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Drawing Lessons for Austerity Policy Initiatives in Africa

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Abstract

This article examines the concept of austerity and its evolution as a policy tool in public affairs in order to identify sustainable factors for the implementation of austerity policies in Africa and elsewhere. To that end, lessons from Greece, the three European Baltics, Portugal, Italy, Argentina, and Spain were examined in order to draw lessons for Zimbabwe and Africa in general. The term austerity refers to economy, frugality, thriftiness, stinginess, and prudence in the use of resources by an individual, corporation, or nation, and has intellectual roots in the neoclassical school of economics. Austerity becomes a national policy in which governments impose restrictive and difficult economic conditions in order to resurrect failing economies by reducing government spending, debt, and deficits.

Austerity policies have become the dominant global wisdom for dealing with economic and fiscal stress in recent years. Cuts in social welfare budgetary allocations, as well as cuts and freezing of positions in the public sector and state enterprises, characterize countries implementing austerity policies.

The article proposes an interplay of factors such as strong political will, buy-in and ownership of the policy by business, labor, and civic society; bailouts to support the reform; strong regulatory frameworks for the supervision and surveillance of the banking and financial services sector towards market stability; institutional policy consistency and coherence, and embedded institutional fiscal discipline, among others, for austerity policies to be effective.

Key words*: Social safety nets, Fiscal consolidation, Budget Deficits, Austerity, Public debt.*

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1. INTRODUCTION

In contemporary political economy and public policy discourses across the globe, the concept of austerity is gaining traction since 2004 to date. At both individual and institutional levels, the term austerity refers to the ability to live within one‟s own means through expending money responsibly and deprivation of one‟s privileges on ostentatious life. At the national policy level, austerity implies that nation-states should cut on public expenditure and increase revenue collection to improve fiscal space, through belt-tightening and sharing pain among the masses, with a view to contain national budget deficits and sovereign debts which have decelerated global growth and development, hence synonyms like „balanced budgets‟ and „fiscal consolidation‟. Thus, at a broader level, austerity denotes an array of measures that are designed by an individual/institution/nation to cut unnecessary expenditure to build savings with a view to finance future expansion and growth.

From the foregoing definitional frameworks, the aim of the paper is to outline the conceptual framework on austerity, highlighting its definition, genesis and evolution as a practice in public affairs. The section also details the theoretical and philosophical pillars underpinning austerity policies across the globe.

With the aid of global experiences based on a qualitative documentary review of journals, newspaper articles and institutional policy voices on austerity, the paper establishes the practical challenges that are encountered in the implementation of austerity policy interventions and the critical-success factors thereon. Thus, drawing from global experiences, the study proposes and outlines the measures and best practices which should be adopted to facilitate the efficacy of austerity policy initiatives in Africa and beyond.

2. CONCEPTUAL FRAMEWORK

This section examines the definitional frameworks of austerity as public policy tool and further traces its genesis and evolution as practice in government across the globe.

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2.1 Definitions of Austerity

According to Xenos (2017), citing Adam Smith in his 1776 book: The wealth of Nations, Smith judged every wasteful man and enemy, every prudent man because the prodigal wasted a friend of the public good, while the frugal one increased the government's resources. Ibid noted that this emphasis on fruitful as opposed to fruitless expenditure led

Ronald Blyth to maintain that Smith‟s focus on frugality provides the moral opinions against debt, and thus constitute the intellectual foundation upon which contemporary austerity measures are premised. Ibid thus argues that at both individual and institutional levels, austerity means to reduce demand through modifications in consumption that entail change in behaviour as well as the production of goods and services. Thus, austerity implies a dislike of flashiness and surplus in Western tradition in the culture of intense consumption, which implies social change by reducing significant demand at a society's level.

At the national policy level, Xenos (2017) observed that, since 2008, austerity policies have been introduced in a worldwide political and economic climate of austerity acts supporting drastic cuts in public spending. Ibid cited examples of the harsh fiscal policies enforced by the International Monetary Fund (IMF), the European Central Bank (ECB) and the European Commission (EC) Troika throughout the Eurozone economic crisis on the administrations of Greece, Ireland, Portugal. In 2009, David Cameron, the UK Prime Minister at the time, legitimized the cuts in public spending by his government by declaring "The 2009 Austerity Age." Similarly, Farnsworth and Irving (2018a) aver that austerity measures have been largely invoked with a view to solve the government debt challenges, which debt acts as the brake on a country‟s competitiveness. In this case, debt overhang is assumed to be an impediment to national competitiveness and economic growth prospects. Ibid further aver that austerity as an economic principle in fiscal affairs is appropriately captured in the notion of fiscal consolidation. Thus, fiscal consolidation denotes the practice of narrowing the gap between tax received and spending, although it is more inclined towards reduction in public expenditure and advocating for privatization of state-owned enterprises than tax increases, a move akin to the Washington Consensus.

2.2 Etymology of the Austerity Discourse

This section outlines the evolution of austerity as a policy tool in public affairs as well as examining the theories and philosophies underpinning austerity policies across the globe.

2.2.1. The evolution of Austerity

With regards to its evolution, Hill (2015 cited in Farnsworth and Irving 2018a) posits that austerity as a practised policy to respond to crisis was in different shapes in the 20th century era. However, Blyth (2013 study cited in Farnsworth and Irving 2018a) argued that its historic origins in Economic Theory far-off precede the 1920s financial crises. As Farnsworth and Irving (2018a) further asserts, alongside preference for public sector reform packages such as liberalization and privatization, the consolidation of the fiscus has been a feature of the economic structural changes such as the ESAPs that were enforced by IMF in several regions like Latin America, East Asia, Sub-Saharan Africa since the 1980s. As the

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same academic voice pointed out, by 2008, the harshness of ESAP had steadily made the IMF more toxic to both developed and middle-income nations, and the same applies to countries both in Central and Eastern sides of Europe. In the same vein, the 2008 financial disaster thus expedited the situations for IMF‟s reorganization, rehabilitation, improving its financial growth thereby signalling a paradigm shift inside the IMF against the auspices of conditionality/economic reform conditions.

Fox Piven and Minnite (2015: p. 157 research cited in Farnsworth and Irving 2018a) noted that the SAPs were successfully rejected by the IMF Managing Director - Christine Largarde in 2014 and her organizational focus changed from third world countries to wealthy or rich nations. To further support this move, Farnsworth and Irving (2018a) found that with the increase in their lending capacity to the tune of USD 1 trillion, a sum decided by the G20 countries at a high-level crisis meeting in 2008, as well as further innovations such as the quota arrangements for the 2010-2016 period to acquire funds, implied that as an organisation, the IMF was focused on austerity as a policy instrument to develop the economies of industrialized nations. Further to the above, to support the paradigm shift from old ESAP to austerity, Ibid established that the former Managing Directors for the IMF, Dominic Strauss-Kahn together with Christine Largarde then shifted from the old ESAP. The fact that successive agreements between the IMF, the European Central Bank and the European Union on loan assistance provided to the Government of Greece are the basis on which austerity is developed or based is further elucidated by the same academic voices. The Greek financial crisis has arguably contributed enormously to revisiting the IMF's disaster response and enabling financial lenders to reenter advanced economies' financial paths and communicate with the European Central Bank. Ibid (p.3) further argued that while the IMF welcomed the stimulus measures initiated early in the crisis by both the US and the United Kingdom, Christine Largarde began to advise caution on austerity policies by 2010 as a new agenda. The definition of fiscal consolidation is thus prevalent in the 2016-2020 national budget plans of 187 global southern and rich northern administrations, albeit with varying prescriptions in scope, in line with the above clarion call on austerity by the IMF directorate. In the same vein, Farnsworth and Irving (2018a) further observed that IMF was silent between 2007 and 2009, when interbank lending began to go up, Lehman Brothers collapsed and the governments of United States and the UK with heavily exposed sectors started to intercede. For that time, only in the initial periods of the crisis did the IMF provide analytical/investigative support to the G20. The Vienna Initiative of 2009 was the first milestone in laying the framework on which austerity policy reforms have been established.

