1999). IMF reports generally associate targeting social programs to poverty reduction. Targeting is discussed in 25 higher income and 55 developing countries, including low income such as the Gambia, Haiti, Mali, Mauritania, Nicaragua, Senegal, Sudan, Timor-Leste, Togo and Zambia, where on average about half of the population is below the national poverty line. In such places, the rationale to target to the poorest of the poor is weak; given the large number of vulnerable households above the poverty line, universal policies may better serve developmental objectives. Further, targeting social programs to the extreme poor, like in Moldova, excluding most of the poor who are also in need public assistance is politically difficult and administratively complicated (Box 7). For instance, the government of Togo indicated in its IMF country report (2011) the lack of capacity to target the poorest segments of the population in rural areas, where as much as 70% of the population lives below the poverty line.

Overall, policymakers should consider that, in times of crisis, it is important to scale up social investments instead of scaling down, as further targeting is a *de facto* reduction in coverage. Given the critical importance to support households in times of hardship, as well as to raise people's incomes to encourage demand and socio-economic recovery, a strong case can be made to extend universal transfers (e.g. to families with children, older persons, person with disabilities and others typically included in a social protection floor) or to carry out some form of geographic targeting to provide immediate support to vulnerable groups.

Moreover, targeting to the poor should not be viewed as a panacea, since there are major problems associated with means-testing:[9]

- It is costly; means testing absorbs an average of 15% of total program costs;
- It is administratively complex and requires significant civil service capacity, which is often lacking in lower income countries;
- It can lead to large under-coverage; the scope of the target often falls short of adequately covering vulnerable populations and, instead, tends to focus only on the extreme poor, leaving many vulnerable persons excluded by design from receiving benefits when their need for public assistance is high;
- It generates incentive distortions and moral hazard;
- In many countries, targeting has dismantled public service provision for the middle classes and created two-tier services, generally private services for the upper income groups and public services for low-income groups —and services for the poor tend to be poor services.
- Targeting can backfire politically; middle-income groups may not wish to see their taxes go to the poor while they are required to pay for expensive private services;
- Targeting to the poorest and excluding vulnerable populations by policy design is inconsistent with the United Nations Charter, the Millennium Declaration, the Universal Declaration of Human Rights according to which everybody is entitled to minimum standards of living (food, clothing, education, medical care, social security and others), and the Convention on the Rights of the Child, among other conventions that have been signed by virtually every government.

[9] See for instance Mkandawire (2005), Ortiz (2008) and UNRISD (2010).

The United Nations has recently called for a social protection floor, below which nobody should fall, to provide a minimum set of social services and transfers for all persons (ILO 2011). By facilitating access to essential services and decent living standards, social protection is essential to accelerate progress toward achieving development goals. At this juncture, it is imperative that governments focus on expanding social protection coverage rather than scaling down or improving the targeting of existing programs.

Box 7. Targeting Social Assistance: The Case of Moldova

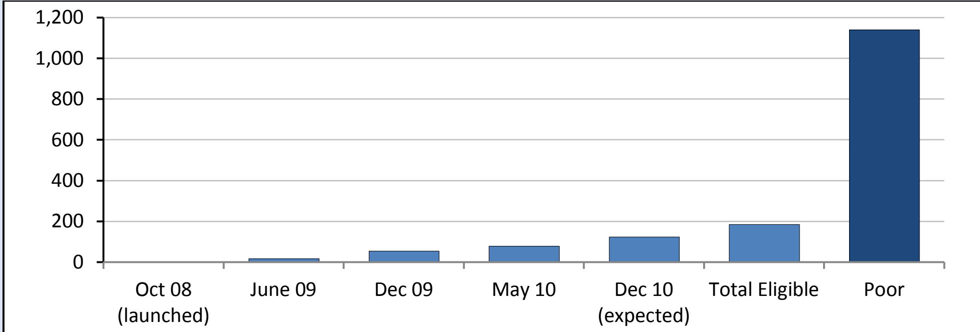
In 2008, Moldova reformed its social assistance system, moving gradually from a system of category-based nominal compensations for individuals (persons with disabilities, pensioners, war veterans, multi-children families, etc.) to poverty-targeted cash benefits for households. Under the previous system, the benefits were small, the new social assistance system is designed to target the poorest households while also increasing the benefit provided.

However, extensive delays occurred in implementing the new system, which were compounded by complicated application procedures and confusion among qualified households. As a result, less than half of the eligible beneficiaries had applied for support one year after the launch. Moreover, households that enrolled in the new system were required to re-apply after a period to continue receiving benefits; one-third of eligible households failed to do so. The government has since taken actions to improve the system.

Moldova's experience underscores the risks of targeting-based reforms. Above all, means-testing is complex to implement and often leads to delays and/or under-coverage. In this example, barely 40% of targeted beneficiaries were receiving support 18 months after the launch of the new system, and this was only expected to increase to two-thirds after more than two years (Figure 8). The protracted start-up time also meant that most vulnerable families had to cope with multiple income shocks with little or no assistance.

Figure 8. Beneficiaries under New Social Assistance System in Moldova

(in thousands of persons)



Another major risk of targeting-based reform is not to include, by design, the majority of vulnerable populations. While the scope of the targeted population is often a difficult policy decision for governments, in Moldova the safety net is being targeted to the bottom poorest, compared to 26.4% of the population that are below the poverty line. This means that many poor people are excluded from any type of cash benefit despite their continued need for public assistance.

Source: Ortiz and Cummins (2012)

5.7. Labor Reforms

Labor flexibilization is also being considered by many governments. The ILO (2012) shows that the incidence of labor reform is actually larger than what is suggested by the review of IMF reports (Box 8).

Between 2008 and March 2012, 40 of the 131 countries with available information altered their employment protection regulations for permanent employees, mainly by modifying the regulation of severance payments and notice periods; 25 countries also changed their legislation on collective dismissals by either facilitating the process or reducing requirements.

Labor market reforms appear to be aimed at increasing competitiveness and supporting business activity in the context of recession, compensating for the underperformance of the financial sector. Some governments view labor reforms as an easier strategy to support companies rather than introducing financial sector reforms to boost the supply of credit to firms. However, there is limited evidence that labor market flexibilization generates jobs (Howell 2005, Palley 1999, Rodgers 2007, Standing 2011), and women workers are particularly hard hit by such measures (Ghosh 2013). In fact, evidence suggests that, in a context of economic contraction, labor market flexibility is more likely to generate labor market "precarization" and vulnerable employment, as well as depress domestic incomes and, therefore, aggregate demand, ultimately hindering crisis recovery efforts (van der Hoeven 2010). Even in export-led regimes, flexibilization policies do not lead to higher income and employment; rather, the end result is contractionary (Capaldo and Izurieta 2012).

It is imperative that employers, unions and governments dialogue together about how to achieve socio-economic recovery. Social pacts can be an effective strategy to articulate labor market policies that have positive synergies between economic and social development; they are especially well-suited to arrive at optimal solutions in macroeconomic policy, in strengthening productivity, job and income security, and in supporting employment-generating enterprises. However, to foster social dialogue, governments must first repair and regulate their financial systems in the interests of the public. To this end, it is absolutely critical that policymakers reduce the fear and uncertainty that is hindering private investments so that the private sector can re-start the main engine of global job creation (ILO 2012). While the level of labor protection, benefits and flexibility will vary from country to country, the key is to identify a balance to ensure sustained economic activity and positive social outcomes, where employers benefit from productivity gains and workers benefit from job and income security.

Box 8. Examples of Labor Flexibilization Reforms Worldwide, 2010-12

- *Armenia:* Fixed-term (temporal) contracts can now be renewed an unlimited number of times and without restrictions on their maximum duration.
- *Central African Republic:* The requirement to obtain an authorization from the labor inspection has been removed in cases of collective dismissals.
- *Gabon:* Restrictions on renewing fixed-term contracts of short duration have been removed.
- *Greece:* Law 3863 reduced the length of notice period for individual dismissals from five to three months, reduced severance payments for white-collar workers; Law 3899 allows for companies of any size that experience adverse financial and economic conditions to conclude collective agreements containing less favorable conditions than those agreed in the relevant sectoral agreements.
- *Hungary:* In 2011, a reform of the labor code compromised the role of social dialogue at the national level and limited the possible motivations for strikes and protests.
- *Italy:* Law 138 allows for company-level agreements to deviate from sectoral agreements.
- *Latvia:* Notice periods in cases of collective dismissals have been reduced from 60 to 45 days.
- *Malawi:* Severance payments in cases of collective dismissals have been reduced from 30 to 25 weeks' pay for employees with ten years of service, and from 80 to 65 weeks' pay for employees with 20 years of service.
- *Mauritius:* The requirement to obtain an authorization from the labor inspection has been removed in cases of collective dismissals.

- *Romania:* The Law on Social Dialogue 62 abolished collective bargaining at the national level in 2011.
- *Rwanda:* The obligation to consult workers' representatives in cases of individual and collective dismissals for economic reasons has been eliminated.
- *Spain:* Individual dismissal notice has been reduced from 30 to 15 days; the employee is now only entitled to 33 days salary per year of service (compared to 45 previously); consultations between employer and workers' representatives in cases of collective dismissals have been reduced.
- *Zimbabwe:* Severance payments in cases of individual dismissals were reduced by two months of pay.

Source: ILO (2012)

6. Conclusion: The Age of Austerity

Examination of the latest expenditure forecasts from the IMF for 181 countries reveals three distinct phases of government spending patterns since the onset of the global economic crisis:

- **Crisis phase I, Fiscal expansion (2008-09):** Nearly all countries introduced fiscal stimulus and expanded public spending as a countercyclical measure to cushion the impacts of the global crisis. Overall, 80% of countries (or 144 in total) ramped up expenditures, with the average expansion amounting to 3.9% of GDP.

- **Crisis phase II, Onset of fiscal contraction (2010-12):** Despite the fragile state of economic recovery and the reported rising levels of poverty, unemployment and hunger, governments started to withdraw fiscal stimulus programs and scale back public spending beginning in 2010. When comparing expenditure levels in this second phase of the crisis (2010-12) to the expansionary phase (2008-09), 40% of countries (or 73 in total) reduced total spending by 2.3% of GDP, on average. The magnitude of this premature contraction was strikingly larger among developing countries: 56 developing countries slashed their budgets by an average of 2.7% of GDP compared to 17 high-income countries at 1.0% of GDP.

- **Crisis phase III, Intensification of fiscal contraction (2013-15):** According to IMF forecasts, the scope and depth of austerity is gaining significant momentum in this latest phase of the crisis, with more than half of governments worldwide (or 94 in total) expected to cut their budgets by 3.3% of GDP, on average. As in the prior phase, fiscal consolidation is most severe in the developing world: 68 developing countries are projected to reduce their spending by 3.7% of GDP, on average, compared to 2.2% of GDP in 26 high-income countries. Further, an alarming number of countries appear to be undergoing excessive fiscal contraction, defined as cutting expenditures below pre-crisis levels. Overall, 44 governments (33 developing and 11 high-income, or a quarter of all countries in the sample) are projected to have fiscal envelopes in 2013-15 that are smaller than those during 2005-07 in GDP terms.

To understand how governments are achieving fiscal adjustment, this paper reviewed 314 IMF country reports in 174 countries published between January 2010 and February 2013. Policy discussions reveal that seven main adjustment policies are being considered: (i) phasing-out or eliminating subsidies, (ii) wage bill cuts/caps, (iii) increasing consumption taxes, (iv) pension reforms and (v) rationalizing and/or further targeting of safety nets, all of which appear to be affecting more than 80 countries across the globe. Although not as widespread, two other austerity policies are being considered in more than 30 countries, which include (vi) healthcare system reforms and (vii) labor reforms. Contrary to public

perception, these consolidation strategies are not limited to Europe, and, in fact, many are more prevalent in developing countries. All of the different adjustment approaches pose potentially serious consequences for vulnerable populations, as summarized below.

- **Wage bill cuts/caps:** As recurrent expenditures like salaries, tend to be the largest component of national budgets, an estimated 98 governments in 74 developing and 23 high-income countries are considering to reduce the wage bill, often as a part of civil service reforms. This policy stance may translate into salaries being reduced or eroded in real value, payments in arrears, hiring freezes and/or employment retrenchment, all of which can adversely impact the delivery of public services to the population.

