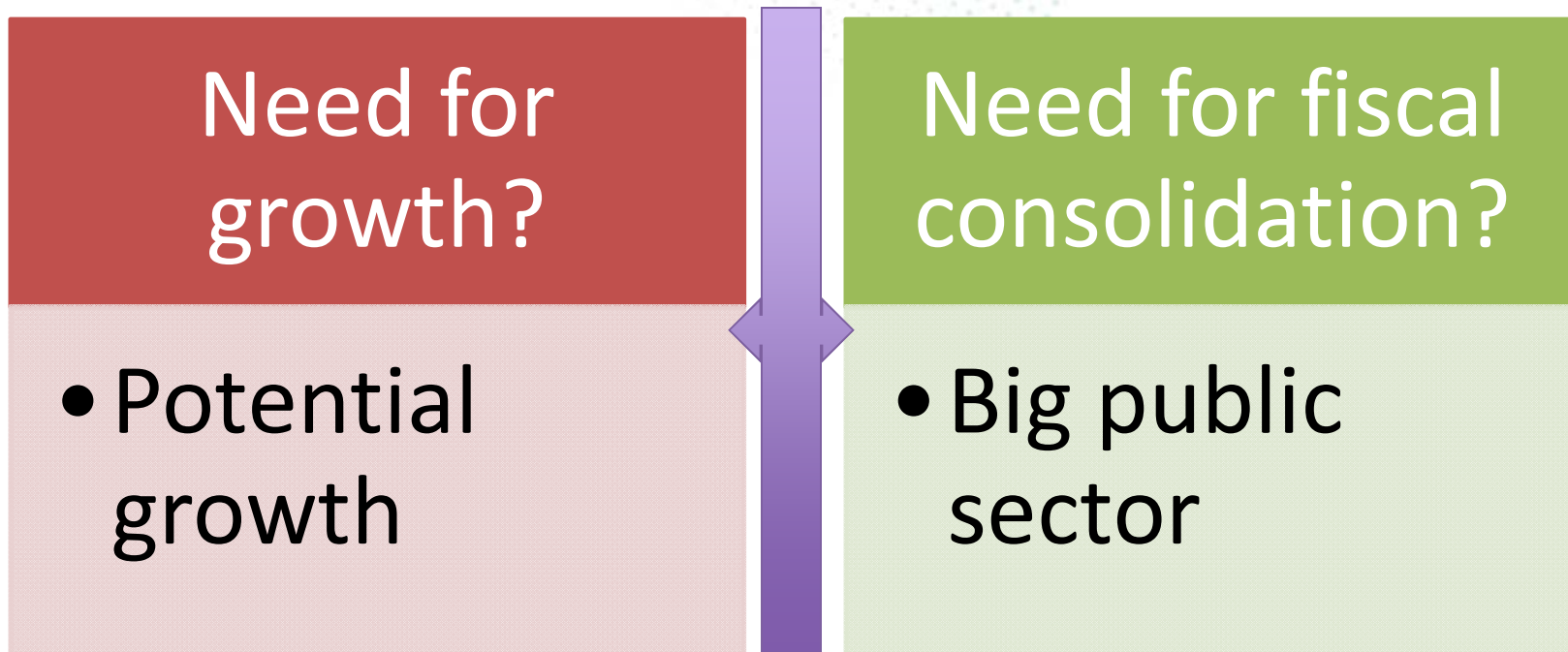


How to implement growth-friendly fiscal consolidation?