Therefore, in locating austerity in the policy languages of IMF for the period ranging from 2004 to 2015, on the basis of 597 speeches, Farnsworth and Irving (2018a; 2018b) observed that synonyms such as: fiscal responsibility; tax burden; fiscal crises; insolvent; balanced

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budget; fiscal crisis; brought under control; expenditure control; economic mismanagement; market reassurance; freezing; intractable; bankrupt; bad debt; reassuring international donors; reducing spending; solid domestic revenue; tighten expenditure, have been appearing in high frequencies in the language and dictum of IMF.

To carry forward the debate on the genesis of austerity, Clarke and Newman (2012) argue that although the idea of austerity has a long and complex history, its present meaning stems directly from the multiple and multi-layered crisis of the global financial system from 2007 to 2008. In order to further explain the above point, the same authors have developed that the contemporary dominant appearance of its locus has been switched from the private sector to the public zone, that is to imply, from the financial services sector to government expenditure, a transition from a financial crisis to a fiscal crisis based on public arrears. Noteworthy is that the location of austerity as a policy initiative has moved from a financial crisis situated in the banking and financial epicentres of the USA and UK to an international crisis induced by public debt and trade deficits. In locating austerity from a public debt and trade deficits perspective, the UK is relocating itself as a model par-excellence for probity and good housekeeping in the areas of public finance and budgeting.

Clarke and Newman (2012) further observed from the abovementioned locational debate that, as a result, one measure of the progress of the evolution of conceptual and political work is that austerity has become the prevailing global wisdom for solving the national debt crisis, including, more precisely, government debt emerging from the liberation of private sector funds.

As a wrap up to the debate on the definition of austerity and its evolution in government, the article notes that austerity refers to tough economic situations created by government policies to minimize government spending, arrears as well as deficits – vices which undermine growth and development of an economy if not contained. Austerity evolved as a panacea to the pitfalls of the Structural Adjustment Programs (SAPs) which brought misery and poverty to targeted developing countries –Latin America and Africa. Thus, in the eve of the new millennium and prior to that, the IMF, European Central Bank and European Union as a troika coined austerity to replace the unpopular SAPs. Unlike its predecessor, the SAPs which targeted developing economies alone, austerity targets both the developed and developing economies, and the bailout for Greece by the troika laid a firm foundation in the evolution of austerity reforms. Austerity has been located from the protracted financial crises of the USA and the UK to failure by the government to manage its public purse judiciously – causing unending budget deficits, domestic and external debt, vices which retard a nation‟s competitiveness and its general economic growth prospects.

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2.2.2 Theories and Philosophies Informing Austerity Thinking

In the field of economics, the idea of austerity is embedded in the Modern Development Paradigm as well as the Social Expenditure Welfare Administration concept. There are reasons for increased public sector spending, both hard and soft, in both these philosophical theories. Therefore, in view of the prevailing unstable state of public finance characterized by large budget deficits and government debts, the foregoing theoretical foundations raise the question of where these required resources for such investments should come from (Haffert and Mehrtens 2015).

Furthermore, Haffert and Mehrtens (2015) found that the progressive view of consolidation offers a response to the above issue. In this respect, proponents of progressive consolidation view argue that temporary austerity was indispensable for rebalancing the national budget and for returning to a more activist fiscal policy in the aftermaths. The argument is further reinforced by Donald Taylor as cited in Ibid (p. 120) who demonstrates that,

Progressives have more at stake in developing a long-range of balanced budgets than do conservatives precisely because we believe that government has a positive role to play in modern life. If we do not develop a path to a sustainable Federal budget, there will be no room left for government to invest in new opportunities that could make people and our country better-off.

Accordingly, by the 1990s, progressive political front-runners across the globe such as United States" Bill Clinton and Sweden"s Gordon Persson had already embraced and shared this philosophy. The positive prospects in post consolidation view include improvement in credit rating for the economy, as witnessed by movement from high debt to GDP ratio to high surplus to GDP ratio, stable exchange rate, low interest rate regime, among other favourable macro-economic indicators, developments which increase investor confidence and attract huge spurts of FDI for austering administrations The primary big spill-over impact of austerity is that the country is a major player in the private sector (market) and all government debt is paid off and rather than crowd-out private investors the state crowds-in private investors by investing its budget surpluses in the financial markets (Ibid: p.6).

In addition to the above, this study argues that to the degree that privatization of state-owned enterprises and economic liberalization are sacrosanct values in austerity policies, the idea of austerity has its origins in the neo-classical economic school, which is the anti-thesis of the welfare state as described in the Keynesian angle of view. To substantiate this, the theory of neoliberalism treats the marketplace as a liberating bulwark against the challenges faced by political and economic elites, and as an instrument for exploiting the innovation and endeavour of individual human beings. The theory of neo-liberalism, as Stiglitz (2008 quoted in Farnsworth and Irving 2018b) noted, is therefore a bag of ideas founded on the assumption that markets are selfcorrecting, distribute capital successfully and serve the

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greater public interest well, indicating a departure trend from the welfare state of the 1980s (The Keynesian viewpoint).

As Grouch (cited in Farnsworth and Irving 2018b in 2011) has noted, neo-liberalism has mutated into current austerity policies that in some cases have pushed neo-liberal aims even further than they had been accomplished before the 2008 period. It is also argued that austerity thus has an advantage over more nebulous neo-liberalism since it has been framed as an established, pragmatic, non-ideological and non-alternative to the particular public debt issue. It can be argued in this case that austerity has brought improvements to the ideology of neo-liberalism and can thus be referred to as the advanced neo-liberal theory.

As will be witnessed in austerity experiences later in this study, it is worth pertinent to note that the field of „austerity measures" is informed by the Economic Voting Paradigm. According to Artelius and Tsirbas (2018), in the time of austerity policy intervention, the pursuit of deciding factors of voting behaviour in the midst of a severe economic downturn contributes to the notion of economic voting as a central theory. Ibid also claim that economic challenges are likely to receive more attention from voters in these instances and greater reportage from the mass media. An influence of the economy on the preferences of electors is presumed in the economic voting theory. The underlying principle of economic voting is the hypothesis of accountability that claims that in a given space period, voters appear to hold governments responsible for the economic situation. This hypothesis or theory of liability is often related to the hypothesis/assumption of grievance that states that individuals assign greater importance to losses than gains. As Wayland (1998 quoted in Artelaris and Tsirbas 2018) observed, individuals prefer to make decisions on the basis of negative gains and losses rather than on absolute value of utility, and therefore the general public is likely to assess improvements than overall values.