- **Eliminating or reducing subsidies:** Overall, 100 governments in 78 developing and 22 high-income countries appear to be reducing or removing subsidies, predominately on fuel, but also on electricity, food and agriculture. While scaling back fuel and energy subsidies is being adopted across all regions, it appears especially dominant in the Middle East and North Africa, South Asia and Sub-Saharan Africa. The removal of public support for food and agriculture is also most frequently observed in the Middle and North Africa and Sub-Saharan Africa. However, this adjustment measure is being implemented at a time when food and energy prices hover near record highs; if basic subsidies are withdrawn, food and transport costs increase and can become unaffordable for many households. Higher energy prices also tend to contract economic activities.

- **Increasing consumption taxes on goods and services:** Some 94 governments in 63 developing and 31 high-income countries are considering options to boost revenue by raising VAT or sales tax rates or removing exemptions. However, increasing the cost of basic goods and services can erode the already limited incomes of marginalized groups and stifle economic activity. Since this policy does not differentiate between consumers, it can be regressive, shifting the tax burden to families in the bottom income quintiles of society and exacerbating inequalities. Alternatively, progressive tax approaches should be considered, such as taxes on income, inheritance, property and corporations, including the financial sector.

- **Reforming old-age pensions and health systems:** Approximately 86 governments in 47 developing and 39 high-income countries are discussing different changes to their pension systems, such as through raising contribution rates, increasing eligibility periods, prolonging the retirement age and/or lowering benefits. Another 37 countries are also discussing reforming their healthcare systems, generally through increasing fees and co-payments paid by patients along with cost-saving measures in public health centers. The main risk of these budget contracting options is that vulnerable groups are excluded from receiving benefits or critical assistance is diminished at a time when their needs are greatest.

- **Rationalizing and further targeting social safety nets:** Overall, 80 governments in 55 developing and 25 high-income countries and are considering rationalizing their spending on safety nets and welfare benefits, often by revising eligibility criteria and targeting to the poorest, which is a *de facto* reduction of social protection coverage. This policy approach runs a high risk of excluding large segments of vulnerable populations at a time of economic crisis and hardship. Rather than rationalizing and scaling down safety nets to achieve cost savings over the short term, there is a strong case for scaling up in times of crisis and building social protection floors.

- **Labor flexibilization reforms:** The review of IMF country reports indicates that 32 governments are discussing this adjustment measure, although the ILO (2012) suggests that this number is at least 40. Labor reforms generally include revisions on minimum wages, limiting salary adjustments to cost of living benchmarks, decentralizing collective bargaining, and easing firing and compensation arrangements at the enterprise level. Labor market reforms are supposedly aimed at increasing competitiveness and supporting business in the context of recession, compensating for the underperformance of the financial sector. However, available evidence suggests that labor market flexibilization will not generate decent jobs; on the contrary, in a context of economic contraction, it is likely to generate labor market "precarization," depress domestic incomes and ultimately hinder recovery efforts.

While identifying specific budget-cutting policies is informative, it is even more telling to look at the range of different measures being considered at the national level, which is indicative of the potential damage that austerity may be inflicting on millions of persons around the world, especially among the 25% of countries that are undergoing excessive contraction. Overall, at least two policy options are being discussed in 139 countries, three or more in 101 countries, four or more in 55 countries, five or more in 34 countries and six or more in 20 countries. Perhaps most alarming, all seven adjustment measures are being considered in nine countries, including Belgium, Greece, Ireland, Italy, the Netherlands, Portugal, Romania, Slovak Republic and Spain.

The significant differences in the pace and scope of adjustment and fiscal policies among countries since 2010 demonstrates the lack of global policy coordination. Governments are acting in isolation, focusing narrowly on fiscal balances and debt, in the expectation that other nations will take the lead in boosting global growth, risking both national and global recovery.

In contrast, in the first phase of the crisis (2008-09), the world was able to coordinate policies to respond to the crisis and acted on perceived priorities. As discussed in the paper, the G20 alone provided US$11.7 trillion to bail out the financial sector, and nearly 50 countries committed US$2.4 trillion in fiscal stimulus. But the deployment of vast public resources to rescue private institutions considered "too big to fail" forced taxpayers to absorb the losses, caused sovereign debt to increase, and, ultimately, hindered global economic growth. Since 2010, the cost of adjustment has been passed on to populations, many who have been coping with fewer jobs, lower income and reduced access to public goods and services for more than five years. In short, vulnerable households are most impacted by austerity measures, and are bearing the costs of a "recovery" that has largely excluded them.

Prioritizing fiscal austerity will not help to promote robust employment-generating growth, improve living standards or social cohesion. The world was shaken in 2011 by outbreaks of civil unrest in response to the combined and lingering effects of high unemployment, worsening living conditions, eroding confidence in governments and perceptions that the burden of the crisis is being unequally shared. This was clearly visible in the Arab Spring, the Occupy Wall Street movement in the United States, and the "*indignados*" (outraged) in Spain and other European countries, as well as in the violent food riots that erupted across Bangladesh, Burkina Faso, India, Iraq, Mozambique, Nigeria, Senegal, Uganda and Yemen, to name but a few. The ILO's index of social unrest further documents the rising levels of worldwide discontent, as the *World of Work Report 2012* warned that social unrest was being aggravated in 57 of the 106 countries surveyed.

The United Nations has repeatedly warned that austerity is likely to bring the global economy into further recession and increase inequality. In doing so, it has called on governments for forceful and

concerted policy action at the global level to make fiscal policy more countercyclical, more equitable and supportive of job creation; to tackle financial market instability and accelerate regulatory reforms; and to support development goals.

It is time that the world takes leadership to coordinate global socio-economic recovery - a recovery for all persons. This requires shedding the myopic scope of macroeconomic and fiscal policy decisions and, instead, basing them on their potential to achieve full employment, human development and sustainable growth.

The crisis has already triggered a policy shift in some regions. Policymakers in Asia are increasingly moving away from unsustainable export-led growth models toward more inclusive employment-intensive recovery strategies that are centered on building internal markets and improving social protection systems. Latin America, another region much affected by financial crises in the 1990s, has pursued regional integration to expand internal markets and invested significantly in social protection systems to improve living standards; indeed, much of the region's relative resilience to the contagion effects of the current crisis is due to these recent policy stances. Moreover, in 2012, some countries concerned with low growth and demand for their exports announced a new round of fiscal stimulus.[10] While the amounts are small for sustained recovery—compare the US$0.38 trillion in 2012 to the US$2.4 trillion of fiscal stimuli in 2008—they are a sign of policy change.

It does not need to be an age of austerity. On the contrary, there is still time for a Global New Deal, one by which public investments are used to boost employment, catalyze sustainable development, improve living standards, reduce inequalities and promote political stability.

To end, here are a few inspiring examples of countries that are trying:

- Thailand's government gives the following argument in its IMF Article IV Consultation (2012:25-27): "Alleviating income inequality is at the heart of the government's policy. The authorities emphasized their objective of income redistribution through measures such as increases in the minimum wage and support for the rice price aiming at boosting income among poorer segments of the population…/…The government argued that increases in the minimum wage and a higher rice price can start a virtuous growth cycle and boost domestic demand and growth as well as reduce social inequalities."

- Iceland repudiated private debt to foreign banks and did not bail-out its financial sector, pushing losses on to bondholders instead of taxpayers. The government also imposed temporary capital controls to shield itself from capital outflows and focused on supporting households and businesses in a difficult fiscal context. From Iceland's IMF Article IV Consultation (2012:5-6): "A key post crisis objective of the Icelandic authorities was to preserve the social welfare system in the face of the fiscal consolidation needed. Wage increases, agreed among the social partners in May 2011, led to a rise in nominal wages of 6% and the unemployment rate fell to about 7% in 2012…/…In designing fiscal adjustment, the authorities introduced a more progressive income tax and created fiscal space to preserve social benefits. Consequently, when expenditure compression began in 2010, social

[10] According to news sources, China announced US$158 billion, Japan US$125.4 billion (two different packages, October 2012 and January 2013), Brazil US$69 billion, Singapore US$13.2 billon, South Korea US$7.4 billion, Sweden US$3.5 billion, Indonesia US$2.5 billion, Malaysia US$2.2 billion, Vietnam US$1.4 billion and Peru US$0.75 billion; most of the stimulus packages are to be invested in infrastructure and tax incentives, some also include support to welfare.

protection spending continued to rise as a percent of GDP, and the number of households receiving income support from the public sector increased. These policies, led to a sharp reduction in inequality. Iceland's gini coefficient—which had risen during the boom years—fell in 2010 to levels consistent with its Nordic peers."

- Ecuador, a country challenged like Europe by not having a national currency (it uses the US$) and therefore has limited capacity for policy maneuver, creatively managed to restore growth and improve living conditions. The government kept interest rates low and expanded liquidity by requiring banks to keep at least 45% of their reserves in Ecuador. On the other hand, it took a partial default on its illegitimate external debt (private debt that had been made public); the freed public resources were invested in human development, which included doubling education spending between 2006-09, nearly doubling housing assistance programs to low-income families and expanding its main social protection program, the cash transfer *Bono de Desarrollo Humano*. The results are impressive: poverty fell from a recession peak of 36.0% to 28.6%, unemployment dropped from 9.1% to 4.9% and school enrollment rates rose significantly (Ray and Kozameh 2012).

- China is "transforming the economic growth model to be more reliant on consumer demand. Such a transformation would substantially boost living standards and make growth more balanced, inclusive, and sustainable. Recent progress includes increased social safety net payments… higher natural resource taxation…/…there is space to accelerate the social housing program…/…The government is aiming for comprehensive coverage of the pension system by 2020… and intends to provide safe, affordable and effective health care to all citizens by 2020" (IMF Article IV Consultation 2012:7-30).