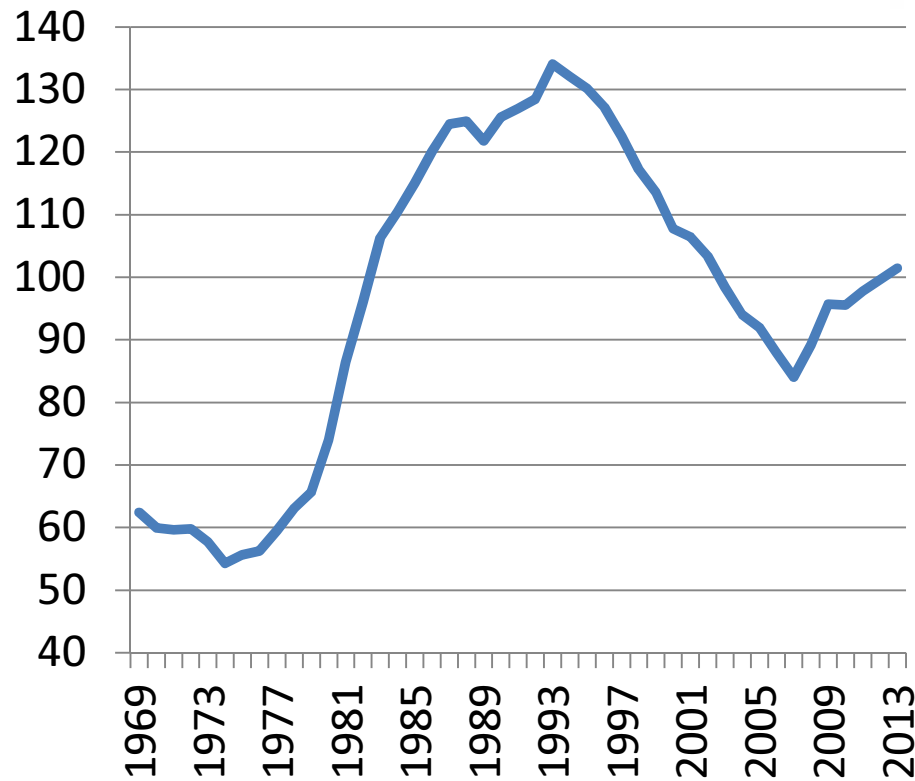
Caroline Ven

ECFIN seminar September 25 2013

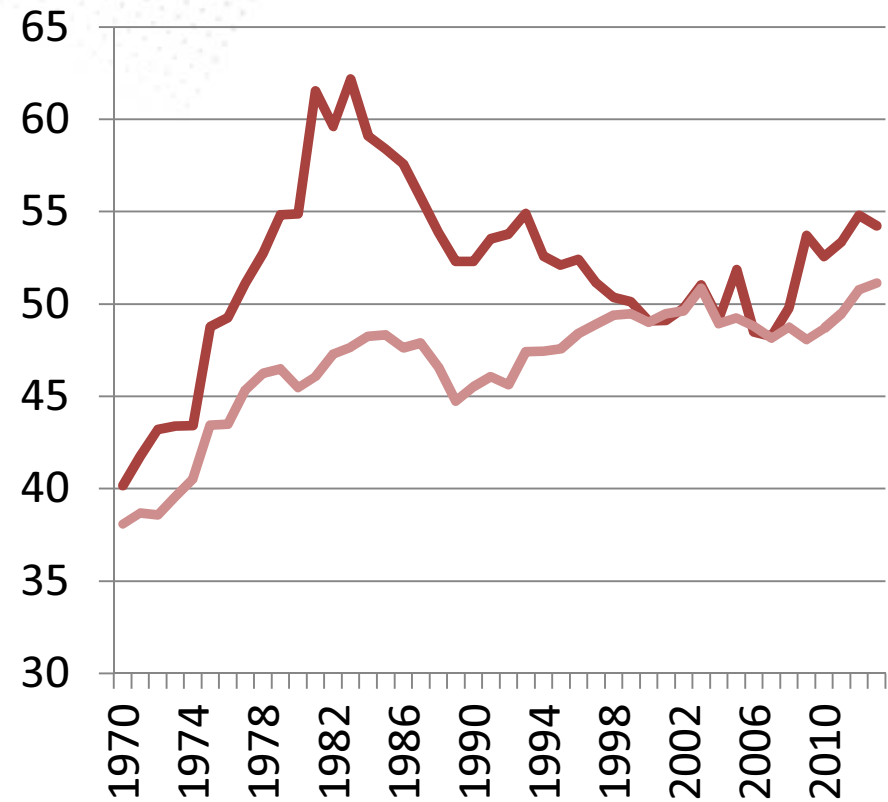