Oatley (2004) argues that most stabilization policy scholars believe that politics play a serious, interfering role in the field of economic transition to bring forward the economic voting postulation. Early stabilization policy work centred almost entirely on the regime-type proposition (see Haggard 1986, 2000; Haggard and Kaufman 1990; Haggard, Kaufman, and Webb 1992; Kaufman 1985; Nelson 1984; Remmer 1986; Skidmore 1977; Thorp and Whitehead 1979 as cited in Oatley 2004). The regimetype hypothesis notes that dictatorial systems are more likely to become stable rapidly than the democratic one. Intuitive is the logic behind this proposition. Since stabilization is expensive or costly, governments that are insulated from the political effects of costly economic policies will probably, at least in the short term, become more stable. In authoritarian regimes, governments are isolated from such spending as they use force to suppress the degree of opposition to painful changes, whereas governments in democratic regimes are not (Ibid).

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Thus, from the foregoing debates, it is evident that the concept of austerity is informed by political and economic philosophies, hence, austerity as policy measures, has found its place in Political Economy, International Economics, Public Sector Reforms in Public Finance and Budgeting as branches in Public Administration and Management, Political Science and Economics.

3. METHODOLOGICAL FRAMEWORK

The study used documentary review on journal, institutional policy papers and newspaper articles on austerity policy initiatives using a detailed case by case analysis. The article used qualitative data analysis as an approach with a view to identify the practical challenges confronting austerity implementation and best practices to ensure the efficacy of austerity policy initiatives in Africa and beyond.

In terms of order of presentation, the study is approached in the following manner:

i. Conceptual Framework: What is austerity? What is its genesis and evolution as a practice in government?

ii. Theoretical and Philosophical Pillars: What philosophies and theories underpin austerity policies?

iii. Global Experiences: What measures are adopted to enforce them in selected countries? What are the practical challenges in the implementation of austerity policies?

iv. Towards sustainable austerity policies: Drawing from these global experiences, what measures should be adopted to facilitate their efficacy?

4. GLOBAL AUSTERITY EXPERIENCES: CRITICAL-SUCCESS FACTORS AND PRACTICAL CHALLENGES

Through a case by case scrutiny on the implementation of austerity policies, using Sweden, the three Baltic States of Europe, Greece, Portugal, Italy, Spain, Zimbabwe, among other countries, this section identifies measures that are adopted to enforce austerity policies in sampled nations. This objective is achieved through a review of both success stories and failed stories in implementing of austerity policies.

4.1 Critical-Success Factors towards Austerity

From subsections 4.1.1 through 4.1.4, the study outlines and examines the critical-success factors for ensuring sustainable austerity measures in selected case countries such as Sweden, the three Baltic states of Europe, Greece, Portugal, Argentina, Italy, Spain, among other countries.

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4.1.1 The Case of Sweden

At the beginning of 1990, the government of Sweden witnessed the most serious economic crisis. In this scenario, the government finances, the currency, the banking and financial systems, the foreign exchange system, the housing sector, among others, have been in shambles. Public debt thus doubled from 45 percent of GDP in 1990 to over 80 percent in 1994, throwing the entire Swedish political economy into a major disaster (Haffert and Mehrtens 2015).

There was political engagement across the political divide in view of the above significant economic challenges, as political frontrunners in both camps subscribed to an economic reform package that was intended to streamline public sector finances and contain financial as well as economic crises. Drastic cuts in spending and planned tax increases were included in the reform processes in this regard (Haffert and Mehrtens 2015). Ibid founded that running a budget surplus has acquired considerable symbolic significance in Swedish politics to substantiate the political buy-in of the austerity reform, as the government in power and opposition out-bid each other in a battle to see who could spend less money than another. For example, the Swedish opposition, Social Democrats made a national budget plan that would have saved an additional 5 billion Swedish Kronor as compared to the government‟s budget. Fiscal consolidation was thus rooted in the political culture of Sweden to the degree that no political office-bearer wanted to be judged wasteful, a step endorsed by the media and the voting public.

On the revenue side of fiscal policy, the 1990-1991 tax reform ended the bracket-creep, reduced marginal income taxes, implemented dual income taxation on salaries and capital, widened the tax base through the reduction of gaps and tax expenditure, as well as increased sales taxes (Haffert and Mehrtens 2015).

There was the 1994-1998 Pension Reform on the spending side, which created a completely new Swedish pension system. The funded scheme has been applied to the popular restructuring of the pay-as-you-go system in this respect, and the pension arrangement has therefore been entirely separate financially from the budget. Therefore, the key reason behind the reform was to minimize public sector spending and develop a "mass investment culture" in Swedish pension schemes (Haffert and Mehrtens 2015).

In addition to the abovementioned reforms, between 1990 and 1998, the Swedish government cut civil service head count from 1.3 million in 1990 to 1.1 million in 1998. Around the same time, the Swedish government increased the contributions of workers to unemployment benefits and drastically lowered state subsidies and tax expense before deducting the 40 percent portion of the contributions (Haffert and Mehrtens 2015).

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The institutional fiscal reform package was three –tiered. First, once the total amount of spending was set, it was only possible to raise discretionary items if others had fallen to the same level. In this situation, a national budget bill with higher expenditures than the one initially introduced by the government will not be approved by the legislature. Second, another primary fiscal institution in Sweden's fiscal policy arsenal is the surplus goal promised by the Swedish central government to run an average budget exceeding 1 percent of the country's GDP over the business cycle. Since its introduction in 1997, the budget surplus/excess target on a pilot/trial basis has been used as the official policy guideline for the Swedish government since 2000. The Swedish government, in fact, also exceeded the surplus goals and saved more money than needed. It is notable that Sweden suffered an insignificant budget deficit of less than 1 percent of the country's GDP, despite Sweden's economy declining by almost 5 percent in 2009 due to the recession (Haffert and Mehrtens 2015).

The third fiscal rule which strengthened the fiscal management is the prevention of municipal deficits induced by consumption. It was adopted in 2000 and required all city-town councils and counties to limit their expenditures or increase their revenues so that they always show a stable and balanced budget (Haffert and Mehrtens 2015).

All the above institutions were further reinforced through the establishment of a fiscal policy council in 2007, an institution which comprises of expert bureaucrats insulated from politicians who would advise administration of the day and evaluate the state of its finances (Haffert and Mehrtens 2015).

Resultantly, the Swedish government has changed from a rather expansionary fiscal state to one of the most austere governments in developed countries, thanks to focus on politics, institutions and policies. Thus, between 2013 –2015, Sweden recorded budget surpluses of 3 percent of GDP. Notwithstanding the above achievements, soft public investment in the form of health care, child care, elderly care, and education has decreased more than in other developed economies (Haffert and Mehrtens 2015). Although the above-mentioned social services are still funded to a smaller degree by the government, they are largely delivered by privatefor-profit corporations. The net result was that the partial privatization of social services along with the reduction of taxes implies a significant shift from public to individual risk, a change that triggered a drastic rise in inequality as the gini-income coefficient rose from 0.19 points in the 1980s to 0.26 in 2008, a worst-case scenario in all other developed economies (Ibid). The World Bank (2013) defines gini-coefficient income as the degree of deviation from perfectly equal sharing of the distribution of income between individuals and households within a country. A value of 0 means absolute equality, while a value of 100 means total inequality or difference.

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Notwithstanding transformative setbacks such as wealth gaps and recessions, this article noted that the austerity winning recipe of Sweden is characterized by crucial stress factors such as political will and buy-in, stable fiscal structures, sound policies as well as strict adherence to 'surplus goals.'

4.1.2 The Case for the three Baltic Tigers of Europe

According to Usha (2017), the Baltics gained their independence from the former Soviet Union in 1991, when the ideals of neoliberalism emerged as a hegemonic philosophy in the management of political economies after the Soviet demise and the subsequent demise of the bi-polar Cold War phase.