Annex 1. Projected Changes in Total Government Expenditures in 181, 2005-15

A. Change, as a % of GDP

Country	Annual Change											Period Change			
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2008-9 vs 2005-7	2010-12 vs 2008-9	2013-15 vs 2008-9	2013-15 vs 2005-7
Australia	-0.2	0.5	-0.4	0.3	3.1	-0.9	-0.2	0.0	-1.1	-0.5	-0.3	1.7	0.5	-1.1	0.5
Austria	-3.8	-0.8	-0.5	0.7	3.3	-0.1	-2.0	0.9	-0.7	-0.6	-0.6	1.8	0.6	-0.7	1.0
Belgium	2.7	-3.4	-0.2	1.6	3.9	-1.2	0.8	-0.5	-0.1	-0.3	-1.0	2.2	1.1	0.4	2.6
Canada	-0.5	0.1	0.0	0.6	4.4	-0.2	-1.3	-0.6	-0.4	-0.4	-0.4	2.8	0.9	-0.7	2.1
Chile	-0.6	-1.5	0.7	2.3	2.9	-1.0	-0.3	0.6	-0.3	-0.9	-0.6	3.7	0.4	-0.3	3.4
Czech Republic	-0.3	-1.0	-0.9	0.1	3.8	-0.8	-0.7	0.1	0.5	-0.1	-0.2	1.0	0.6	0.8	1.9
Denmark	-1.8	-1.3	-0.8	0.7	6.2	-1.4	0.3	1.6	-1.9	-2.4	0.0	2.8	2.4	0.1	2.9
Estonia	0.6	-0.6	0.3	6.2	6.6	-2.9	-1.6	2.1	-2.3	-1.0	-0.8	9.5	0.0	-2.3	7.1
Finland	0.1	-1.2	-1.8	1.9	6.9	-0.3	-1.2	-0.3	0.3	-0.2	-0.2	3.7	2.2	1.7	5.5
France	0.3	-0.6	-0.4	0.7	3.5	-0.2	-0.5	0.2	0.0	-0.6	-0.8	2.0	1.2	0.4	2.4
Germany	-0.2	-1.7	-2.1	0.5	4.1	-0.4	-2.4	-0.4	-0.1	-0.1	-0.3	0.6	-0.1	-1.4	-0.8
Greece	-0.9	0.6	2.4	3.0	3.2	-3.6	-0.2	1.0	-1.4	-1.7	-2.1	6.4	-1.8	-4.5	1.9
Hungary	1.0	2.1	-1.5	-1.4	2.2	-1.9	-0.8	0.0	0.1	0.4	0.0	-0.7	-1.4	-1.3	-2.0
Iceland	-3.6	-0.6	0.6	2.4	5.0	-1.7	-1.6	-1.8	-0.8	-1.1	-1.0	5.1	-0.9	-4.5	0.6
Ireland	0.3	0.6	2.9	6.1	4.9	17.5	-18.1	-4.0	-0.8	-2.3	-2.1	10.7	6.5	-5.2	5.6
Israel	-1.5	-1.6	-1.5	-0.6	-0.3	-0.4	-0.4	0.0	0.2	-0.3	-0.2	-2.3	-0.8	-1.0	-3.3
Italy	0.4	0.5	-0.8	1.0	3.3	-1.4	-0.6	1.1	-0.4	-0.2	-0.2	2.2	0.2	0.2	2.4
Japan	0.3	0.4	-1.2	2.4	4.3	-1.0	1.4	0.8	-0.6	-0.6	0.0	3.9	2.3	2.3	6.2
Korea	-0.2	0.7	0.4	0.5	0.6	-2.0	0.6	-0.1	-0.7	0.0	0.0	1.3	-1.3	-2.0	-0.7
Luxembourg	-1.0	-2.9	-2.3	0.9	5.9	-0.6	-0.4	1.8	0.4	0.5	0.4	1.3	2.7	4.6	5.9
Mexico	1.3	0.7	0.0	2.1	1.1	-0.2	-0.5	0.1	-0.3	-0.1	0.2	2.9	0.1	-0.5	2.4
Netherlands	-1.3	0.9	-0.6	0.9	4.6	0.0	-0.6	0.1	-0.1	-0.1	-0.4	3.1	1.9	1.5	4.5
New Zealand	0.9	1.3	-0.1	1.7	2.0	0.0	0.2	-0.6	-1.5	-1.2	-0.6	3.0	0.9	-1.9	1.2
Norway	-3.2	-1.7	0.3	-0.6	6.8	-1.2	-1.0	0.1	0.4	0.5	0.5	2.5	1.6	2.2	4.7
Poland	0.8	0.4	-1.7	1.0	1.4	0.8	-1.8	-0.4	-1.2	-1.0	-0.7	0.7	0.2	-2.7	-2.0
Portugal	1.1	-2.2	0.0	0.4	5.0	1.5	-2.3	-2.2	0.7	-1.8	-0.6	2.2	1.7	-1.3	0.9
Slovak Republic	0.3	-1.5	-2.3	0.8	6.7	-1.7	-2.7	-0.5	0.0	-0.2	-0.1	2.1	-0.3	-1.6	0.6
Slovenia	0.2	-0.2	-2.3	1.2	4.6	0.8	0.1	-0.9	-0.1	-1.7	-0.4	1.9	2.9	1.1	3.0
Spain	-0.4	-0.1	0.9	2.1	4.8	-0.5	-1.2	-1.7	-0.6	-1.2	-0.8	5.0	0.5	-2.6	2.4
Sweden	-0.3	-1.2	-1.8	0.8	3.0	-2.3	-0.9	0.2	0.1	-0.4	-1.4	0.7	-1.4	-2.2	-1.5
Switzerland	-0.4	-1.9	-1.1	-2.1	1.9	-0.6	0.8	0.0	0.0	-0.2	0.0	-2.4	0.9	1.1	-1.4
Turkey	-2.5	0.2	0.5	0.7	4.0	-2.2	-1.1	0.5	-0.4	-0.4	-0.2	3.1	-0.7	-1.4	1.7
United Kingdom	0.5	0.1	-0.3	2.8	4.1	-0.6	-1.0	0.1	-1.0	-1.3	-1.6	4.6	0.8	-1.9	2.7
United States	0.3	-0.3	0.8	2.5	5.0	-1.3	-1.4	-0.8	-0.2	-0.7	-0.2	5.5	0.0	-1.8	3.7
Afghanistan	1.5	4.3	0.5	-0.4	0.3	-0.7	1.6	1.1	-0.1	1.0	16.6	1.5	0.9	8.3	9.7
Albania	-1.1	1.0	-0.1	2.6	1.6	-3.4	-1.5	-0.2	0.4	0.3	0.2	3.6	-3.6	-3.5	0.1
Algeria	-3.6	1.7	4.7	4.3	3.9	-4.3	2.5	1.6	-5.0	-1.4	-1.0	10.0	-0.2	-4.6	5.4
Angola	-1.0	3.6	2.8	14.2	-13.5	-4.0	0.7	0.0	0.6	0.2	0.2	10.6	-10.3	-9.3	1.3
Antigua & Barbuda	2.2	-3.9	-4.3	0.3	9.8	-14.1	1.1	9.4	-10.3	-0.9	-0.2	1.1	-5.4	-9.7	-8.6
Argentina	-0.9	-0.2	2.8	0.6	3.7	0.6	1.9	2.2	-1.7	-0.6	0.5	4.3	4.4	4.6	8.9
Armenia	...	0.1	2.4	-0.2	6.3	-2.7	-1.2	-0.2	0.0	-0.1	0.1	4.6	-0.4	-1.0	3.7
Azerbaijan	-3.2	4.2	-0.9	5.2	2.7	-2.1	2.6	-1.7	-0.5	-2.0	-1.0	7.3	0.4	-2.1	5.2
Bahamas	0.6	0.5	1.8	0.3	2.1	0.2	1.6	1.8	0.1	-0.9	-1.1	2.7	2.8	3.6	6.4
Bahrain	-0.9	-1.4	-0.7	0.0	3.0	3.7	-3.5	4.0	0.5	-0.1	-0.4	0.6	4.2	6.0	6.5
Bangladesh	0.5	-0.1	-0.7	2.5	-1.4	0.1	1.4	0.9	0.6	-0.1	0.4	1.3	0.6	2.4	3.7
Barbados	4.4	-1.5	6.2	0.2	-3.7	2.9	-1.9	-0.6	-0.6	-0.8	-0.6	2.0	-0.4	-2.8	-0.8
Belarus	0.9	0.2	-0.2	0.0	-1.2	-2.7	-4.7	1.9	-0.2	-0.1	0.0	-0.6	-5.7	-6.3	-6.9
Belize	-3.2	2.1	-0.9	-0.6	0.0	0.8	0.6	0.9	-1.2	-0.3	-0.1	-0.5	1.5	0.8	0.3
Benin	0.9	-1.9	4.0	-2.0	3.7	-4.6	1.1	0.9	0.0	-0.3	-0.2	1.8	-1.7	-1.0	0.8
Bhutan	5.5	-2.1	-0.8	-0.4	-1.4	11.4	-6.1	2.6	-9.4	-6.2	1.3	-2.3	7.5	-5.9	-8.2
Bolivia	0.8	-3.3	2.0	2.8	0.7	-3.8	3.9	0.4	-0.3	-0.4	0.1	3.3	-0.7	0.3	3.6

Country	Annual Change											Period Change			
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2008-9 vs 2005-7	2010-12 vs 2008-9	2013-15 vs 2008-9	2013-15 vs 2005-7
Bosnia & Herz.	-0.1	0.2	0.8	2.9	1.3	-0.3	-1.1	0.3	-0.1	-1.0	-0.6	4.2	-0.3	-1.5	2.7
Botswana	-4.2	-2.7	2.1	8.2	6.1	-9.1	-4.4	-2.5	-1.4	-0.4	-0.5	11.7	-9.8	-14.8	-3.1
Brazil	1.7	0.3	-1.1	-0.7	0.6	1.3	-0.5	-0.3	-0.4	0.5	0.0	-1.1	1.1	0.7	-0.4
Brunei Darussalam	-4.5	-1.4	1.7	-2.4	8.5	1.4	-8.1	2.4	1.3	-0.6	0.1	2.6	1.1	0.9	3.5
Bulgaria	-0.6	-1.5	1.3	0.2	1.0	0.5	-2.2	1.1	0.3	-0.3	-0.1	1.1	-0.1	-0.1	1.0
Burkina Faso	-0.1	1.9	2.2	-5.7	3.8	0.0	-0.6	3.5	-1.7	0.3	0.1	-1.7	2.6	3.3	1.6
Burundi	-2.7	1.4	11.4	2.2	-2.4	2.2	-0.9	-6.5	1.3	-0.1	-2.3	9.1	-1.8	-5.9	3.2
Cambodia	-1.5	0.6	1.5	1.2	4.4	-0.1	1.3	-0.6	-1.4	-0.4	-0.4	4.6	2.7	1.0	5.6
Cameroon	-1.4	-0.1	1.2	2.8	-0.1	0.2	3.1	0.2	0.4	0.2	-0.1	3.5	2.3	4.0	7.5
Cape Verde	1.8	-0.4	-3.7	1.1	0.4	3.6	-4.2	-1.2	-1.5	0.0	-1.1	-1.3	0.6	-3.4	-4.7
Central Afr. Rep.	3.1	-3.0	-0.7	2.9	0.0	2.4	-2.9	0.5	0.4	0.1	0.5	1.5	0.7	0.7	2.2
Chad	-1.4	3.4	4.7	2.3	6.1	1.0	-1.3	-2.0	-1.4	-0.3	-0.4	9.6	2.5	-1.1	8.5
China	0.5	0.3	0.0	1.5	2.9	-0.4	1.1	0.6	-0.2	-0.2	-0.3	3.0	1.9	2.2	5.2
Colombia	-0.3	2.3	0.1	-1.9	2.9	0.0	-0.5	0.0	0.6	-0.4	-0.4	0.4	1.1	1.2	1.6
Comoros	-0.2	1.4	1.1	3.7	-3.0	-0.9	0.0	2.5	0.3	0.2	-0.2	3.4	-1.5	0.5	3.9
Congo, Dem. Rep.	6.0	0.5	-2.3	4.1	2.0	1.2	1.0	4.4	-1.6	-0.2	0.0	3.8	4.3	5.8	9.5
Congo, Rep. of	-2.6	3.6	2.1	-6.2	1.0	-3.2	4.6	13.1	-0.3	1.0	-0.5	-3.1	4.7	15.1	12.0
Costa Rica	-0.4	-1.0	-0.5	1.0	1.5	1.5	-1.0	1.0	0.4	0.5	0.5	1.1	1.9	3.1	4.2
Côte d'Ivoire	-0.2	1.0	-0.3	0.6	-0.1	0.9	3.9	-2.9	-0.3	0.4	0.3	0.7	2.6	2.0	2.7
Croatia	-1.0	-0.2	0.8	-1.4	2.6	-0.2	-0.9	-0.6	0.2	0.2	-0.1	0.3	0.3	-0.2	0.1
Cyprus	1.1	-0.5	-1.8	0.6	4.1	0.7	0.3	-0.1	-0.4	0.6	0.3	1.3	2.9	3.1	4.4
Djibouti	-0.7	0.6	0.4	2.9	1.0	-5.6	-0.8	-0.1	-0.3	0.2	0.1	3.8	-5.7	-6.1	-2.4
Dominica	0.8	-1.3	4.3	0.6	1.7	4.3	-5.2	-2.0	-0.7	-0.6	0.0	3.8	1.0	-3.1	0.7
Dominican Rep.	-0.7	1.0	0.0	1.5	-1.7	-1.1	-0.1	2.9	-2.0	0.5	0.1	0.9	-1.0	-0.8	0.2
Ecuador	0.8	-0.1	3.8	6.5	0.5	1.2	6.3	1.5	-0.7	-0.8	-0.8	9.3	6.1	7.8	17.1
Egypt	-0.6	4.5	-2.5	0.5	-1.3	-1.5	-1.0	1.6	-0.4	-0.3	-1.1	-0.3	-2.3	-2.5	-2.8
El Salvador	0.3	0.7	-1.3	1.2	2.2	0.4	0.3	0.4	-0.9	-0.2	0.2	1.6	1.8	1.2	2.9
Equatorial Guinea	-3.5	4.9	1.5	0.9	28.0	-14.0	-5.4	1.3	-0.5	-0.6	-0.1	17.5	-3.2	-5.0	12.5
Eritrea	2.6	-16.3	-1.2	2.2	-11.5	4.0	-1.0	-3.0	-1.0	-0.7	-0.2	-9.8	-3.4	-7.3	-17.1
Ethiopia	-0.3	-0.8	-1.6	-1.8	-1.7	1.4	-0.3	-0.6	-0.2	-0.5	-0.2	-3.9	0.2	-0.9	-4.8
Fiji	-0.1	1.7	-2.0	-2.0	4.2	-2.4	0.4	0.4	-1.1	-0.2	-0.2	-0.7	0.1	-0.8	-1.5
Gabon	0.1	-0.2	-1.6	-0.6	4.9	0.0	1.0	-2.6	1.8	0.0	-0.1	0.6	2.3	2.6	3.3
Gambia	-0.2	1.0	-4.7	0.7	4.4	1.3	-0.3	2.5	-1.6	-0.1	0.0	0.1	4.1	4.0	4.1
Georgia	2.8	1.1	5.1	4.2	3.1	-2.8	-3.8	0.4	0.2	-0.3	-0.6	9.6	-3.6	-4.8	4.8
Ghana	-1.0	2.2	1.3	1.4	-2.2	1.7	-0.4	2.7	-2.7	0.2	0.5	2.0	1.2	0.4	2.4
Grenada	0.9	4.9	-3.9	0.2	-0.3	-0.5	-0.2	-1.8	1.2	1.8	-1.6	-0.9	-1.4	-0.8	-1.7
Guatemala	0.3	1.0	-0.4	-0.6	0.6	0.3	0.1	-0.5	0.6	0.1	0.0	-0.3	0.5	0.8	0.5
Guinea	-1.1	2.1	-4.2	2.7	6.2	6.0	-8.2	6.6	-2.0	0.0	-1.3	3.7	5.9	5.2	8.8
Guinea-Bissau	-3.2	-0.9	0.0	3.2	-2.5	-1.3	-0.2	-4.8	6.9	-0.4	-0.1	1.7	-4.3	-1.0	0.7
Guyana	5.7	0.7	-5.2	-1.3	1.6	-1.9	-0.3	1.7	-0.4	0.4	-0.7	-3.7	-0.8	-0.1	-3.8
Haiti	4.6	-0.7	0.4	2.4	4.6	3.5	7.5	-2.0	0.2	0.5	-1.9	4.7	10.1	11.2	15.9
Honduras	-0.9	0.4	0.0	2.2	1.6	-2.0	-1.4	0.6	0.3	-0.4	-0.9	3.1	-1.9	-2.3	0.8
Hong Kong	-1.6	-1.7	-0.4	3.4	-1.3	0.4	2.3	0.6	-2.2	-0.3	2.0	1.9	1.5	0.9	2.8
India	-1.2	0.1	0.0	2.1	0.4	-1.1	-0.6	0.5	-0.3	-0.1	-0.1	2.4	-1.1	-1.4	0.9
Indonesia	-1.2	1.4	0.2	1.0	-3.0	0.0	0.3	1.2	0.3	-0.3	-0.2	0.0	-0.9	0.0	0.1
Iran	4.3	0.8	-3.8	3.1	-2.1	-1.5	3.8	-3.6	-0.3	-0.5	-0.1	-0.2	-1.2	-2.9	-3.2
Iraq	-42.3	-21.7	-2.2	15.4	10.9	-13.3	-11.1	5.5	-4.2	-4.2	0.0	12.2	-13.5	-20.5	-8.3
Jamaica	-2.1	1.6	0.5	3.3	3.9	-5.4	-1.4	-0.8	-0.3	0.6	0.4	6.1	-4.7	-5.4	0.7
Jordan	1.1	-2.5	0.6	-2.6	0.6	-4.5	2.8	-1.5	-0.4	-0.2	-0.1	-2.7	-2.9	-3.5	-6.3
Kazakhstan	0.2	-2.4	4.3	2.6	-3.3	-1.0	-0.5	0.8	-0.1	-0.4	-0.4	3.0	-2.7	-2.9	0.2
Kenya	1.5	0.4	1.4	1.0	0.7	1.8	-0.5	1.5	-0.5	0.0	-1.5	2.5	2.3	2.0	4.5
Kiribati	9.7	-2.5	-5.5	-1.2	0.7	-1.7	9.3	4.6	-1.7	-0.2	-9.0	-5.3	6.3	7.6	2.3
Kosovo	-1.7	-3.7	-1.0	5.4	5.2	0.3	-0.2	0.9	-0.3	-1.5	0.1	6.1	3.1	2.2	8.3
Kuwait	-6.1	3.8	-1.8	10.3	1.8	1.0	-4.7	0.9	3.6	3.0	0.8	11.3	-1.0	3.9	15.1
Kyrgyz Republic	0.3	0.6	1.8	-2.0	4.5	3.0	1.7	3.3	-3.0	-2.7	-0.9	1.6	7.5	5.2	6.8
Lao PDR	1.5	0.0	0.4	1.5	4.3	-1.4	-1.2	0.7	0.1	-0.1	-0.1	3.9	0.2	0.2	4.1