Big public sector

**Gross public debt
% GDP**



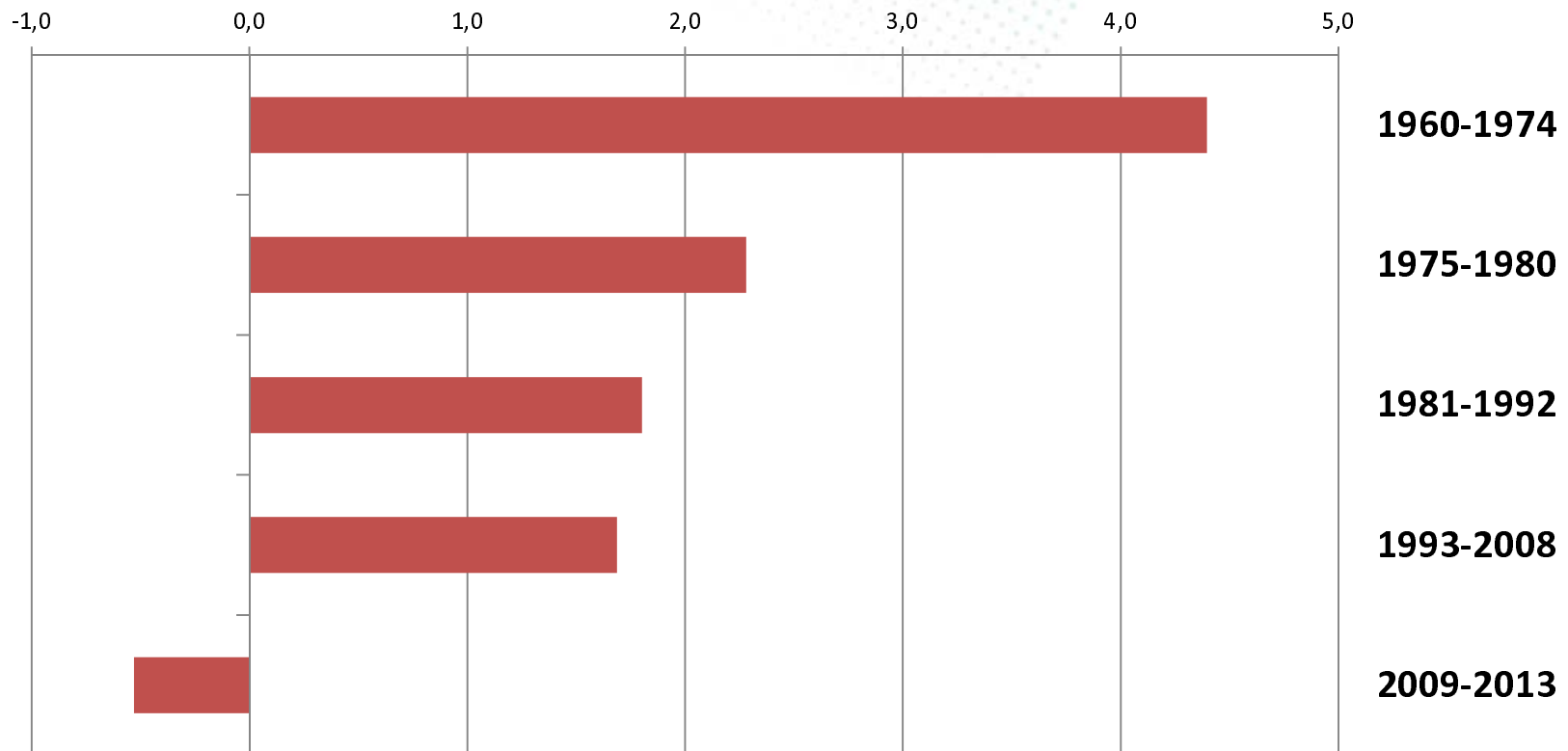
**Total public expenditure and
revenue**