Their agenda of becoming European encouraged ideas of returning to European standards to reverse consistent Soviet legacies and establish foreign prestige and identity in the Baltic (Van Elsuwege 2003 cited in Usha 2017). The Baltics then welcomed the neoliberal capitalist economy with ethno-politics, hoping that neo-liberalism and shock therapy were the only way forward to propel Western values thus negating the legacy of Soviet socialism (Usha 2017). The above evolution shows that austerity as a policy tool is premised on the neo-classical school of thought as has been elucidated in the section on theories and philosophies underpinning this study.

The success of austerity policies in the Baltic States is also linked to changes in political culture. Thus, in addition to economic reforms, the three Baltic States of Latvia, Estonia and Lithuania, based on the principles and values of the Western Liberal Republic, started to transform their political structure from authoritarian to democratic. They succeeded in creating very stable liberal-democratic political structures and institutions in this regard (Usha 2017).

The post-Soviet Baltic States adopted economic reform policies including market liberalization and the gradual elimination of state subsidies, the privatization of public sector companies, and the creation of a separate fixed peg currency board (Usha 2017). Usha (2017) stressed that these states have announced the development of new national currencies and have taken sufficient measures to convert them to other major Western currencies. In the sense of the currency board, Ibid noted that there was a static exchange rate policy which was faithfully followed. Furthermore, Ibid revealed that the move brought stable and credible government policies and created a private-sector dominated market economy.

According to Sommers, Woolfson and Tuska (2014), the Baltic States used internal devaluation in which they cut all civil service wages across the board. The move also made

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their currencies weaker and thus foreign goods were expensive while exports became competitive on the international markets.

After a crisis, in 1994 all the Baltic States showed quick recovery with considerable decline in inflation. There was positive GDP growth rate for all the states in 1994. Estonia had a growth rate of 8.5 percent between 2000 and 2007, Lithuania had 8.2 percent, while Latvia had 10.3 percent against the average of 2.5 percent of the 27 member European block (Usha 2017).

From the foregoing economic development trends, they earned nickname of the Baltic tigers because of their fastest growing economies in European Union throughout the 2000 – 2007 period (Usha 2017). The EU membership/association and the integration of European countries were the key contributory factors for growth, which expanded the prospects for capital inflows to the Baltics as well as improved investor confidence (Ibid). To substantiate the above argument, Sommers, Woolfson and Juska (2014) found that the Baltic states' success stories were powered by Swedish banks pumping investment inflows, borrowing cheap US and Japanese money from the Common Wealth for Independent States to promote their economies, EU structural funds while fueling property inflation, hot money from the Common Wealth for Independent States (CIS), and the former Eastern European nations that are now allied with Russia, who have sought to escape taxation and financial exposure in their home countries.

However, the provision of social services such as social insurance to residents in the form of free education, health care, subsidized goods and services and non-cash incentives to public corporations has been disintegrated (Usha 2017). They spent 15 percent of GDP on social security in 2000, compared to 26.8 percent of GDP in the EU, and 16.7 percent of GDP in 2000, compared to 27.5 percent. This scenario exacerbated poverty, misery and widened income inequality gaps in the Baltics (Ibid).

Sommers, Woolfson and Juska (2014) argue that banks had to be largely dominated by rich foreign countries in order to pressure the EU, the IMF, to bail out crisis-ridden countries, among other international lenders, to ensure that banks paid back their advanced loans. In this situation, the Scandinavian banks in the Baltics were able to exert pressure for bailouts on the EU and the IMF. Similarly, Ibid notes that the Baltic States should have been a big contagion danger to the IMF and other countries for the EU, IMF and neighboring states in order to be able to bail them out of the crisis. The Swedish financial system risked a run on deposits in the Baltics in this case, as well as the consequent collapse of its domestic banking system, thus facilitating bailout facilities for the Baltics.

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Sommers, Woolfson and Juska (2014) also claim that wages were far lower than the average income level of the EU in all the Baltic countries due to the convergence, thereby witnessing large inflows of foreign investment taking advantage of wage arbitrage. Similarly, Sommers, Woolfson and Juska (2014) also suggested that, in their austerity journey, the Baltic was able to succeed by increasing agricultural exports, in particular wheat and processed timber, food and value added timber, among other products. In addition to the abovementioned critical-success factors, Ibid further indicated that the Baltic States were able to export their commuting labour to other wealth European states due to a depoliticised population which would prefer emigration route than protest against government.

This article observed that despite austerity constraining factors such as mass demonstrations as well as income inequality which befell the Baltics in the midst of policy implementation, critical-success factors such as an austerity supportive political culture, high velocity in lines of credit, increased foreign investor confidence in the Baltics, increase in high value export receipts, religious adherence to principles of neo-liberalism – privatization of state-owned enterprises backed by good macro-economic policies such as internal devaluation, helped to make the Baltic Tigers of Europe the shining examples in austerity policy reforms across the globe.

4.1.3 The Cases of Greece and Portugal

In the case of Greece, joblessness and tax rises have decreased the economic growth rate of the country for some time, according to Bhoroma (2019a). In addition, the debt-to-GDP ratio of the Greek government was 175 percentage points, one of the highest worldwide. Against this backdrop, Greece has organized an austerity reform program that has secured over US$ 280 billion from the IMF and the European Investment Bank.

As a condition to the above bailout package, financial lenders therefore instructed the Greek government to re-organize its revenue collection agency to reduce tax avoidance. In addition, Greece was instructed to reduce public sector workforce by 150 000 headcount, reduce wage bill by 17 percent, reduce pension funds above US$ 1,300 by a range of 20 to 40 percentage points and increase property taxes (Bhoroma 2019a). Greece privatized 38 billion US dollars of government-owned properties in 2014. In addition to the above, in 2015, the Greek government also pledged to privatize an extra US$ 55 billion. As a result of the bailout package and its austerity reforms, its GDP grew by 1.9 percent after 9 year debt crisis which has reduced Greece‟s economic growth prospects by a quarter (Ibid).

To show the significance of political will and unity in austerity policy initiatives as has been highlighted in the economic voting theory, Artelaris and Tsirbas (2018) found that since 2010, the austerity and structural reform policies that the Greek government had to introduce in exchange for additional funds have divided the Greek political system into pro-austerity and anti-austerity parties. In the July 2015 referendum, these divisions reached a high.

On a similar note, Bhoroma (2019a) highlighted that in 2011, Portugal received a financial bailout package of USD 115 billion from IMF and EU under a 3 year IMF Staff Monitored Programme. In 2014, after a series of protests, the Portuguese government reversed the reform program and thus created an incentive window for industry. This article observed that there is a striking similarity between Portugal and Zimbabwe, since Zimbabwe decided to end austerity in December 2019 instead of December 2020 and as outlined in the Zimbabwe 2020 National Budget that was presented in November 2019, it was replaced by a tone of 'greater productivity, growth and job development.'

Bhoroma (2019a) established that although the reversal of the austerity reform program in Portugal was criticized by creditors, the move boosted spending and had a powerful effect on the growth of the economy. In this case, market confidence regained, while productivity and exports grew. As a result, in 2016, the economy of Portugal expanded by almost 1.4 percent, 2.7 percentage points for 2017, which is the highest growth rate in many years and generated multiple jobs.