Country	Annual Change											Period Change			
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2008-9 vs 2005-7	2010-12 vs 2008-9	2013-15 vs 2008-9	2013-15 vs 2005-7
Latvia	1.6	-0.1	-1.0	7.4	0.9	-0.6	-4.4	0.3	-2.5	-1.4	-1.5	7.2	-3.0	-8.3	-1.1
Lebanon	-1.4	4.6	-0.6	-1.6	-0.4	-2.2	-1.0	2.2	0.4	-0.3	-0.1	-0.7	-2.3	-1.0	-1.8
Lesotho	3.3	2.9	0.3	6.2	9.7	-9.2	4.8	0.9	-7.0	-5.9	-3.9	12.3	-0.8	-10.9	1.4
Liberia	-0.5	-1.0	5.0	13.2	4.0	0.2	-0.9	-0.1	2.6	-0.1	-2.8	18.2	1.6	2.9	21.1
Libya	-12.7	2.1	3.6	6.4	12.8	-6.5	15.1	-13.0	5.3	2.9	0.2	15.9	5.6	9.3	25.2
Lithuania	0.3	0.2	1.1	2.5	6.7	-1.9	-3.6	-1.2	-0.9	0.1	-1.1	6.6	-1.4	-4.6	2.1
Macedonia	-1.2	-1.5	-0.9	1.8	-0.2	-1.2	-0.9	0.1	0.0	-0.2	-0.1	0.6	-1.8	-2.2	-1.6
Madagascar	-3.9	0.1	-2.8	0.0	-3.3	-2.6	3.3	-1.2	0.9	0.8	-0.7	-3.5	-2.5	-1.0	-4.5
Malawi	0.7	-0.4	3.4	0.7	-1.4	0.4	-0.7	2.6	-3.1	-0.8	0.2	2.1	0.1	-2.0	0.1
Malaysia	-2.7	0.5	0.8	0.8	3.2	-3.4	1.3	-0.5	0.2	-0.3	-0.3	3.1	-1.2	-1.2	1.9
Maldives	18.0	-3.1	-0.2	0.5	2.0	-3.3	2.6	7.1	1.4	-2.5	0.3	0.4	1.8	7.3	7.7
Mali	0.8	0.2	-0.8	-4.9	4.5	-2.9	2.4	-8.1	-0.6	7.3	0.0	-3.0	-1.8	-2.1	-5.2
Malta	-0.6	-0.3	-1.6	1.2	-0.6	-0.3	-0.3	1.2	-0.8	-0.6	-0.5	-0.3	-0.4	-1.1	-1.3
Mauritius	0.6	-0.9	-0.6	1.0	2.5	-1.3	-0.5	-0.1	-0.9	-0.1	-0.1	1.6	-0.3	-1.5	0.0
Moldova	2.4	2.8	2.1	-0.4	3.7	-4.5	-1.7	0.3	-0.4	-0.6	-0.3	3.8	-3.6	-4.9	-1.1
Mongolia	-6.7	1.1	9.1	2.3	-2.4	0.1	7.9	3.4	-11.5	-1.6	-0.7	7.5	5.3	-2.7	4.9
Montenegro	-1.6	2.3	0.5	10.6	-3.6	-1.9	-1.9	-1.5	-1.6	-1.1	0.3	9.9	-5.5	-9.3	0.6
Morocco	4.7	-3.1	0.7	1.8	-0.7	0.8	2.6	-0.1	-1.1	-1.2	-1.1	0.8	2.2	0.7	1.5
Mozambique	-1.9	4.1	1.2	-0.3	4.8	0.8	1.6	1.4	-1.1	0.0	-0.6	4.2	4.8	4.9	9.1
Myanmar	-0.3	1.8	-0.7	-1.4	1.9	2.2	-0.4	3.7	0.0	0.1	0.1	-0.3	4.1	6.5	6.2
Namibia	-1.6	-0.8	-0.2	2.1	3.8	0.8	6.0	0.2	-3.0	-3.3	-1.4	3.6	6.8	3.3	6.9
Nepal	0.3	-1.0	2.2	0.4	4.0	-0.6	-0.1	-2.3	2.2	0.4	0.2	3.6	0.5	1.5	5.1
Nicaragua	0.5	0.8	0.4	0.9	1.5	-1.2	0.8	1.4	-1.0	0.0	-0.1	2.2	0.6	0.8	3.0
Niger	-0.5	-0.4	3.4	-0.4	1.8	-2.8	0.1	8.7	-0.7	1.6	0.3	2.7	1.1	7.4	10.0
Nigeria	-3.9	0.0	2.0	0.4	1.5	-0.5	2.5	-2.4	-3.8	-0.4	-0.2	2.5	1.1	-3.8	-1.4
Oman	-4.0	-0.4	0.6	-6.0	8.9	-4.8	-1.8	0.8	1.0	1.7	1.8	-1.2	-1.2	1.5	0.2
Pakistan	0.8	1.2	2.4	1.5	-2.4	0.4	-1.1	0.0	1.6	-1.3	0.0	2.3	-1.5	-1.2	1.1
Panama	-0.9	0.2	-0.4	1.1	0.9	0.8	1.0	-0.2	-0.4	-0.5	0.0	1.4	1.9	1.4	2.8
Papua New Guinea	2.0	-1.8	-2.4	1.8	6.8	-8.7	1.2	0.6	-1.2	-3.0	-6.2	3.0	-4.3	-8.8	-5.8
Paraguay	0.7	0.7	-0.9	-1.1	4.0	-2.0	0.8	3.7	-0.7	-1.3	-0.7	0.5	1.8	2.8	3.3
Peru	0.5	-0.9	-0.4	1.2	2.0	-0.6	-1.2	0.3	0.6	0.3	0.3	1.6	-0.3	0.3	1.9
Philippines	-0.6	-0.4	-0.1	-0.3	1.5	-0.9	-1.2	1.1	-0.4	0.0	0.0	0.2	-0.5	-0.6	-0.4
Qatar	0.3	-0.5	-1.4	-2.0	7.0	-3.4	-1.9	3.0	0.3	0.1	-0.3	0.4	-0.2	1.5	1.9
Romania	-1.2	1.6	1.7	1.6	1.5	0.2	-3.2	-1.0	0.1	0.0	-0.2	4.0	-1.5	-3.1	0.9
Russia	1.1	-1.7	2.0	1.2	7.1	-2.3	-2.2	0.3	-0.3	-0.6	0.0	5.5	-0.2	-1.4	4.0
Rwanda	2.0	-1.6	1.3	1.7	-0.5	2.1	1.3	1.2	-1.0	-2.1	-1.8	1.8	3.1	1.3	3.1
Samoa	3.8	-3.7	3.6	-3.3	6.1	4.9	0.2	-2.7	0.6	-1.5	-1.0	0.9	7.2	4.7	5.6
São Tomé	-10.3	5.9	-7.5	-7.8	18.4	-0.2	-0.4	4.6	-8.5	-4.8	-11.0	-1.6	10.3	-2.2	-3.9
Saudi Arabia	-4.4	-0.8	3.1	-2.5	14.0	-1.0	-5.3	-1.9	3.1	-0.6	0.1	6.3	1.9	1.6	7.9
Senegal	0.9	3.0	0.9	-1.2	0.3	0.6	1.5	1.5	-2.0	-0.4	-0.4	0.5	2.2	1.3	1.8
Serbia	-1.0	3.3	0.1	-0.5	1.1	0.3	-1.0	3.1	-0.8	0.2	0.3	1.2	1.3	2.5	3.7
Seychelles	-2.7	7.3	-4.9	-11.7	4.8	1.8	1.0	2.8	-2.6	-2.1	-0.2	-10.2	5.8	3.9	-6.2
Sierra Leone	-0.3	-1.0	-4.2	3.4	1.2	2.7	1.3	-4.6	-1.6	0.2	0.4	0.9	2.6	-1.4	-0.5
Singapore	-1.1	0.6	-0.8	5.7	0.9	-4.0	2.9	0.1	0.2	0.3	0.3	5.8	-1.6	-0.1	5.7
Solomon Islands	6.3	3.3	5.7	2.1	6.8	2.9	-5.2	5.0	-1.2	0.4	0.0	10.4	4.5	5.1	15.5
South Africa	0.3	0.1	1.2	2.2	2.9	-0.8	-0.2	0.2	0.0	-0.3	-0.5	4.4	0.6	0.3	4.7
Sri Lanka	1.0	0.4	-0.8	-0.9	2.3	-2.0	-1.4	-0.9	0.0	-0.3	-0.2	-0.2	-2.1	-3.5	-3.6
St. Kitts and Nevis	1.7	-1.0	-1.7	-0.3	3.0	3.3	-3.4	-2.1	-2.9	-1.0	-0.2	-0.2	1.8	-4.4	-4.6
St. Lucia	3.2	-1.4	-3.5	0.7	2.0	2.8	2.4	2.7	-3.7	-1.0	0.1	-1.1	6.3	4.5	3.4
St. Vincent	1.9	-0.8	0.9	1.5	3.2	0.2	-3.0	-1.1	0.0	-0.4	-0.1	3.5	-0.6	-2.6	0.8
Sudan	5.7	-1.4	0.6	-1.3	-3.3	-1.1	0.4	-3.1	1.1	-0.9	-1.2	-3.0	-3.6	-5.4	-8.5
Suriname	1.1	-2.2	2.2	-0.9	5.3	-1.6	-0.8	-0.7	-0.4	-0.5	-0.3	2.5	0.3	-1.2	1.2
Swaziland	-1.7	-2.6	-0.4	8.9	1.5	-3.6	-7.9	6.0	-0.9	1.4	2.3	8.5	-6.1	-3.9	4.6
Taiwan	0.3	-1.7	-0.1	1.0	2.1	-2.3	0.4	-1.3	-0.1	-0.6	-1.0	1.4	-1.5	-3.0	-1.7
Tajikistan	2.7	-1.1	6.1	-0.8	1.5	-2.5	0.9	2.0	-2.4	0.0	0.3	3.6	-0.5	-1.2	2.5
Tanzania	2.4	1.0	-0.1	1.3	2.5	0.5	-0.4	0.5	-0.1	-1.0	-0.6	2.9	1.6	0.8	3.7