— total expenditure — total revenue

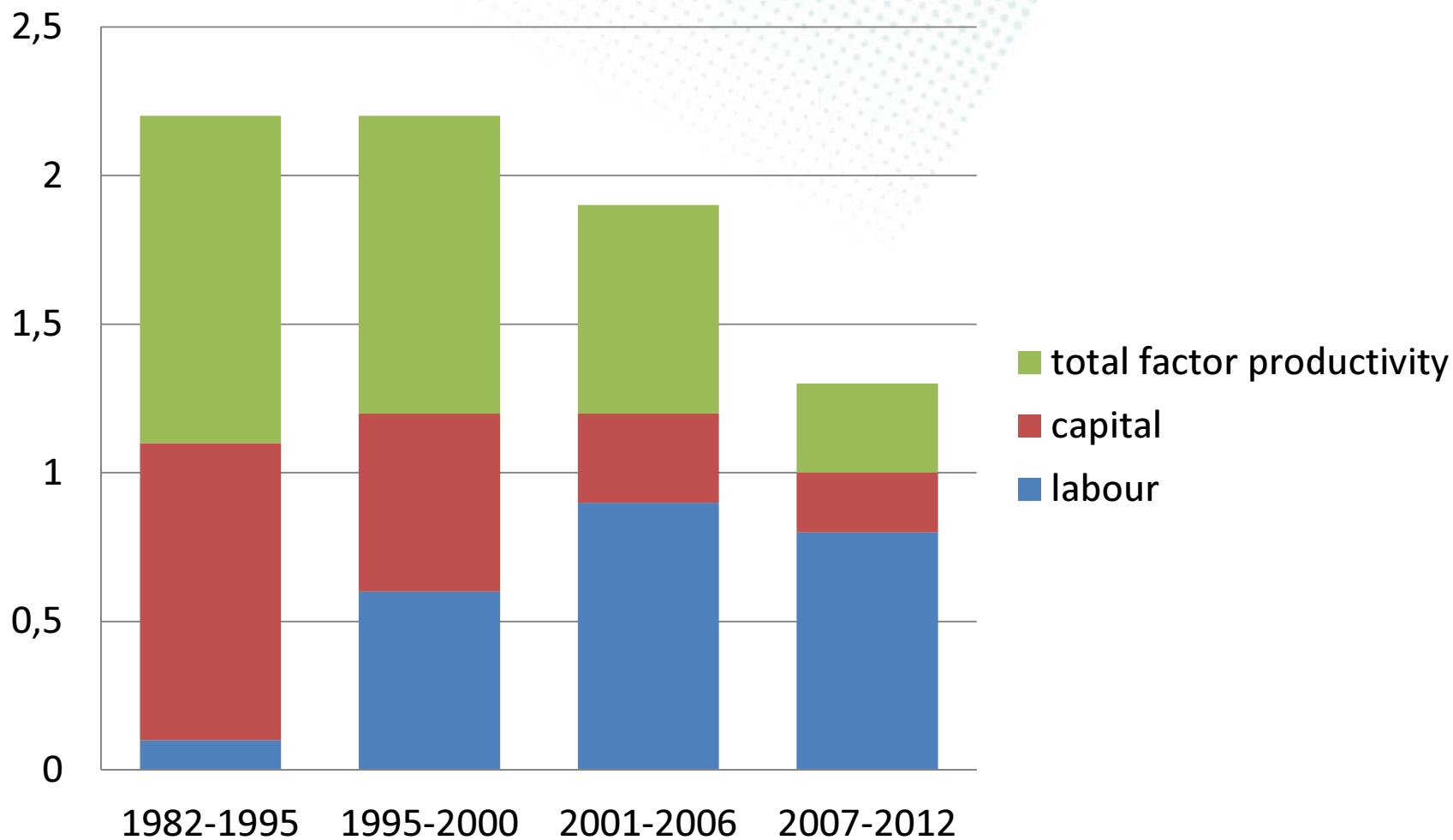
Need for growth

GDP per capita (% yoy in constant prices)



Source: AMECO

Contribution to potential growth



Source: NBB, federal Planning bureau.

Policy objective: competitiveness

*= the degree in which
an economic structure of a region
is healthy and flexible enough
to deliver future growth and prosperity.*