This article observed that positive GDP growth rates in Sweden, Portugal, the Baltics, Greece, and other economies - through enhanced credit lines, improved business confidence, foreign investment capital inflows, export boom, among other variables are consistent with the New Growth Theory in Economics and neo-classical school of thought which advocate for private-sector led growth under the eclectic theoretical framework on austerity.

4.1.4. Zimbabwe's Austerity Measures: The Short-Term Transitional Stabilization Program (October 2018 to December 2020)

Austerity measures under Structural Adjustment Programme (SAP) 1990 - 1995

The concept of „austerity" is not new in the public finance and public sector reform contexts of African countries as it was implemented in most African countries from 1980 to 1999. SAP as reform package was anchored on austerity practices. The austerity thinking informed expenditure cut-back through reducing the civil service, public enterprises, social welfare provision (grants and subsidies).According to the World Bank (1981 study cited in Heidhues and Obare 2011: 58), with a view to resolving the perceived primary economic growth challenges facing African countries, SAPs have been initiated and implemented. These

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included fragile public sector management, resulting in loss-making by state-owned companies and bad investment decisions, as Africa's investment and operating costs exceeded 50-100 percent of those in Southern Asia, and the infrastructure base was expensive and inefficient. In addition, Ibid (p. 14) noted that price distortions resulted in inefficient resource allocation, especially through overrated exchange rates. On the same note, economist Robin Hanhel as cited in an online article by Shah (2013) noted that SAPs included the following four pillars: First, monetary austerity, which includes tightening the growth of money supply to lift internal interest rates to whatever levels are needed to stabilize the national currency's value. Second, financial austerity has involved an increase in tax revenues and a drastic reduction in excessive public spending. Third, the privatization of SOEs includes the sale to the private sector of government-owned companies. Fourth, financial market liberalization means eliminating barriers to global capital inflows and outflows, as well as restrictions to what foreign-based companies and banks are permitted to purchase, own and manage. In exchange, the IMF will lend itself to avoid defaulting on foreign loans that are about to come due and will otherwise be unpaid. Moreover, the IMF will coordinate, among private global lenders, a restructuring of the national debt, comprising a promise of new credits or finance.

According to Kapoor (2005), most austerity policy reforms in Africa, Zimbabwe included, failed to achieve their major objectives because the speed of reform implementation was at a snail pace. This failure in implementation is attributed to poorly developed institutions which resulted to poor implementation capacity. Ibid also noted that trade liberalization opened African markets to foreign competition without allowing adequate time for indigenous industries to adapt, resulting in deindustrialization and high levels of unemployment. In this instance, Ibid also noted that African economies were urged to open up at a time when their protectionist impulses were still retained by the economies of Western Europe, the USA and Japan. However, South Africa was protecting its domestic manufacturing sector through direct export subsidies. Furthermore, Ibid established that spending on social services, such as the provision of health and education, has been decreased, leading to poverty and a worsening of the human development indicators. Heidhues and Obare (2011) claim that in most African states, the implementation of the austerity guidelines was weak, only stop-and-go and half-hearted. In addition to the above, Ibid pointed out that there was a disparity in ownership and political will to enforce these austerity measures, despite the spirited budgetary support and the conditionality of their sponsors, who were primarily the World Bank and the IMF, aligned with that support.

More than two decades after abandoning the SAPs which were implemented between 1990 and 1995, in the first week of October 2018, the Zimbabwean government adopted the Zimbabwe Transitional Stabilization Reforms Agenda. The Transitional Stabilisation

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Programme (TSP) was adopted by the new dispensation (from October 2018 to December 2020) and the programme lays a firm foundation for achieving austerity objectives in Zimbabwe. The TSP is premised on seven fundamental pillars which included: first, prioritize macro-economic stability – through fiscal and debt sustainability; mobilization of domestic savings and improvement in the competitiveness of exporters; containing the twin deficits of BOP and budget deficits and an improvement on revenue for government. Second, structural changes to achieve sustained growth through managing budget spending, reforming the public service, empowering provinces by devolution, including rent-seeking and unethical practices, ease of doing business reforms, entering international financial markets and prioritizing sustainable external inflows. Third, productive sector reforms – through revamping of the agriculture, mining and manufacturing sectors of the economy. Fourth, service sector reforms – through revamping of the tourism, digital economy, banking and financial services sector, as well as improving the insurance and pension savings environment. Fifth, revamping of the public infrastructure and utilities cluster – through leveraging on official development assistance grants and public-private partnerships. Sixth, prioritizing human and social development – through revamping the education and health sectors as well as strengthening empowerment programmes through embracing gender equality. Seventh, strengthening governance reforms by prioritizing the rule of law, political governance and democratization, enhancing human and property rights, prioritizing nationwide peace and reconciliation in Zimbabwe, as well as tolerance, freedom of expression and association. The TSP also prioritizes the achievement of an upper-middle income position in which the country will have a per capita income of US$ 3,500-00 by 2030, a departure pattern of per capita income of less than US$ 1000-00 from a low-income nation status. In macro-economic and structural reform, the tone of austerity is highly evident, as focus is put on containing the twin deficits of BOP and budget deficits by managing budget spending and rising revenues with a view to ensuring fiscal and debt sustainability. As the TSP (October 2018 to December 2020) has stressed, Vision 2030 will be accomplished through a two-and-a-quarter transitional stabilization program that is scheduled to run between the first week of October 2018 and the end of December 2020. The two Five Year Growth Plans, first from 2021 to 2025, and second from 2026 to 2030, will also follow this. These policies to be introduced under the President Emmerson Mnangagwa –led new dispensation are intended to promote domestic production, increase export receipts, rebuild and turn the economy to an upper middle income status by 2030.

This Vision 2030 is premised on improving five cross-cutting themes such as governance reforms, macro-economic stabilization as well as financial re-engagement, all-encompassing growth, revamping the public infrastructure and utilities cluster as well as promoting social progress. According to the Zimbabwe"s TSP (2018 to 2020) and the Zimbabwe African National Union - Patriotic Front (ZANU-PF) (2018) people"s manifesto, Vision 2030 is premised on values and objectives which entail:

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- An improvement in governance and the rule of law – increase in political rights and an autonomous and independent judiciary arrangement.
- Re-orientation of the Country towards Democracy – through embracing multi-party system.
- Safeguarding Freedom of Expression and Friendship/Assembly – embracing lack of restrictions on speech and assembly through revoking of media legislations such as the Access to Information and Protection of Privacy Act (AIPPA) and Public Order and Security Act (POSA).
- Secure peace and national unity – through embracing national healing, unity, peace and reconciliation as the cornerstone to growth and development.
- Respect for Human and Property rights – through revamping the indigenization and economic empowerment policy to be investor friendly.
- Attainment of Responsive Public Institutions – through embracing transparency and accountability systems in government institutions.

- Broad-based People Participation in nationwide socio-economic development programmes – this can be achieved through stimulating fairness, equality, gender balance and empowering the youths, women, people with disabilities as well as other vulnerable groups in line with the Sustainable Development Goals.
- Political as well as Economic Re-engagement with the global community – through openness to international election observation, re-opening Zimbabwe for global business, re-engaging international creditors such as the IMF, World Bank, the Paris Club, among other creditors. This inter-alia includes rebuilding local, regional and international partnerships.
- Creation of a Competitive and Welcoming Business Environment – through embracing the ease of doing business reforms and creation of the Zimbabwe Investment Development Agency (ZIDA) as one-stop centre for investors. This is in track with the „Zimbabwe is open for business" mantra.
- Enhanced domestic and foreign investment – through targeting to receive US$ 5 billion in annual foreign direct investment (FDI) inflows and ensure US$ 10 billion in domestic investment.
- A forceful fight against all practices of corruption – through capacity building of the Zimbabwe Anti-Corruption Commission (ZACC) and other law enforcement agencies to be able to fight corruption.