Country	Annual Change											Period Change			
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2008-9 vs 2005-7	2010-12 vs 2008-9	2013-15 vs 2008-9	2013-15 vs 2005-7
Thailand	0.4	-1.0	1.2	-0.1	2.8	-0.8	1.0	-0.2	0.1	0.2	-1.5	1.8	1.2	1.2	3.0
Timor-Leste	-0.7	-0.8	3.2	6.1	4.2	1.0	1.8	7.0	2.4	1.6	-2.8	10.1	6.6	14.4	24.5
Togo	2.7	1.9	-0.8	-2.5	3.4	1.3	1.7	5.0	-0.7	-0.1	-0.4	-0.7	5.7	8.7	8.0
Tonga	3.0	1.6	-0.2	2.3	3.8	1.8	-2.5	-0.6	-1.1	-2.5	-0.3	4.6	1.9	-2.2	2.4
Trinidad & Tobago	1.5	4.6	-2.6	1.2	8.4	-1.4	-1.4	1.3	-0.4	-0.3	-0.2	5.3	2.3	2.1	7.3
Tunisia	0.1	-0.1	0.3	1.1	0.4	0.1	3.9	2.4	-2.3	-1.4	-0.6	1.4	3.7	3.2	4.6
Turkmenistan	0.8	-4.7	-1.5	-2.6	2.5	0.7	1.2	-0.8	-0.8	-0.6	-0.5	-3.9	2.4	1.0	-2.9
Tuvalu	...	10.4	-5.2	-6.6	17.4	10.7	-10.7	-13.5	2.2	-1.4	0.6	2.1	7.8	-3.4	-1.3
Uganda	-0.5	-1.7	-0.3	-0.4	0.1	4.8	-2.3	1.4	-2.8	1.0	-0.5	-1.1	3.7	1.5	0.4
Ukraine	2.6	0.5	-0.8	3.6	1.1	0.4	-3.9	1.8	-1.5	-0.8	-0.9	3.8	-1.0	-3.4	0.4
United Arab Emir.	-2.9	-0.5	0.9	2.2	9.4	-1.5	-1.8	0.2	-0.9	-0.5	-0.4	7.4	2.0	0.2	7.6
Uruguay	-0.7	0.8	-0.5	-0.2	1.9	0.1	-0.6	1.1	1.1	0.3	0.0	0.7	1.0	2.8	3.5
Uzbekistan	-2.0	-0.5	1.4	0.1	3.4	-1.9	-0.8	3.7	0.2	-0.1	0.4	2.6	0.5	3.0	5.6
Vanuatu	-0.2	1.7	1.8	5.7	-0.2	1.1	-4.0	0.5	4.5	-0.6	-0.5	7.4	-1.5	1.3	8.7
Venezuela	1.6	5.6	-3.6	-1.7	-1.1	4.4	3.6	3.8	-4.8	-2.3	-0.8	-2.8	7.5	4.6	1.8
Vietnam	1.6	-0.1	2.2	-1.2	5.0	-1.8	-1.8	0.4	-1.0	-0.7	-0.6	2.8	-0.3	-2.3	0.5
Yemen	2.6	0.6	3.0	0.9	-6.0	-5.1	-1.2	6.7	-3.9	-1.4	-2.3	0.1	-6.7	-8.2	-8.1
Zambia	-0.6	-2.6	0.8	-0.4	-2.6	1.3	2.8	0.5	-0.7	0.7	1.0	-2.0	2.1	3.5	1.5

Source: Authors' calculations based on IMF's *World Economic Outlook* (October 2012)

B. Real Growth, as a percent

(in billions of local currency/average consumer prices)

Country	Annual Growth											Period Growth			
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2008-9 vs 2005-7	2010-12 vs 2008-9	2013-15 vs 2008-9	2013-15 vs 2005-7
Australia	4.5	5.6	5.5	5.5	8.8	2.4	2.3	1.4	-0.9	1.2	1.5	16.1	8.8	11.0	28.9
Austria	-4.9	2.2	2.4	1.5	3.8	1.9	-2.5	2.3	-0.4	0.7	0.7	5.8	2.8	3.8	9.8
Belgium	7.2	-4.0	2.9	1.9	6.1	-0.1	1.8	-1.8	-0.2	0.4	-0.5	5.6	3.5	2.7	8.4
Canada	2.7	3.7	3.2	3.9	5.6	3.8	-0.1	-0.1	1.2	1.5	1.6	10.4	6.5	9.3	20.6
Chile	7.0	6.6	9.3	7.0	15.1	7.8	4.2	7.1	3.1	0.9	2.1	24.5	21.4	34.3	67.2
Czech Republic	3.8	2.4	3.9	-0.9	5.0	-2.3	-2.7	-1.6	1.0	2.2	2.5	4.9	-2.3	-1.0	3.9
Denmark	0.1	1.2	0.5	1.3	5.1	0.3	-0.5	2.2	-2.1	-2.6	1.8	4.7	3.2	1.1	5.9
Estonia	12.9	12.6	13.5	8.2	-1.4	-5.7	2.4	6.4	-3.4	0.8	1.3	21.1	-2.8	-0.4	20.6
Finland	2.9	1.6	2.9	3.3	4.0	1.4	0.4	-0.4	2.5	1.9	1.9	7.9	3.6	8.0	16.6
France	2.6	1.8	2.7	0.9	3.8	0.8	-0.1	0.4	0.7	0.4	0.5	5.3	2.8	4.3	9.8
Germany	-1.0	-1.4	-2.0	0.4	4.6	3.1	-3.7	-0.5	0.2	0.7	0.1	0.8	2.6	1.7	2.5
Greece	-1.4	6.3	9.2	6.7	4.5	-12.6	-8.8	-5.4	-7.1	-3.5	-2.7	17.8	-17.4	-30.6	-18.3
Hungary	4.9	7.9	-5.1	-2.7	-3.3	-4.2	-0.3	-1.4	0.3	1.9	1.5	-5.2	-6.4	-5.4	-10.4
Iceland	-2.2	5.2	8.2	6.4	0.2	-6.1	-1.2	-2.0	-0.1	-0.6	0.2	14.0	-7.3	-9.3	3.4
Ireland	7.1	8.1	12.2	7.4	2.3	34.9	-27.5	-8.4	-0.2	-3.1	-2.6	20.0	8.6	-12.2	5.4
Israel	1.4	2.2	2.1	-0.5	1.7	2.5	2.6	2.5	3.7	3.2	3.3	2.4	6.1	16.4	19.3
Italy	1.4	2.8	0.3	-0.1	2.2	-2.1	-2.3	-1.8	-1.7	0.4	0.9	2.1	-3.1	-6.2	-4.2
Japan	1.1	1.4	-2.3	3.4	6.6	0.5	0.8	3.3	-0.9	-1.0	0.5	5.7	5.4	6.4	12.4
Korea	0.8	5.9	6.3	2.9	3.9	-2.4	4.3	3.1	0.3	3.7	3.8	11.3	3.3	11.3	23.8
Luxembourg	3.7	1.1	1.2	3.4	9.8	3.4	1.5	3.8	1.3	2.2	2.4	9.8	10.7	18.1	29.7
Mexico	10.0	11.4	4.7	11.8	-2.8	4.6	3.7	5.4	1.7	3.0	4.0	17.6	7.7	18.6	39.5
Netherlands	0.1	5.6	2.8	3.7	5.0	1.8	-1.3	-1.0	-0.3	0.9	0.6	10.2	3.0	2.4	12.8
New Zealand	5.4	6.1	4.9	4.9	3.6	2.7	0.1	0.5	-0.1	-1.6	0.7	12.3	4.8	4.2	17.0
Norway	2.1	4.5	5.8	5.4	5.6	1.9	4.0	7.8	4.8	3.1	3.1	14.1	10.3	26.9	44.8
Poland	6.1	7.7	4.2	6.5	5.1	4.7	-0.8	-0.1	-0.5	0.5	1.5	14.9	6.7	6.7	22.6
Portugal	3.7	-3.6	2.8	-0.1	9.8	4.1	-8.8	-9.6	1.0	-2.7	0.6	5.5	-0.6	-10.7	-5.8
Slovak Republic	7.1	2.9	2.7	7.2	10.8	-0.2	-5.8	-0.6	2.4	2.5	3.1	16.1	0.7	3.4	20.0
Slovenia	3.7	5.0	1.7	5.0	5.1	0.1	0.1	-4.7	-0.7	-2.5	0.9	10.7	1.1	-4.1	6.1
Spain	3.4	4.4	6.2	4.5	7.7	-3.0	-4.1	-6.5	-3.7	-2.1	-0.6	14.5	-4.3	-14.6	-2.2
Sweden	3.0	2.7	0.2	0.6	3.7	1.5	-0.3	1.7	2.4	1.6	-0.3	3.4	3.7	8.3	12.0
Switzerland	0.6	-0.4	2.4	-3.9	4.2	1.0	4.5	1.6	1.5	1.3	2.0	-0.4	6.7	12.7	12.2
Turkey	-0.4	7.2	3.9	4.3	5.4	0.2	7.6	2.1	3.1	2.7	3.1	12.3	8.8	19.7	34.5
United Kingdom	4.3	3.6	2.7	5.3	4.3	-0.1	-3.2	-0.4	-0.4	-0.1	-0.4	10.7	-0.3	-2.2	8.2
United States	3.8	1.8	4.3	4.9	10.6	-1.0	-2.5	-0.1	1.2	0.8	2.8	14.2	2.2	4.0	18.8
Afghanistan	20.3	34.8	11.8	-5.3	33.3	6.4	15.6	12.6	6.1	10.7	76.6	29.6	40.2	127.4	194.6
Albania	2.2	8.9	6.3	18.4	8.4	-6.7	-2.1	0.1	3.2	3.4	3.1	32.0	-4.3	1.4	33.9
Algeria	6.7	16.9	22.5	28.3	-5.6	3.5	21.8	6.3	-10.2	-2.7	-1.6	48.9	17.7	14.2	70.1
Angola	18.5	33.0	32.0	63.0	-36.9	0.1	15.7	2.5	3.9	1.5	0.9	71.3	-13.8	-3.5	65.3
Antigua & Barbuda	15.6	-0.7	-3.5	0.4	22.7	-44.0	-0.4	41.0	-29.9	-1.7	2.1	8.9	-30.1	-39.6	-34.2
Argentina	5.3	10.3	24.4	19.2	15.7	15.7	21.9	14.6	2.9	3.8	7.0	52.3	49.6	87.3	185.2
Armenia	...	15.8	27.1	3.1	9.2	-5.8	-3.4	5.3	4.2	3.5	4.3	31.2	-2.2	8.3	42.1
Azerbaijan	17.3	63.7	25.3	33.1	0.1	5.8	20.7	-0.2	0.1	-3.8	-0.8	74.8	20.4	24.1	116.9
Bahamas	7.3	7.3	11.8	-0.9	4.9	-3.3	5.2	8.9	3.6	-1.0	-2.0	11.6	5.5	15.9	29.4
Bahrain	13.3	9.8	10.1	15.7	-5.9	22.4	8.5	15.1	3.9	-0.2	-0.6	23.2	32.0	53.5	89.1
Bangladesh	8.1	4.4	-0.7	25.9	-2.5	4.9	13.9	11.5	9.5	6.4	9.9	25.5	17.7	55.2	94.7
Barbados	17.7	-3.9	16.8	-9.0	-11.7	-0.8	-10.6	-4.2	-1.0	-0.9	-0.3	-6.3	-14.7	-21.7	-26.6
Belarus	22.4	14.4	12.6	16.4	-8.5	4.7	-2.9	17.1	-0.5	2.6	3.1	25.5	3.6	16.2	45.9
Belize	-7.9	11.4	0.3	-3.7	1.2	5.8	4.2	5.9	-1.6	1.5	2.1	0.4	11.6	17.5	18.0
Benin	6.5	-5.9	27.7	-4.3	21.4	-16.5	8.8	6.6	3.6	2.5	3.4	21.5	-0.8	13.1	37.4
Bhutan	24.1	1.7	9.1	5.6	2.4	44.6	-8.4	12.3	-14.8	-10.9	13.7	13.7	43.7	24.3	41.3
Bolivia	7.9	2.8	10.1	15.5	-3.5	-1.3	23.2	6.6	3.2	3.1	4.5	22.0	14.6	36.1	66.0
Bosnia & Herz.	4.0	6.3	13.2	12.1	0.0	-0.4	-2.2	-1.3	0.6	1.5	3.3	24.0	-2.3	-1.2	22.5
Botswana	-6.6	0.3	17.5	25.7	3.9	-9.0	-4.6	-2.3	-1.2	2.1	1.9	42.5	-10.8	-12.9	24.1