Competitiveness

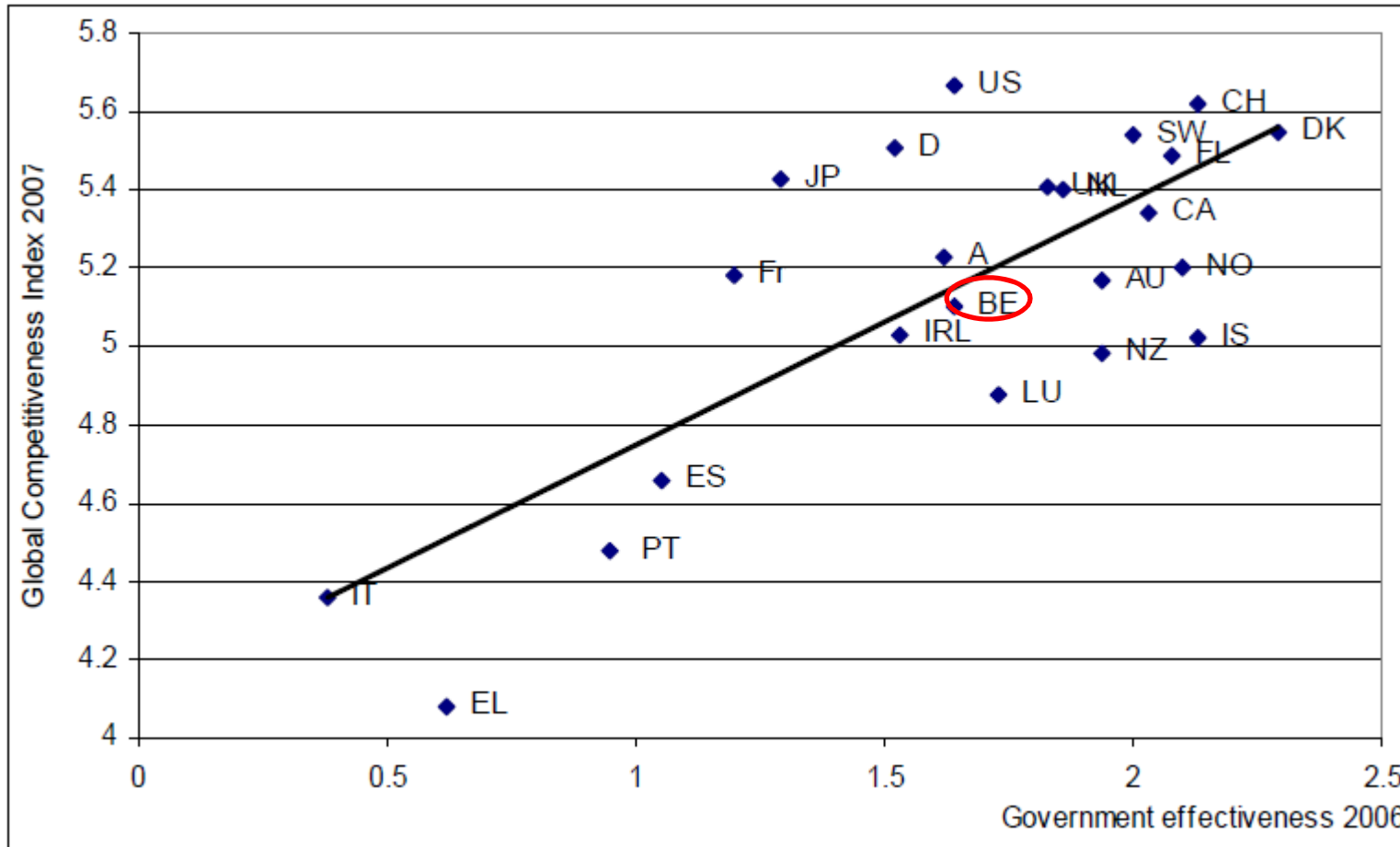
- *Not about wages alone*
- *No such thing as an ideal size of government*
- *It is about making investments and work pay off*