Consistent with the New Growth theory in Economics and the Progressive Consolidation view as enunciated in the theories underpinning austerity earlier in this study, both the TSP and Vision 2030 lay a firm foundation for austerity through controlling of public expenditure

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and increasing efficiencies in revenue receipts. It then follows that the savings from austerity-induced budget surpluses will be invested towards economic growth and development. Thus, both the TSP and Vision 2030 make significant strides in laying a firm foundation for achieving an upper-middle income status by 2030 through savings, stability and economic growth - induced from austerity culture in public finance and the national financial planning process.

To give impetus to TSP and its subsequent broad policy initiative, the Vision 2030, the Zimbabwe 2019 National Budget presented in November 2018, has spelt out Zimbabwe‟s austerity reforms through adhering to the following austerity measures:

- 5 percent salary cuts for senior civil servants from principal directors of ministries to the presidium
- Retiring civil servants above 65 years
- Introducing civil servants bonus scheme computed on gross salary excluding allowances
- Biometric Register for civil servants to flash out ghost workers
- Cutting foreign mission expenditure from USD 65 million in 2018 to USD 50 million per year; and • Parking of government vehicles during weekend after work.

Citing the case of Zimbabwe after taking stock of the above mentioned austerity policy initiatives, Bhoroma (2019a) argues that despite the government‟s best intentions of reducing budget deficits from 12 percent in 2018 to 5 percent in 2019, recording a budget surplus of ZWL 804 million between January and June 2018, increase in the 2 percent electronic transfer as highlighted in the 2019 Zimbabwe Mid-Year Budget Review and Supplementary (presented on 1 August 2019) and a national current account excess of US$ 196 million in the first quarter of 2019 as compared to a deficit of US$ 491 million in the similar period in 2018; austerity tended to shrink economic growth by a negative 6.5 percentage points, reduce the quality of public service delivery and eventually shrink tax revenues which far outweighed the benefits of reduced public spending. As Bhoroma further observed, despite the fact that Zimbabwe's austerity policy reforms had to be enforced within the given timeline of two years to minimize government consumption debt, the government did not avoid expenditures on foreign travel. This situation, as further argued by Bhoroma, was worsened by the fact that the IMF did not provide the much-needed bailout package, despite economic recessions, job cuts and company closures. In its reports on the review of Zimbabwe‟s progress with regards to implementation of the Zimbabwe SMP, IMF (09/12/2019) noted that besides drought which constrained agriculture productivity and power generation,

Weakening confidence, policy uncertainty, a continuation of FX market distortions, and a recent expansionary monetary stance has increased pressure on exchange rate. Since the

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February currency reform, the exchange rate has depreciated from USD 1: 1 ZWL to USD1: 16.5 ZWL (as of September 23), fostering high inflation, which reached almost 300 percent (year-over-year) in August.

In light of the foregoing developments, IMF Report (2019) cautioned that policy arrangements are needed immediately to address the root causes of economic uncertainty, contain fiscal expenditure in line with non-inflationary financing steps, and tighten monetary policy to stabilize the Zimbabwe Dollar (ZWL) value, allow private-sector led development, and begin to renew trust in the national currency system.

In its February 2020 Monetary Policy Statement, the Reserve Bank of Zimbabwe emphasized that Foreign Direct Investment, which is a crucial success factor for austerity in the three Baltic States of Europe, declined from US$ 717.1 million in 2018 to US$ 259 million in 2019 (which is a 64 percent decline), elucidating the downsides associated with Zimbabwe's economy under austerity measures. The Statement further emphasized that the inflow of net investment in the portfolio decreased substantially from US$ 54.7 million in 2018 to US$ 3.7 million in 2019 (which is a 93 percent decline). Such declines on both fronts were due to increased risk to the region. The UNDP (2017) noted that growing cases of recurrent droughts, severe floods, hailstorms and hot weather situations have made the effect of weather change and instability more evident. This phenomenal shift in the weather has slowed the growth of Zimbabwe and poses a significant risk to the state of food sustainability.

It is important to note that the Zimbabwe IMF Staff Monitored Program transformed Zimbabwe from statist financial solutions reliant to the private-sector led growth path. To corroborate this assertion, Africa Confidential (2019) has observed that the SMP reform package imposed harsher cuts on public expenditure while signaling an end to subsidies for elite farmers. In this respect, the article has noted that the Command Agriculture Program which was funded by the government to the tune of more than US$3 billion is now being funded through the private sector-led agro-yield program which was funded to the tune of ZWL 4 billion in the 2019/2020 agricultural season, a program which crowds-in some commercial banks to superintend over the agriculture financing system.

Elucidating the increasing importance of bailout plan in austerity and currency reforms, the Governor of the Reserve Bank of Zimbabwe, Dr John Mangundya as cited in an article by Tome in the Herald Business (13/02/2020), states that the side effects of macro-economic reforms employed by both monetary and fiscal authorities in 2019, which have not earned foreign budgetary support from the IMF, are some of the challenges Zimbabwe faces. In further clarifying the point, the Governor of the Reserve Bank noted that other countries, such as Africa's Egypt and Angola, both European countries of Portugal and Greece, had

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introduced and adopted reforms of the same nature that were well-funded. In the same article, the Governor appreciated that transitioning from dollarization to mono-currency would be a painful phase which takes a long period of time.

Noteworthy is that empirical researches have been done to corroborate the increasing importance of bailout in foreign-debt stressed economies. To substantiate the foregoing argument, Knee (2019) established that academic studies have found that when a country‟s debt to GDP ratio passes the 90 percent mark or so, it affects economic activity. This finding is further corroborated by research from the European Central Bank and the Bank for International Settlements in May 2019. In citing examples, Knee gave Argentina which received IMF bailout in June 2018, as its debt-GDP ratio was 60 percent and a high proportion of that debt was held offshore, while with 50 percent inflation, its currency the Peso significantly lost value. In this context, Knee stressed that the government of Argentina had difficult repaying the hard currency debt and IMF had to intervene through a bailout plan.

In the same score, Knee (2019) pointed that many IMF bailouts in the past have occurred under similar conditions, such as Russia in 1997 and Ghana in 2015. In elucidating the above point, Knee emphasized that the issue is not necessarily about a country‟s total indebtedness, but the extent to which it has borrowed in foreign currency. In this respect, the government cannot print foreign currency, and if its economy deteriorates, it cannot borrow the currency to repay its existing debt, so a crisis exists. In light of this argument, Zimbabwe is in the same predicament, given that at the point of austerity intervention in 2019, Zimbabwe had USD 9 billion foreign debt which is about 66 percent of GDP at that point. It may therefore be argued that Zimbabwe‟s austerity reform program should have been done under Staff Monitored Program and „phased bailouts‟ to ensure its efficacy. The article notes that since Zimbabwe is a net-importer with industrial capacity utilization hovering around 35 percent, the route of a stand-alone domestic currency should be efficacious if the country has obtained a bailout package of at least 6 to 12 months import cover (USD 4 billion to USD 6 billion) to anchor growth and stabilize the domestic currency. This argument is further reinforced by the fact that the people of Zimbabwe still have nostalgic feeling of the pre-2009 era when their local currency-denominated savings lost value due to an unprecedented rise in the prices of goods and services. Thus, the article argues that the financial - import cover partnered with a strong banking and financial services sector supervisory framework will assist in stabilizing the new monocurrency and in the medium to longer term period will thus help in restoring the public confidence in Zimbabwe currency.