Country	Annual Growth											Period Growth			
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2008-9 vs 2005-7	2010-12 vs 2008-9	2013-15 vs 2008-9	2013-15 vs 2005-7
Brazil	8.5	6.7	5.2	5.8	3.5	14.6	1.7	1.3	3.3	6.2	4.5	13.6	18.5	31.2	49.1
Brunei Darussalam	3.4	9.7	5.8	0.4	-2.8	11.6	-4.5	9.7	1.4	2.2	2.0	5.8	10.1	19.3	26.3
Bulgaria	5.8	1.4	12.2	3.5	-1.0	1.5	-2.9	4.1	2.3	1.8	3.1	11.5	0.3	6.7	19.0
Burkina Faso	5.7	11.6	16.1	-17.6	21.2	11.4	4.5	22.8	0.6	8.0	7.4	3.8	35.4	70.2	76.6
Burundi	7.4	4.6	38.4	9.2	0.8	18.3	1.3	-12.2	11.3	5.9	-2.1	36.3	14.9	21.4	65.5
Cambodia	0.5	14.7	21.7	3.4	32.7	4.3	11.9	3.6	-1.5	4.1	4.9	42.2	30.0	41.8	101.7
Cameroon	-5.8	1.8	11.6	21.1	-4.7	5.7	21.7	4.5	6.8	5.7	4.3	27.8	19.9	47.5	88.6
Cape Verde	9.7	6.6	-4.9	5.9	8.2	17.5	-6.8	1.9	0.5	5.5	1.9	8.9	17.4	21.8	32.6
Central Afr. Rep.	26.1	-16.4	-0.6	22.2	1.8	18.9	-11.9	4.7	7.3	6.9	8.6	15.3	12.1	27.8	47.3
Chad	16.0	24.3	41.3	13.8	2.5	33.4	-2.2	1.0	-7.0	-1.1	-0.8	51.8	33.6	22.8	86.4
China	16.6	17.1	17.2	20.4	24.6	12.0	16.6	9.9	6.8	6.7	6.7	57.1	42.8	81.7	185.5
Colombia	4.0	17.7	6.7	-2.8	12.1	5.3	7.6	3.5	6.9	2.4	2.3	13.1	18.3	35.6	53.5
Comoros	2.4	6.8	6.3	18.5	-10.2	-1.4	0.1	11.5	5.0	6.1	4.4	19.6	-3.0	15.6	38.3
Congo, Dem. Rep.	47.5	9.6	-3.3	28.1	2.7	10.9	8.6	18.7	0.4	4.9	6.0	30.8	26.4	53.3	100.5
Congo, Rep. of	15.4	38.3	4.3	-1.4	-14.7	8.7	36.8	49.3	-1.9	3.1	9.7	3.3	47.1	111.1	118.1
Costa Rica	0.7	1.9	4.5	8.4	8.6	16.3	-1.6	11.4	6.9	7.4	7.6	17.2	24.3	52.8	79.0
Côte d'Ivoire	0.4	7.6	1.0	7.2	2.3	7.5	-15.7	28.7	5.5	8.4	8.4	11.8	6.2	35.2	51.2
Croatia	1.7	5.2	8.3	-1.6	-0.6	-2.1	-2.2	-3.3	1.4	1.9	1.6	5.1	-4.8	-4.7	0.2
Cyprus	7.6	4.1	3.0	5.4	7.6	1.8	-0.3	-3.5	-2.6	1.1	1.8	13.0	4.2	0.2	13.3
Djibouti	1.3	6.4	6.1	11.3	7.5	-10.4	2.3	4.6	4.0	5.5	5.9	22.5	-4.3	9.1	33.7
Dominica	3.7	0.6	20.4	3.3	7.2	8.4	-12.7	-4.5	-0.8	-0.3	2.1	20.9	1.2	-6.8	12.7
Dominican Rep.	3.3	15.2	7.8	13.3	-4.4	0.0	2.1	27.6	-6.8	7.8	5.9	21.6	8.2	27.4	54.8
Ecuador	14.7	8.9	24.0	35.9	-7.3	11.3	29.1	5.1	1.8	0.8	1.1	54.2	30.2	49.2	130.2
Egypt	0.2	25.1	1.5	9.2	-3.6	-0.8	-0.9	8.0	3.3	2.3	1.8	16.0	-0.6	10.0	27.6
El Salvador	5.3	8.2	-3.4	6.0	6.8	3.3	5.0	3.4	-2.1	1.3	3.7	9.9	11.4	15.7	27.2
Equatorial Guinea	19.0	49.8	25.7	36.3	48.3	-16.1	3.4	14.7	0.8	-4.9	-8.9	118.3	7.6	12.6	145.7
Eritrea	2.9	-31.4	-3.4	-7.9	-26.5	14.4	5.5	-3.2	-2.2	-2.7	-2.0	-32.3	-0.5	-5.5	-36.0
Ethiopia	8.8	4.9	3.6	-8.6	13.5	14.2	-1.1	11.9	7.7	3.7	6.6	1.4	25.3	51.6	53.8
Fiji	2.6	9.3	-9.3	-10.4	11.2	-6.1	4.5	3.4	-2.4	1.4	1.0	-8.8	3.0	5.7	-3.6
Gabon	19.7	9.8	-1.9	8.0	-3.2	24.8	24.1	-7.2	2.4	-1.3	-1.5	8.2	38.8	42.8	54.5
Gambia	-2.2	5.0	-18.5	8.6	31.2	11.0	1.4	8.5	2.8	7.5	6.8	11.0	30.8	53.2	70.0
Georgia	25.3	14.0	37.7	17.3	1.6	-0.6	-4.9	10.0	6.8	4.3	3.2	50.0	0.1	16.4	74.6
Ghana	-0.5	20.0	18.5	18.8	-7.3	22.1	16.4	26.7	-0.6	14.7	11.1	34.8	42.5	96.4	164.8
Grenada	16.3	14.0	-8.3	1.6	-7.5	-4.2	0.8	-6.2	6.1	9.6	-2.0	-3.8	-9.3	-2.4	-6.0
Guatemala	2.3	11.0	3.8	-3.1	6.3	6.6	4.1	0.0	7.9	4.1	3.2	6.0	12.9	28.1	35.8
Guinea	-6.0	17.9	-27.3	19.4	38.0	33.0	-25.8	37.0	-5.9	5.5	13.2	20.4	41.8	59.7	92.3
Guinea-Bissau	-7.3	-4.4	4.7	18.9	-5.1	-1.9	4.0	-26.9	51.4	9.1	4.3	17.6	-10.9	18.3	39.1
Guyana	16.8	6.4	-7.3	-1.2	7.6	1.1	7.9	11.9	2.4	6.1	2.8	-0.5	14.8	36.2	35.5
Haiti	44.6	-1.6	5.2	14.7	29.1	9.9	35.3	-2.7	6.4	7.6	-0.7	35.2	51.5	82.0	146.0
Honduras	0.9	7.9	6.1	8.9	2.2	-3.2	0.6	4.8	3.5	0.8	0.2	17.4	-0.1	7.4	26.0
Hong Kong	-4.6	-4.6	1.5	28.7	-7.7	0.7	14.7	6.5	-2.6	2.6	15.5	23.0	8.6	23.1	51.4
India	5.0	8.9	9.0	14.9	2.1	5.1	3.7	4.3	4.0	6.2	7.3	26.2	10.4	27.4	60.8
Indonesia	2.9	14.2	12.1	19.5	-7.3	9.3	11.4	15.3	10.0	7.9	8.9	29.2	19.1	61.1	108.1
Iran	37.0	12.2	-7.7	7.0	-11.9	0.8	22.5	-21.8	-4.6	-4.2	-0.9	-0.9	0.1	-16.4	-17.2
Iraq	-30.3	-32.5	-18.3	70.3	-12.5	2.0	11.1	15.9	5.8	0.5	3.3	18.7	7.8	31.5	56.0
Jamaica	-9.3	9.8	4.6	0.7	9.2	-18.1	-3.5	-1.6	0.1	2.9	2.3	11.8	-16.9	-16.5	-6.7
Jordan	9.8	5.4	10.4	4.8	11.2	-8.1	14.1	-0.9	2.5	4.3	4.7	20.0	5.6	17.2	40.7
Kazakhstan	21.1	10.7	36.1	21.8	-14.7	14.7	12.9	8.6	3.1	1.2	2.1	41.2	18.1	35.6	91.4
Kenya	8.0	10.0	14.7	3.7	4.4	10.1	2.2	10.6	9.5	5.2	2.7	19.3	18.1	45.3	73.3
Kiribati	12.2	-0.7	-3.3	-6.4	-8.1	0.6	12.6	7.7	0.5	2.1	-7.7	-12.4	7.3	16.1	1.7
Kosovo	-2.5	-12.5	-1.0	32.6	26.3	5.1	1.7	8.3	4.2	-1.4	6.1	42.3	22.0	36.2	93.7
Kuwait	6.4	37.5	-1.1	47.5	-22.7	10.8	10.0	7.2	5.2	3.9	0.3	42.9	5.6	23.1	75.9
Kyrgyz Republic	3.7	9.2	20.3	-0.6	15.7	10.7	11.4	13.0	-1.3	-0.6	0.1	24.1	33.4	47.0	82.4
Lao PDR	17.8	14.7	12.2	14.0	27.8	2.4	4.0	12.1	7.8	7.7	7.5	46.0	22.7	55.7	127.2
Latvia	18.6	15.6	16.9	14.6	-19.6	-2.6	-4.2	4.8	-3.3	0.1	-0.4	19.5	-14.3	-15.8	0.6
Lebanon	-3.4	11.6	5.5	3.3	12.3	-4.3	-3.1	7.8	1.9	3.0	3.7	17.6	1.8	11.3	30.9