Governance matters

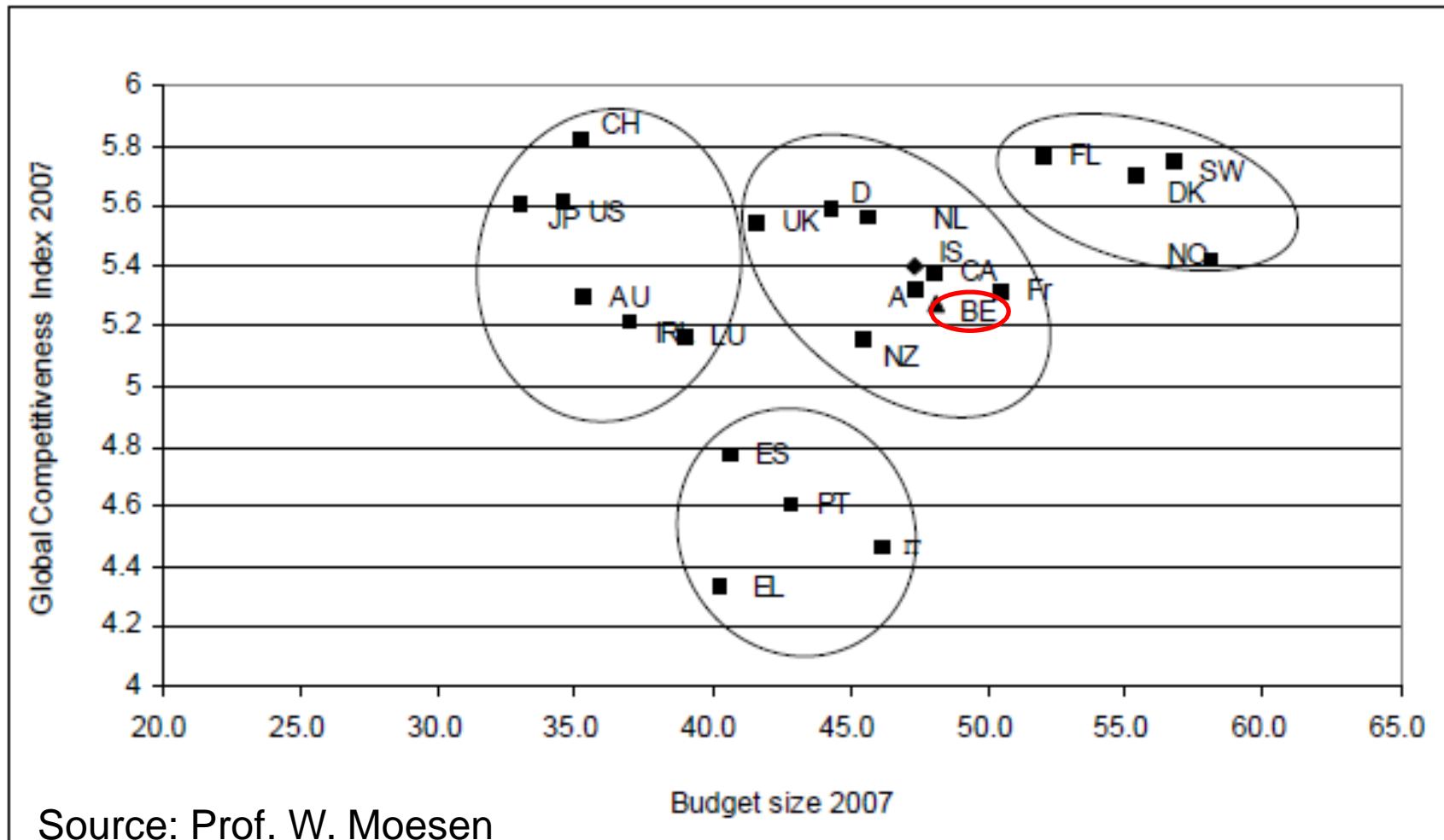


Competitiveness & government effectiveness

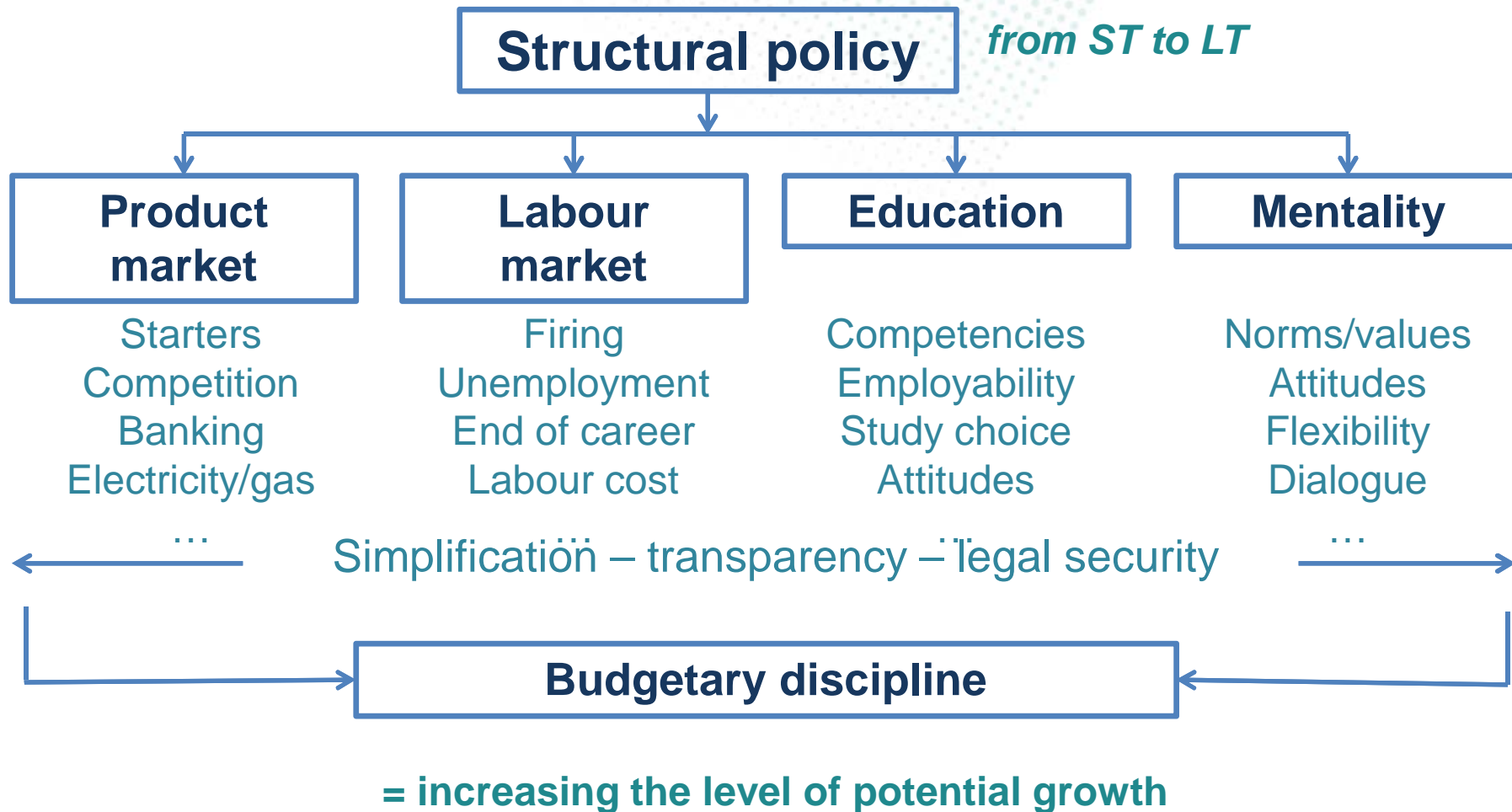


Source: Prof. W. Moesen

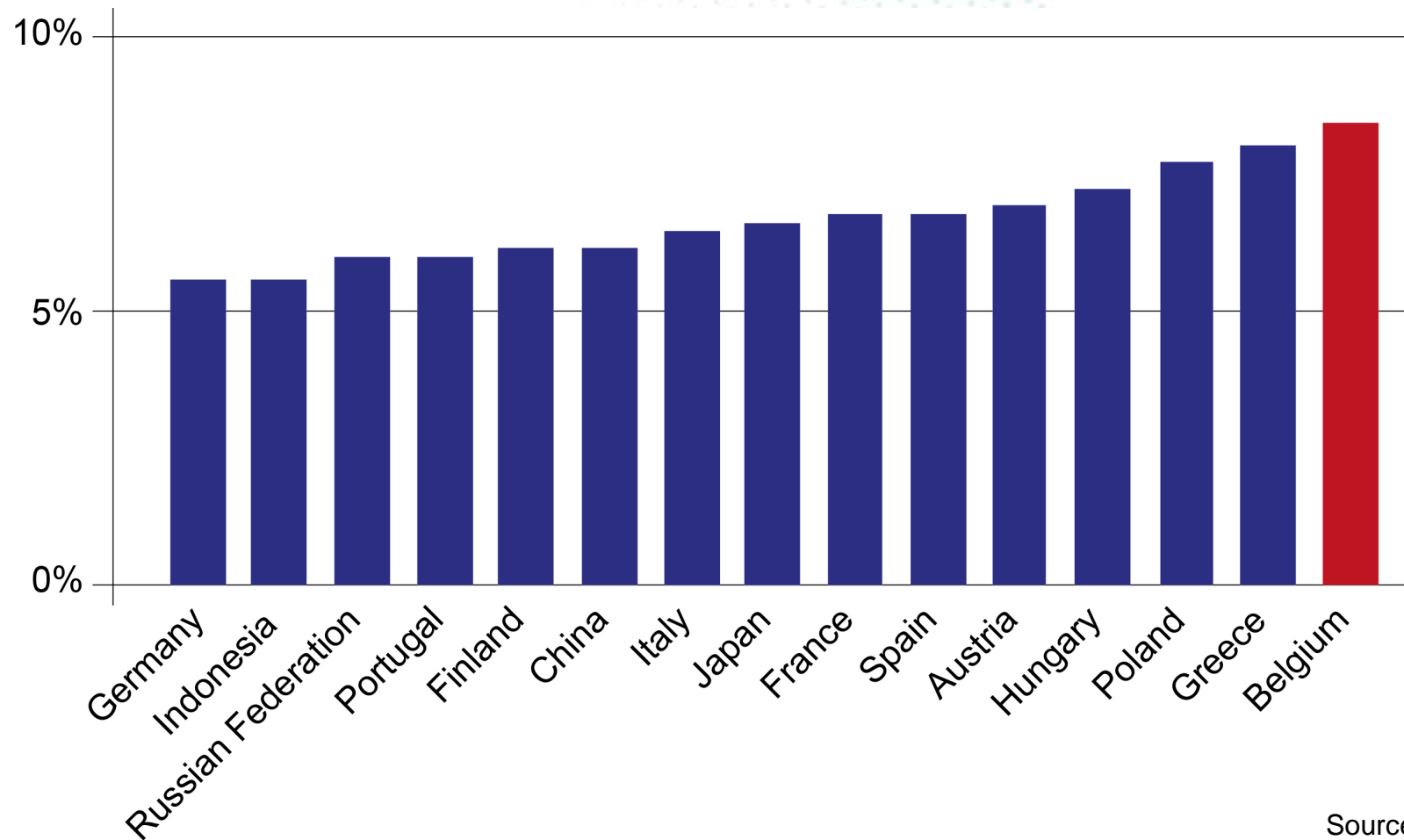
Competitiveness & budget size