However, Bhoroma (2019b) argues that Zimbabwe debt to GDP ratio might not rate the worst as evidence from the International Monetary Fund data of 2019 pointed that the

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developed countries top the graphs on the debt to GDP ratio citing Japan with a 238 percent one, Italy‟s 134 percent, the United States‟ 106 percent, and in Africa, Mozambique has 124 percent, Angola 91 percent, while Egypt has 87 percent. In this regard, as cited in Bhoroma (2019b), the IMF pointed out that global debt had risen to US$ 88 trillion in 2019, which amounted to nearly 230 percent of global industrial production. That being the case, Bhoroma argues that since there is a direct correlation between the gross fixed capital production of a nation and its GDP, as is the case in countries with high debt-to-GDP ratios, such as Japan, Singapore, Italy, the United States, Belgium, among others, Zimbabwe should use its debt wisely to fuel economic growth and development by channeling its debt. This involves ensuring the debt goals for key infrastructure development projects, such as road and communication networks, electricity, rail, ports, schools, hospitals, financial infrastructure, etc. This careful use of debt creates trade prospects for Zimbabwe's home-grown marketplace and unlocks private economic investment.

As has been observed by Potts and Mutambirwa (1998), under the Economic Structural Adjustment Program (ESAP), to judge Zimbabwe as a failure case in the implementation of ESAP is not fair given drought that befell the country in the midst of policy implementation. To elucidate the foregoing, Potts and Mutambirwa (1998: 56) have observed that,

One final point about ESAP is that, almost immediately after its introduction, Zimbabwe suffered two very serious years of drought which had devastating economic effects. This has obviously made evaluation of the macro- economic effects of ESAP rather difficult although it is much easier to establish the micro-level effects on specific types of jobs, health, education, food prices etc.

In this respect, this study argues that to judge Zimbabwe as a failure case on austerity on the basis of bureaucratic incompetence would be unfair, given that Zimbabwe has been a victim of cruel circumstances as natural disasters such as the 2019 Cyclone Idai which caused severe damages to infrastructure and claimed people‟s lives in the Eastern side of the Country in Chimanimani as well as the poor 2018/2019 as well as 2019/2020 agricultural seasons induced by erratic rainfall patterns due to climate change phenomenon, befell Zimbabwe. In elucidating the effects of the calamities to depletion of Zimbabwe‟s foreign currency reserves, the Governor of the Reserve Bank – Dr John Mangundya as quoted in an article by Tome in the Herald Business (13/02/2020) stressed that due to drought, Zimbabwe is using foreign currency to import electricity, wheat and maize. Zimbabwe possesses comparative advantage in terms of electricity, maize and wheat production, and investing in the production of the above will reduce Zimbabwe‟s imports and save scarce foreign currency. For example, through investing in electricity generation and transmission, the US$10 million required to import electricity every month will be reduced. In this regard, with majority of economies across the globe being agro-based, the need to climate-proof their economy through investing in irrigation technology and infrastructure is particularly

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pressing. This climate proofing strategy is particularly important given the devastating effects of the climate change-induced calamities to developing countries.

To further elucidate the impediments to Zimbabwe‟s austerity reforms, Africa Confidential (2019) posits that because of weaker bank supervision and surveillance, the elite would procure foreign currency on the inter-bank market and sell the same foreign currency on parallel markets on high premiums and this led to exchange rate volatility and drove the levels of inflation up. It may be argued that the government of Zimbabwe needs to establish strong institutional frameworks for the supervision and surveillance of banks and financial services sector, by among other things regulating mobile money platforms and other emerging technologies that enable convenience in public transacting. These frameworks would create stable macro-economic environment which further gives impetus to the success of austerity policies. In this regard, using the three Baltic States of Europe above as reference point, this article recommends that pegged rates (floating exchange rate) should be stabilized as in the above cases. This view has been shared with scholars such as Bhoroma (2019c) who observed that Zimbabwe needs strong institutions with a view to enforce and sustain the level of market discipline through fighting corruption and other financial malpractices. If properly implemented and monitored, these strong institutions will stabilize the economy under painful period of austerity and beyond.

4.2 Real-world Challenges Threatening the Implementation of Austerity Policies

Usha (2017) posits that austerity measures have been introduced in several crisis nations in Europe and have raised catastrophic costs to the general public, elucidating the real problems facing the introduction of austerity in the European nations. Citing examples from European countries such as the United Kingdom of Great Britain, Ireland, Spain, Italy, Greece, Portugal, France and others, Usha noted that austerity has led to mass mobilization, the development of anti-austerity streets and the EU-wide strike by workers and trade union leadership against unemployment, inequality and poverty. Thus, according to BBC (2012 cited in Usha 2017: 79), the demonstrators were carrying banners denouncing the troika – the EU, IMF and ECB and demanding reform in austerity policy that caused rising inequalities, conflicts and increased social instability.

In order to demonstrate the realistic difficulties of austerity policies in the states of Portugal, Italy, Greece and Spain (PIGS), Gualerzi (2017) noted that budget cuts that decreased public sector spending froze both the hiring and recruitment of civil servants and wage rises were also introduced in the PIGS in several parts. Thus, when there was stagnant aggregate demand due to the freezing of wage increases, the budget cuts slowed economic development.

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The above disastrous consequences on austerity have been corroborated by Ponticelli and Voth (2012 study cited in Clarke and Newman 2012: 309), as they observed that, .in Europe there was high frequency of riots, anti-government demonstrations, general strikes, political assassinations, and attempts at revolutionary overthrow of the established order.

Clarke and Newman (2012) also stress that in most countries where austerity is implemented in Europe, public sector employees were women, so cutting of wages severely affected the welfare of women particularly in Spain, Ireland, UK, among other administrations.

Given the afore negative effects of austerity on GDP growth and income distribution, IMF urges governments across the globe to ensure social security of the suffering millions through availing social safety nets (Usha 2017). Against this background, in Zimbabwe, the new dispensation has rolled-out social safety nets such as maize roller meal subsidy, subsidized public transport systems by availing ZUPCO buses, provided grants to institutions of higher learning and the health sector.

5. TOWARDS SUSTAINABLE AUSTERITY POLICIES

The concept of „austerity" emerged from IMF public policy and management language in early days of the new millennium, as a refinement to Economic Structural Adjustment Programmes (ESAPs) which had dismally failed. The concept was championed by the former IMF Managing Directors – Dominic Strauss Kahn and Christine Largarde as the concept appeared in high frequencies in their policy languages. Noteworthy is that austerity then gained traction after the 2007-2008 global financial crisis as IMF emphasized on national expenditure cuts (balanced budgets), and increased social safety nets as well as debt cuts as panacea to development challenges facing both the advanced and developing economies. Austerity as a policy tool to contain the twin deficits of budget deficits and balance of payment deficit; is informed by an eclectic theoretical framework drawing on theories such as: New Growth Theory, Post Consolidation view, neo-classical school of economics (freshwater economics as enunciated by the University of Chicago in the USA), Economic Voting Theory, regime-type hypothesis, among other paradigms. These theories are premised on the philosophical caveats of Economics, Political Science as well as Public Administration and Management discourses.