Country	Annual Growth											Period Growth			
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2008-9 vs 2005-7	2010-12 vs 2008-9	2013-15 vs 2008-9	2013-15 vs 2005-7
Lesotho	13.5	11.7	8.2	17.7	19.7	-8.6	16.2	8.7	-5.0	-3.8	-0.5	41.0	13.7	16.3	63.9
Liberia	4.3	-4.3	64.7	84.6	9.6	5.0	7.3	7.0	11.3	1.5	-0.1	158.9	18.0	42.0	267.6
Libya	-2.3	23.0	23.7	33.8	-5.1	0.5	-46.9	78.4	26.6	6.3	3.6	58.6	-19.1	24.0	96.6
Lithuania	12.9	11.5	16.4	8.9	-7.2	-2.2	-2.1	-0.5	1.5	4.6	1.5	19.7	-7.3	-3.6	15.4
Macedonia	4.1	0.5	8.5	10.0	-0.1	0.5	0.0	1.3	2.5	3.4	5.3	16.2	0.9	8.5	26.1
Madagascar	-11.4	6.1	-8.4	6.9	-21.4	-17.2	25.5	-4.5	9.1	9.5	-0.5	-8.2	-16.1	1.1	-7.2
Malawi	0.9	12.8	23.2	10.4	4.9	7.7	-1.5	10.5	-4.6	3.4	7.0	34.1	12.9	19.8	60.7
Malaysia	0.8	8.0	12.7	13.2	2.5	-2.5	12.4	3.3	6.0	4.4	4.4	26.9	8.1	27.0	61.1
Maldives	49.1	18.2	9.7	10.6	3.2	-5.5	3.6	6.6	0.2	-5.6	0.2	25.7	0.5	2.4	28.7
Mali	7.0	10.1	2.2	-16.4	30.3	-4.6	15.8	-39.5	-4.9	54.8	4.5	0.8	2.9	-0.1	0.7
Malta	2.4	1.8	2.9	5.3	-3.4	2.8	1.2	2.8	0.1	1.5	1.8	6.2	2.8	6.8	13.4
Mauritius	3.0	-1.3	2.4	7.0	10.9	-2.0	-0.4	2.5	0.8	3.3	3.9	14.2	3.7	9.9	25.5
Moldova	12.3	13.5	11.9	3.5	4.6	-0.1	1.7	5.2	4.1	3.3	4.6	18.4	5.1	18.1	39.9
Mongolia	-9.6	32.0	53.3	11.2	-11.4	16.3	49.6	18.0	-13.5	5.5	1.6	46.5	55.2	73.8	154.6
Montenegro	0.7	22.8	21.9	33.0	-13.2	-0.7	-2.2	-3.2	-1.3	0.7	4.2	49.8	-10.1	-12.2	31.5
Morocco	21.1	-4.0	6.9	13.9	2.8	6.0	12.8	2.9	2.2	1.3	1.7	19.1	17.8	29.3	54.1
Mozambique	2.5	23.7	11.1	3.7	25.6	7.7	10.3	14.4	4.1	7.6	5.8	33.5	34.5	68.9	125.4
Myanmar	18.2	32.7	-3.1	-14.3	29.3	27.5	1.2	39.8	5.4	6.0	6.4	5.0	64.2	127.9	139.2
Namibia	2.1	7.4	7.5	11.0	9.4	6.5	23.3	4.3	-3.9	-5.4	-0.3	24.7	30.5	32.4	65.1
Nepal	7.3	-4.7	23.0	7.8	35.9	6.7	3.9	-8.0	17.9	6.2	4.9	43.0	22.7	46.5	109.6
Nicaragua	6.4	5.3	5.5	3.9	-4.0	4.4	10.8	8.5	1.3	3.3	3.8	7.3	12.9	29.0	38.4
Niger	5.1	4.9	26.3	4.1	10.1	-5.1	3.5	60.0	3.9	13.1	7.9	28.9	22.3	91.1	146.3
Nigeria	-8.2	17.4	14.7	7.1	-3.9	18.1	8.5	-4.9	-11.2	0.1	1.5	20.6	20.2	6.7	28.6
Oman	10.4	13.8	9.5	6.9	0.1	4.0	11.6	9.3	3.8	3.2	3.9	18.2	15.7	36.3	61.0
Pakistan	10.7	16.2	19.1	14.4	-5.7	7.8	1.1	3.3	12.0	-3.1	3.4	30.1	6.6	21.2	57.8
Panama	1.9	9.2	9.1	12.0	6.4	9.7	12.8	6.9	1.9	2.6	4.3	25.8	25.6	43.3	80.3
Papua New Guinea	17.2	3.4	1.8	10.2	18.6	-14.8	9.7	8.7	-1.0	-0.2	3.2	23.2	1.4	10.2	35.7
Paraguay	9.5	5.2	1.8	-1.2	19.0	3.3	12.5	21.2	6.5	-1.7	2.1	11.3	30.5	62.2	80.5
Peru	11.2	7.9	6.4	11.4	10.6	8.9	1.8	6.2	9.1	7.2	7.6	25.2	18.1	45.0	81.6
Philippines	0.9	2.4	6.2	1.7	7.7	3.3	-3.0	10.6	2.7	5.1	4.8	10.7	8.7	24.0	37.3
Qatar	29.2	18.3	12.9	0.7	27.9	21.2	16.0	15.4	1.5	1.3	0.7	30.7	58.6	86.8	144.2
Romania	3.2	17.5	20.9	20.0	-4.1	-1.1	-4.0	-0.8	3.2	3.8	3.3	39.3	-6.0	-1.4	37.4
Russia	16.4	7.8	20.4	12.7	1.5	2.7	4.7	7.4	3.2	1.7	3.4	31.0	9.4	22.9	61.0
Rwanda	19.7	1.9	16.2	16.6	2.5	16.7	15.7	12.8	4.7	0.3	0.5	30.9	36.4	62.1	112.3
Samoa	14.9	-5.8	15.6	-6.3	1.3	14.9	2.0	-4.8	3.3	-1.4	0.0	1.7	15.2	14.8	16.7
São Tomé	-19.1	20.4	-17.9	-16.3	60.7	2.6	2.0	14.5	-9.3	-4.8	-0.6	1.2	34.5	29.6	31.2
Saudi Arabia	10.1	7.8	14.2	4.4	8.6	12.4	9.9	-0.2	7.6	-3.2	-0.3	21.6	24.8	35.2	64.4
Senegal	10.5	17.5	7.9	0.2	3.7	6.6	9.1	8.9	-2.3	4.1	4.4	12.7	18.6	31.3	48.0
Serbia	2.4	13.7	8.7	2.7	-3.2	0.5	-3.0	6.7	0.9	3.1	2.9	11.2	-0.9	6.5	18.4
Seychelles	1.4	34.4	3.1	-31.7	11.1	9.4	8.5	8.5	-2.8	-1.6	3.5	-19.6	25.3	32.0	6.1
Sierra Leone	6.9	1.4	-21.8	26.0	10.1	21.3	12.0	-7.1	-4.9	12.7	5.9	12.2	33.9	39.2	56.1
Singapore	0.6	16.4	4.6	33.6	11.7	-14.1	18.0	0.1	2.4	3.3	4.4	52.7	1.5	13.8	73.8
Solomon Islands	34.4	8.9	17.2	6.6	9.2	19.3	2.1	16.0	3.9	6.5	4.4	26.8	33.1	62.3	105.9
South Africa	8.7	7.8	11.1	8.3	8.3	3.9	5.4	3.1	3.2	3.0	2.7	23.8	13.0	24.6	54.2
Sri Lanka	10.5	10.9	1.8	-3.3	16.6	0.3	2.5	2.0	6.3	5.3	5.5	9.6	10.5	26.6	38.7
St. Kitts and Nevis	9.7	5.1	-0.2	0.9	-0.4	6.2	-9.6	-5.3	-7.0	0.0	3.0	2.2	-2.5	-14.7	-12.9
St. Lucia	15.3	3.3	-6.4	0.1	8.1	9.0	6.7	7.5	-8.8	-1.5	2.5	0.7	21.3	18.2	19.0
St. Vincent	9.5	4.5	8.5	-2.4	6.2	0.3	-10.2	-2.4	1.6	1.3	3.1	7.7	-4.5	-6.2	1.0
Sudan	37.5	5.3	13.7	1.4	-16.7	3.0	-1.6	-26.7	9.8	-1.5	-3.7	2.7	-15.6	-27.5	-25.6
Suriname	14.4	-3.8	15.8	0.5	36.7	-1.5	3.7	2.5	3.9	2.3	3.8	29.1	17.5	29.2	66.9
Swaziland	0.0	-0.2	4.5	25.7	3.3	-5.5	-20.4	14.5	-5.4	3.0	5.3	31.5	-13.3	-13.9	13.2
Taiwan	2.4	-3.9	3.0	-1.1	9.0	-2.3	1.5	-6.5	2.9	-0.6	-1.8	3.9	0.7	-1.5	2.4
Tajikistan	23.4	11.6	55.6	11.1	15.9	2.7	12.0	20.7	-2.7	5.4	7.4	62.1	27.5	53.8	149.4
Tanzania	23.1	9.3	8.7	13.4	11.9	8.8	1.5	4.8	5.7	0.8	3.1	30.6	18.0	31.3	71.5
Thailand	6.9	1.3	11.9	4.0	10.3	5.0	8.1	1.3	6.5	6.4	-1.2	18.2	16.7	33.6	57.9
Timor-Leste	30.9	18.7	99.3	123.3	4.8	18.6	33.8	4.8	0.6	-0.9	-1.4	256.4	51.4	69.6	504.4

Country	Annual Growth											Period Growth			
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2008-9 vs 2005-7	2010-12 vs 2008-9	2013-15 vs 2008-9	2013-15 vs 2005-7
Togo	18.6	11.1	0.0	-5.5	23.0	8.2	15.0	26.8	1.2	3.3	3.3	9.0	43.6	82.0	98.3
Tonga	20.0	8.6	-3.0	6.1	13.0	9.7	-6.3	-0.1	-1.0	-6.8	1.0	13.7	11.5	3.3	17.5
Trinidad & Tobago	18.6	25.2	0.2	17.0	-1.7	-16.7	-1.0	0.0	-2.2	0.4	0.8	24.6	-17.9	-19.6	0.2
Tunisia	5.9	4.5	6.4	9.7	3.9	3.7	11.1	10.6	-2.4	0.3	3.4	18.1	17.6	28.4	51.7
Turkmenistan	13.8	-12.5	2.7	29.3	47.6	10.1	30.3	8.5	7.4	6.5	6.6	55.6	62.6	112.7	231.0
Tuvalu	1.5	17.8	-2.2	-9.5	18.9	14.6	-11.6	-14.7	4.4	-2.6	0.7	2.8	9.5	-3.5	-0.8
Uganda	-1.9	-1.9	7.8	4.2	5.6	39.8	-10.5	9.6	-9.2	11.9	3.7	11.8	37.6	39.8	56.3
Ukraine	19.6	14.3	15.4	13.7	-14.9	9.4	3.7	11.5	2.1	2.9	2.9	20.2	7.1	22.2	47.0
United Arab Emir.	-3.3	9.0	11.1	24.2	24.2	2.3	10.9	6.1	-1.9	-0.8	-0.7	53.1	24.1	29.8	98.8
Uruguay	1.2	6.8	6.2	6.7	7.2	8.1	3.5	10.3	5.5	4.4	4.0	17.4	18.4	40.4	64.9
Uzbekistan	10.4	12.2	26.7	19.2	26.7	8.8	8.6	24.0	10.5	6.1	7.1	62.6	39.2	92.9	213.6
Vanuatu	3.1	20.6	17.0	33.7	-0.2	5.6	-11.9	4.6	22.9	2.1	2.2	56.3	-1.5	21.9	90.6
Venezuela	29.5	33.1	-4.0	0.0	-20.6	27.1	16.2	14.9	-9.9	-6.1	-2.7	-4.7	31.2	28.8	22.7
Vietnam	14.8	7.5	16.9	1.4	22.5	3.7	2.0	6.9	2.2	3.7	4.1	27.7	18.4	32.3	68.9
Yemen	22.6	7.4	14.7	7.2	-21.9	2.7	-14.9	15.9	-8.3	-4.1	-6.2	6.7	-14.8	-22.3	-17.1
Zambia	2.0	-0.6	11.9	3.9	-7.3	17.7	24.4	7.3	4.8	10.5	11.6	7.6	35.0	76.1	89.5

Source: Authors' calculations based on IMF's *World Economic Outlook* (October 2012)

Annex 2. IMF Country Reports Reviewed, January 2010 to February 2013

A total of 314 reports in 174 countries were reviewed. The identification of possible adjustment measures considered by governments is inferred from policy discussions and other information contained in IMF country reports, which cover Article IV consultations, reviews conducted under lending arrangements (e.g. Stand-by Arrangements and Extended Credit Facility) and consultations under non-lending arrangements (e.g. Staff Monitored Programs) and other information publicly available in IMF website. All country reports included in the sample were published between January 2010 and February 2013. The complete list, along with the specific report number and date, is provided below.