Structural reform



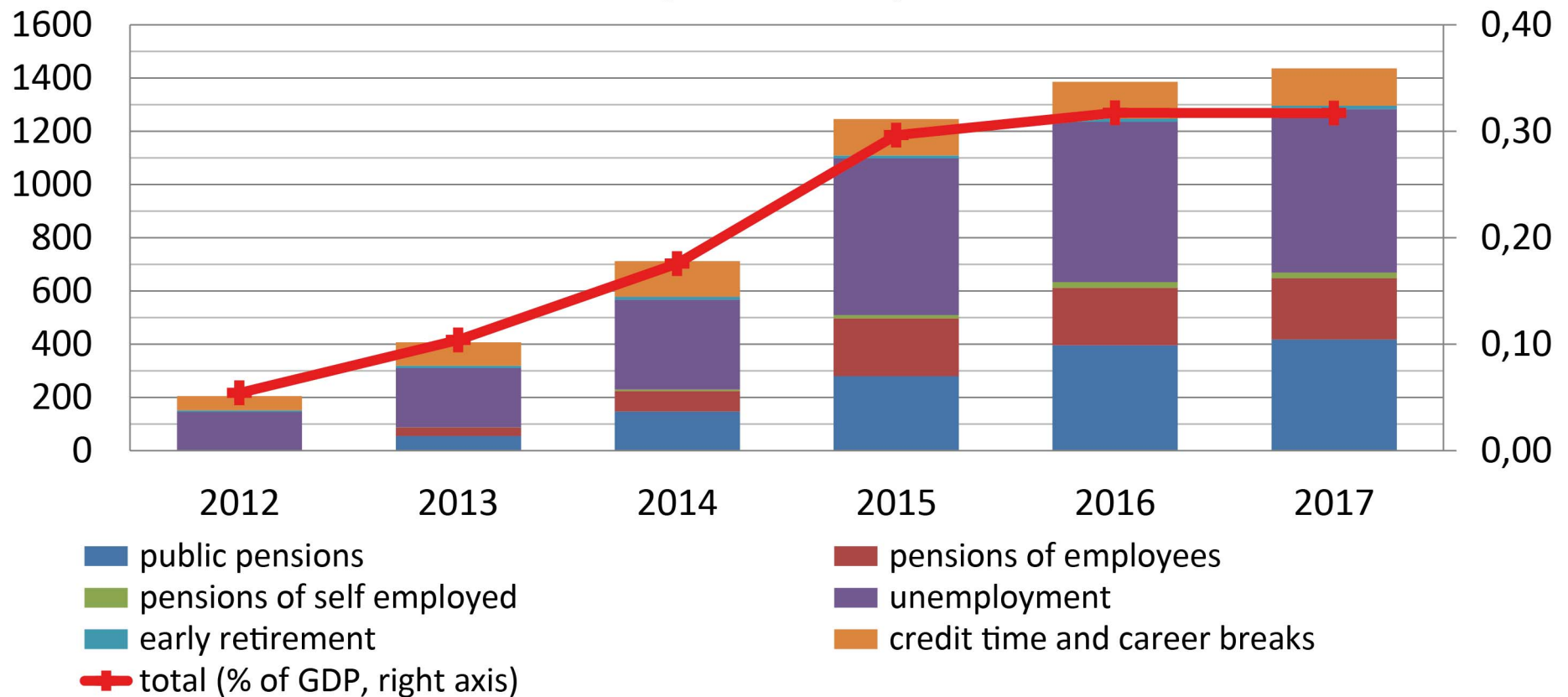
GDP per capita gain from broad structural reforms over 5Y horizon



Source:OECD

... but slow medicine

**Budget implication of socioeconomic reforms
(in mln EUR)**



Source: Federal Planning Bureau, FEB

Conclusion

- *A successful fiscal consolidation is about restoring competitiveness and improving the quality of public services.*
- *It is a slow medicine but one that serves more than one master (budget, growth, current & future generations)*