Drawing from the reviewed country cases such as Sweden, the three Baltic States of Europe, Greece, Portugal, other European countries and African countries that include Zimbabwe, the following is a mix of elements or necessary conditions for austerity to bring prosperity:

- There is need for the government to ensure that all the political parties in a country embed the fiscal consolidation agenda in their systems and values. Unity of purpose on the political front is essential since there will be buy-in and ownership of the reform process

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and it will neutralize demonstrations against the painful reforms. This proposal is therefore important since austerity policy initiatives are accompanied by demonstrations, go-slows and social unrests. This is in line with the economic voting theory which assumes that usually the painful austerity reforms reduces the political clout of the government in power while it strengthens that of opposition political parties. Thus, there are two options to quell the noise – either through political unity or the suppression of opposition to those policy initiatives as earlier alluded to under the regime-type hypothesis. Where possible, both the government and the opposition front-runners under a united front being guided by the government public relations framework, should roll out awareness campaigns to sensitize the public on the long-term positive effects of the austerity policies to the broader socio-economic spheres of the country. These awareness campaigns should immunize members of the public from all forms of temporary setbacks associated with these austerity initiatives and more focus should be put on the long-term positive effects such as economic growth and development prospects for the country.

- There is need for the government to establish social contract through a credible tripartite negotiation forum (TNF). The TNF as tool will ensure buy-in of the austerity reforms from all stakeholders across the board such as government, labour, business and civic society organisations, a move which can ensure a stable macro-economic environment, where retrogressive actions such as strikes, go-slows, industrial action, wanton price hikes, among other moves, are reduced. This TNF as strategic policy tool should also be reinforced by rolling out capacity building workshops with a view to strengthen the skills and knowledge base of the civil service which will be implementing the austerity policies on the ground.

- For austerity policies to work there is need to ensure high velocity of capital inflows into the country, which capital will grease the country‟s production and supply chains, like the case of the European -based Baltic tigers. In this score, the government through its financial apparatus should negotiate for more lines of credit where possible. This should be strengthened by phased financial bailout plans especially when the country‟s debt-to-GDP ratio is above 60 percent, and the large component of that debt will be externally-based. The cases of Portugal, Greece and Argentina offer enviable performance in this regard, as IMF rolled-out some bailout to assist the austerity reforms to be successful. Noteworthy is that as in the case of the Baltic States, the clustering-effect and strong bargaining power of international banks and companies existing in the country should be coalesced to exert influence for a bailout plan from regional and international financiers as well as to negotiate more lines of credit. As is the case with the European Union (EU) and Asian economies in general, African regional integration should be organized in such a way that a crisis response fund should be set up by regional blocs such as the Southern African Development Community (SADC), the Economic Community of West African States (ECOWAS), among other economic groups. This crisis response fund will act as a buffer zone or the first line of defence for African economies during times of crisis and will also assist African

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economies in the absence of international financial help. The three European Baltics, Portugal, Greece, among others, offer enviable examples on how regional integration can be leveraged to financially assist economies in deep austerity reforms to recover from the challenges associated with these policy initiatives. Noteworthy is that as is the case in Asian economies, bilateral arrangement in African regional blocs should be configured in such a manner that central banks can sign Memorandum of Understanding to bailout each other in times of crisis.

- The government should strengthen its foreign direct investment (FDI) targeting systems to ensure that there is a high inflow of Foreign Direct Investment capital into the country to increase the GDP of the country. This should be done through ease of doing business reforms, one-stop shop for investors to target strategic FDI source markets for the benefit of the country.
- There is need to ensure that the export sector is vibrant through supporting it with incentives, concessional loan facility and devaluation to promote competitiveness of the exporting companies. In this regard, there is need to target high value export sectors such as the mining sector, the agricultural sector as well as the tourism sector, among other sectors, to bring in the much needed foreign currency to stabilize the economy.
- To strengthen the post-consolidation phase, the central government through the Ministry of Finance and Economic Development as the lead actor should always endeavour to ensure that public expenditure limits are adhered to. Relatedly, the expenditure limit rule should cascade to the local level where city councils, municipalities and local authorities should embrace a culture of balanced financial strategies. The case of Sweden offers enviable performance in this respect.
- While most countries have well–established monetary policy committees on the monetary front to stabilize the market, much effort should be applied to strengthen and deepen the supervision and surveillance of banking and financial services sector with a view to eradicate black market trading which causes exchange rate volatility and inflation, vices which erode market confidence. The supervision and surveillance frameworks should target the regulation of mobile money platforms and other emerging technologies that are bringing transactional convenience to the public to ensure that these platforms are not abused to destabilize the market. Fighting the graft of corruption should also be improved to increase investor confidence. In this regard, government should build the capacity of law-enforcement agencies and other government departments that deal with corruption through training and availing adequate financial and material resources with a view to instil high level of discipline in the economy. In the same vein, on the fiscal front, institutions such as the fiscal policy commission which is an independent body manned by people of great repute with rapid fiscal insight as the case of Sweden should be established to advise government in fiscal matters such as revenue and expenditure targeting systems. Noteworthy is that while much effort should be done to contain government expenditure,

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government should also strengthen revenue collection mechanism through capacitating revenue collection agencies so as to increase revenue for the administration.

• Government should make deliberate efforts to provide social safety-nets to vulnerable members of the community such as subsidized transport system, subsidized health system, education and provide subsidized staple food, such as the subsidized roller meal coupon system, all currently being rolled-out in Zimbabwe.

• There is need for government to systemize policy consistency to build market confidence. Underneath this view, responsible authorities from the fiscal and monetary front, should use a graduation approach to austerity reforms and avoid big-bang approaches such as knee-jerk policies, unnecessary policy reversals, which erode market confidence and retard economic development. More so, government through cabinet ministers, the president, the parliamentarians as well as the judiciary, the business community and civic society organizations should speak with one voice on policy issues and this can be fostered through approaching public policy issues using the New Public Governance framework, in which trust, relational capital and networks are core values of the paradigm, fundamentals key to stakeholder cohesion and nation-building.

• With the majority of African economies being agro-based and hydro-powered, there is need to climate proof their economies, through investing significant amount of money into irrigation infrastructure and technology, diversify the electricity mix through investing in solar, wind, thermal power generating infrastructure, respectively, given the disastrous effects of climate change phenomenon. Similarly, significant efforts should also be made to invest in key enablers of doing business such as water, fuel and road networks to lay a solid foundation for success of austerity policies if executed.

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6. CONCLUDING REMARKS

In conclusion, it is important to note that gaps in the above conditions coupled with aspects like climate change-induced natural disasters such as persistently severe droughts and cyclones have resulted in governments failing to implement austerity policies, as is the case of Zimbabwe. Despite the negative effects of austerity on the wider social and economic realms, such as decreased aggregate demand, slowed economic development, income inequality and devastating consequences such as industrial action, protests and slowdowns, authors such as Gualerzi (2017) underscored that due to austerity policies, finance has played an important role in round of denationalizations or privatisations of public-owned companies. This is because a great original marketplace is evolving in the disputed area of the denationalization of state-owned enterprises, and public services in their entirety with a view to increase fiscal space. As Gualerzi further observed, the concept of public service is disappearing in favour of profit-making rationality, let alone the partnerships between the government and the private players which are vehicles for economic transformation across the globe. Thus, the article concludes by encouraging African economies to embrace austerity best practices with a view to derive benefit from the policy initiatives.

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