Country	Report #	Date Published
Afghanistan	10/22	January 2010
	10/22	January 2010
	12/245	August 2012
Albania	10/205	July 2010
	11/313	October 2011
	13/7	January 2013
Algeria	11/39	February 2011
	12/20	January 2012
Angola	11/51	February 2011
	12/215	August 2012
Antigua and Barbuda	10/279	September 2010
	Letter of	May 2012
Armenia	11/178	July 2011
	12/153	June 2012
Australia	11/300	October 2011
	12/305	November 2012
Austria	11/275	September 2011
	12/251	August 2012
Azerbaijan	10/113	May 2010
	12/5	January 2012
Bahamas	11/338	December 2011
Bahrain	PIN 12/39	April 2012
Bangladesh	10/55	February 2010
	11/314	November 2011
	12/94	April 2012
Barbados	12/7	November 2011
Belarus	11/66	March 2011
	12/133	May 2012
Belgium	11/81	April 2011
	12/55	March 2012
Belize	11/18	January 2011
	11/340	December 2011
Benin	11/60	March 2011
	13/9	January 2013
Bhutan	11/123	June 2011
Bolivia	11/124	June 2011
	12/149	June 2012
Bosnia and Herzegovina	10/348	December 2010
	12/344	December 2012
Botswana	11/248	August 2011
	12/234	August 2012
Brazil	12/191	July 2012
Bulgaria	11/179	July 2011

Country	Report #	Date Published
	12/328	December 2012
Burkina Faso	11/226	July 2011
	13/26	January 2013
Burundi	11/199	July 2011
	12/226	August 2012
Cambodia	11/45	February 2011
	13/2	January 2013
Cameroon	10/259	July 2010
	12/237	August 2012
Canada	11/364	December 2011
Cape Verde	11/254	August 2011
	12/29	February 2012
Central African Republic	10/332	October 2010
	12/238	August 2012
Chad	10/196	June 2010
	11/302	October 2011
Chile	11/260	August 2011
	12/267	September 2012
China	11/192	July 2011
	12/195	July 2012
Colombia	11/224	July 2011
	12/274	September 2012
Comoros	11/72	March 2011
	PIN 13/03	January 2013
Congo, DR	11/190	July 2011
	11/255	August 2011
	12/283	October 2012
Costa Rica	11/161	July 2011
Côte d'Ivoire	11/194	July 2011
	12/332	December 2012
Croatia	12/302	November 2012
Curaçao & Saint Maarten	11/342	December 2011
Cyprus	11/331	November 2011
Czech Republic	11/83	April 2011
	12/115	May 2012
Denmark	10/365	December 2010
	13/22	January 2013
Djibouti	10/277	September 2010
	12/197	July 2012
Dominica	10/261	August 2010
	13/31	January 2013
Dominican Republic	11/177	July 2011
Egypt	10/94	April 2010

Country	Report #	Date Published
El Salvador	11/90	April 2011
	11/306	October 2011
Equatorial Guinea	10/103	May 2010
Estonia	11/333	November 2011
Ethiopia	10/339	November 2010
	12/287	October 2012
Fiji	11/85	April 2011
	12/44	February 2012
Finland	10/273	September 2010
	12/253	August 2012
France	11/211	July 2011
	12/243	December 2012
Gabon	11/97	May 2011
Gambia	11/22	January 2011
	12/129	June 2012
Georgia	11/146	June 2011
	12/98	April 2012
Germany	11/168	July 2011
	12/161	July 2012
Ghana	11/128	June 2011
	12/201	July 2012
Greece	11/351	Dec 2011
	13/20	January 2013
Grenada	10/139	May 2010
Guatemala	10/309	October 2010
	12/146	June 2012
Guinea	12/301	October 2012
Guinea-Bissau	11/119	May 2011
	11/355	December 2011
Guyana	11/152	June 2011
Haiti	11/106	May 2011
	12/220	August 2012
Honduras	11/101	May 2011
Hong Kong	13/11	January 2013
Hungary	12/13	January 2012
Iceland	12/309	November 2012
India	11/50	February 2011
	12/96	April 2012
	13/37	February 2013
Indonesia	10/284	September 2010
	12/277	September 2012
Iran	11/242	August 2011
Iraq	11/75	March 2011
Ireland	11/356	Dec 2011
	12/336	December 2012
Israel	12/70	April 2012
Italy	11/173	July 2011
	12/167	July 2012
Jamaica	11/49	February 2011
Japan	11/181	July 2011
	12/208	August 2012
Jordan	10/297	September 2010
	12/343	December 2012
Kazakhstan	11/150	June 2011
	12/164	June 2012
Kenya	11/165	July 2011
	12/300	November 2012

Country	Report #	Date Published
Kiribati	11/113	May 2011
Korea	11/246	August 2011
	12/275	September 2012
Kosovo	11/210	July 2011
	12/345	December 2012
Kuwait	12/150	June 2012
Kyrgyz Republic	11/155	June 2011
	12/329	December 2012
Lao PDR	11/257	August 2011
	12/286	October 2012
Latvia	13/28	January 2013
Lebanon	10/306	October 2010
	12/39	February 2012
Lesotho	11/88	April 2011
	12/322	December 2012
Liberia	11/174	July 2011
	12/340	November 2012
Lithuania	10/201	July 2010
	11/326	November 2011
Luxembourg	12/160	July 2012
Macedonia	11/42	February 2011
	12/133	June 2012
Malawi	12/221	August 2012
Malaysia	10/265	August 2010
	12/43	February 2012
Maldives	10/167	June 2010
	11/293	September 2011
Mali	11/141	June 2011
	12/3	January 2012
Malta	12/105	May 2012
Marshall Islands	11/43	February 2011
	11/339	November 2011
Mauritania	11/189	June 2011
	12/323	December 2012
Mauritius	11/96	May 2011
	12/62	March 2012
Mexico	11/250	July 2011
	1/250	August 2011
	12/327	December 2012
Micronesia	11/43	February 2011
	13/16	December 2012
Moldova	11/200	July 2011
	12/288	October 2012
Mongolia	11/76	March 2011
	12/320	November 2012
Montenegro	11/100	May 2011
	12/122	May 2012
Morocco	11/341	December 2011
	12/239	August 2012
Mozambique	11/149	June 2011
	13/1	January 2013
Myanmar	13/13	January 2013
Namibia	10/269	September 2010
	10/269	February 2012
	13/43	February 2013
Nepal	10/185	July 2010
	12/326	December 2012

Country	Report #	Date Published
Netherlands	11/342	December 2011
New Zealand	11/102	May 2011
Nicaragua	11/118	May 2011
	12/256	September 2012
Niger	10/146	May 2010
	12/109	May 2012
Nigeria	11/57	February 2011
	12/194	July 2012
Norway	12/25	February 2012
Pakistan	10/384	December 2010
	12/35	February 2012
Palau	11/43	February 2011
	12/54	March 2012
Panama	10/314	October 2010
	10/314	April 2012
Papua New Guinea	11/117	May 2011
	12/126	May 2012
Paraguay	11/238	August 2011
	12/211	August 2012
Peru	10/98	April 2010
	12/26	February 2012
Philippines	11/59	March 2011
	12/49	March 2012
Poland	11/166	July 2011
	13/21	January 2013
Portugal	11/363	Dec 2011
	13/18	January 2013
Qatar	12/18	January 2012
	13/14	January 2013
Romania	11/158	June 2011
	12/290	October 2012
Russia	10/246	July 2010
	12/217	August 2012
Rwanda	11/19	January 2011
	12/152	June 2012
Samoa	10/214	July 2010
	12/250	August 2012
São Tomé and Príncipe	10/100	April 2010
	12/34	February 2012
Saudi Arabia	11/292	September 2011
	12/271	September 2012
Senegal	11/139	June 2011
	12/337	December 2012
Serbia	11/213	July 2011
	11/311	October 2011
Seychelles	11/134	June 2011
	12/260	September 2012
Sierra Leone	10/370	December 2010
	12/285	October 2012
Singapore	10/226	July 2010
	12/248	August 2012
Slovak Republic	11/122	June 2011
	12/178	July 2012
Slovenia	11/121	May 2011
	12/319	November 2012
Solomon Islands	11/180	July 2011
	12/333	December 2012

Country	Report #	Date Published
South Africa	11/258	July 2011
	12/247	August 2012
Spain	11/215	July 2011
	12/202	July 2012
Sri Lanka	10/333	October 2010
	12/198	July 2012
St. Kitts and Nevis	11/270	September 2011
St. Lucia	11/278	September 2011
St. Vincent and	11/343	December 2011
Sudan	11/86	April 2011
	12/298	November 2012
Suriname	11/256	August 2011
	12/281	October 2012
Swaziland	11/84	April 2011
	12/37	February 2012
Sweden	11/171	July 2011
	12/154	June2012
Switzerland	11/115	May 2011
	12/106	April 2012
Tajikistan	11/130	June 2011
	12/110	May 2012
Tanzania	11/105	May 2011
	13/12	January 2013
Thailand	10/344	December 2010
	12/124	June 2012
Timor-Leste	11/65	March 2011
Togo	11/240	August 2011
Tonga	11/110	May 2011
	12/166	July 2012
Trinidad and Tobago	12/127	June 2012
Tunisia	10/282	September 2010
	12/255	September 2012
Turkey	10/278	September 2010
	12/16	January 2012
	12/259	December 2012
Tuvalu	11/46	February 2011
	12/259	September 2012
Uganda	10/132	May 2010
	11/308	October 2011
	12/135	June 2012
United Arab Emirates	12/116	May 2012
United Kingdom	11/220	August 2011
	12/165	July 2012
Ukraine	11/52	February 2011
	12/315	November 2012
Uruguay	11/62	March 2011
	11/375	December 2011
United States	11/201	July 2011
	12/213	July 2012
Vanuatu	11/120	May 2011
Vietnam	10/281	September 2010
	12/165	July 2012
Yemen	10/300	September 2010
Zambia	11/196	July 2011
	12/200	July 2012
Zimbabwe	11/135	June 2011
	12/279	September 2012

Annex 3. What a Difference a Year Makes: Expenditure Projections Change Significantly

This paper is an update of earlier work (Ortiz and Cummins 2012) in which the authors applied the same methodology used in this analysis to understand the depth and scope of austerity. The only difference is that the prior quantitative analysis was based on expenditure projections contained in the IMF's *World Economic Outlook* from September 2011, whereas the current assessment uses estimates from the October 2012 database. Comparison of the findings offers interesting insights.

For the years 2010 and 2011, minimal variances appear. Estimates for 2010 were virtually identical in both versions of the *World Economic Outlook*, while the database from September 2011 projected a slightly lower level of austerity than those in the October 2012 database (Table A3.1). Contrasting the forecasts in 2012 and 2013, however, reveals significant variation. The September 2011 *World Economic Outlook* projected that 2012 and 2013 would be characterized by widespread austerity (more than 130 countries in both years in GDP terms). The October 2012 database, in contrast, estimates that the scope of austerity was only about half as intense as the earlier version for 2012 in terms of GDP (68 versus 133 countries), with contractions significantly expanding in 2013 to cover 119 countries. Similarly, the October 2012 version forecasted that 60 countries would experience negative real spending growth in 2012, dropping to 40 counties in 2013, while the latest version predicts that the opposite trend will occur.

Table A3.1. Comparison of Projected Total Government Spending Trends, 2010-13,
(from the IMF's *World Economic Outlook*, September 2011 and October 2012)

World Economic Outlook Version	Spending Gauge	Indicator	2010	2011	2012	2013
September 2011	% of GDP	# of countries	106	99	133	131
		Average contraction	-2.3	-1.9	-1.6	-1.1
	Real growth	# of countries	50	54	60	40
		Average contraction	-5.8	-4.9	-4.9	-3.2
October 2012	% of GDP	# of countries	106	111	68	119
		Average contraction	-2.4	-2.1	-1.8	-1.5
	Real growth	# of countries	53	63	50	61
		Average contraction	-5.9	-6.0	-5.6	-4.1

Source: Authors' calculations

What does this mean? First off, this demonstrates that the IMF's expenditure projections can be strikingly off the mark, which likely reflects the high unpredictability of policy processes at the national level. Second, assessing the scope, depth and duration of austerity is a difficult game. The earlier analysis carried out by Ortiz and Cummins (2012) indicated that contractionary fiscal policies were characteristic of the 2010-12 period (crisis phase II), which was likely to be followed by a period of decreasing austerity coupled with the hope of a renewed wave of public investment to support economic and social development. This updated inquiry, on the other hand, paints a more ominous future: the end of austerity may be nowhere in sight.

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