EU fiscal framework

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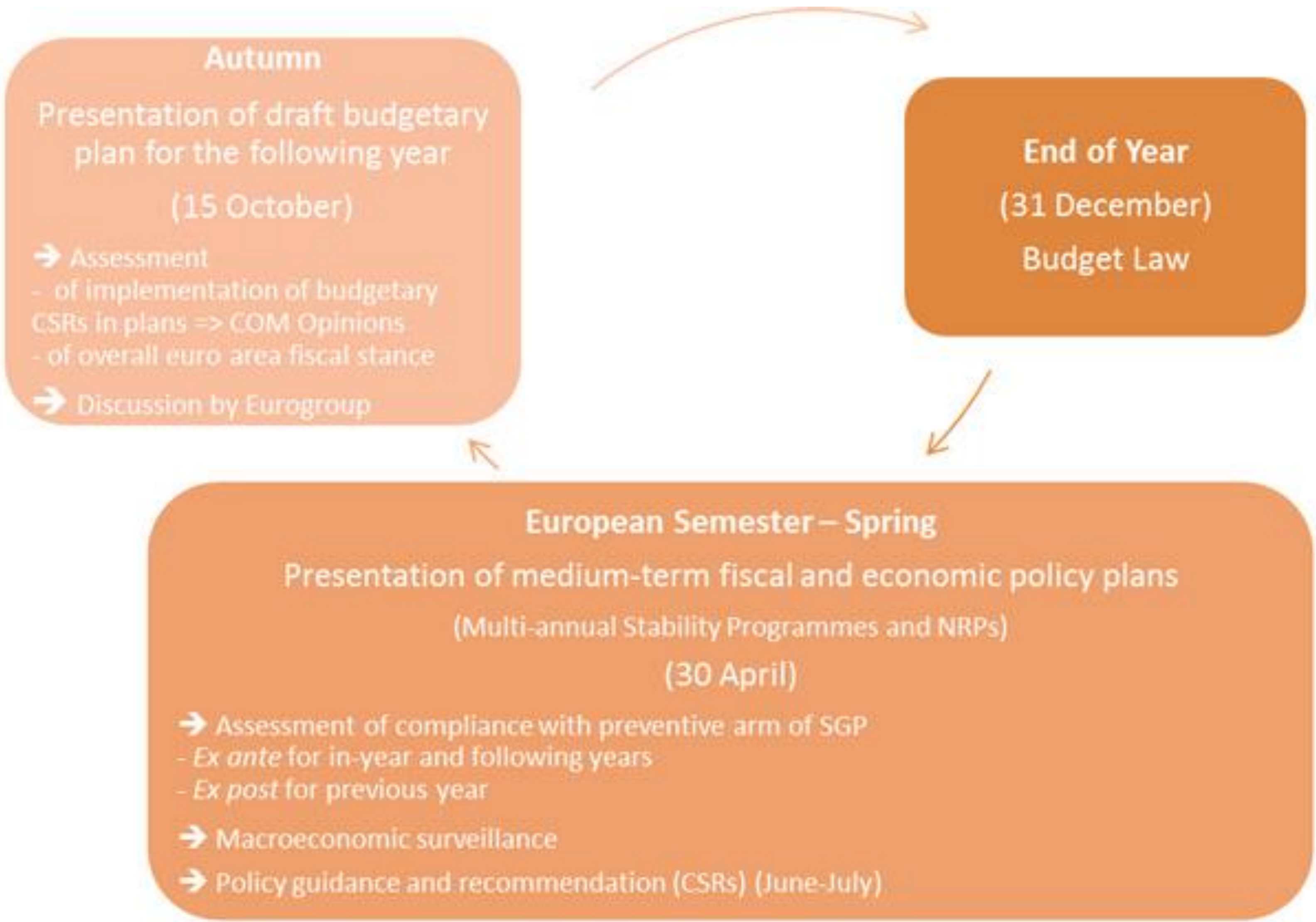
Annual cycle of surveillance



Source: EC.

Case study: Belgium, EDP procedure

Article	Name EDP step	Date
104(3)	Commission report	07.10.2009
104(5)	Commission opinion on the existence of an excessive deficit	11.11.2009
104(6)	Commission recommendation for a Council decision on the existence of an excessive deficit	11.11.2009
104(7)	Commission recommendation for a Council recommendation to end the excessive deficit situation	11.11.2009
126(6)	**Council decision on the existence of an excessive deficit**	**02.12.2009**
126(7)	Council recommendation to end the excessive deficit situation	02.12.2009
	Commission communication to the Council on action taken	15.06.2010
	Council conclusions	13.07.2010
	Commission communication to the Council on action taken	11.01.2012
	Commission staff working paper	11.01.2012
126(8)	**Commission recommendation for a Council decision establishing inadequate action**	**29.05.2013**
126(9)	Commission recommendation for a Council decision to give notice	29.05.2013
	Commission staff working document	29.05.2013
126(8)	Council decision establishing inadequate action	21.06.2013
126(9)	Council decision to give notice	21.06.2013
	Effective action report	20.09.2013
	Commission communication to the Council on action taken	15.11.2013
	Commission communication to the Council on action taken - Annex	15.11.2013
	Commission staff working document	15.11.2013

Case study: Belgium, ongoing EDP procedure

COUNCIL DECISION of 19 January 2010 on the existence of an excessive deficit in Belgium (2010/283/EU)

"According to data notified by the Belgian authorities in October 2009, the general government deficit in Belgium is planned to reach 5,9 % of GDP in 2009, thus exceeding and not close to the 3 % of GDP reference value. The planned excess over the reference value can be qualified as exceptional within the meaning of the Treaty and the Stability and Growth Pact. In particular, it results, among other things, from a severe economic downturn in the sense of the Treaty and the Stability and Growth Pact. In the Commission services' autumn 2009 forecast, GDP is projected to decrease by 2,9 % in 2009 and to expand by 0,6 % in 2010. Furthermore, also on the basis of the autumn 2009 forecast, the planned excess over the reference value cannot be considered temporary, **since the deficit is expected to stabilise at 5,8 % of GDP in 2010 and 2011, taking into account the already sufficiently specified consolidation measures. The deficit criterion in the Treaty is not fulfilled**."

Case study: Belgium, ongoing EDP procedure

COUNCIL DECISION of 19 January 2010 on the existence of an excessive deficit in Belgium (2010/283/EU)

"The Commission services' autumn 2009 forecast projects the debt ratio to increase to around 97 % in 2009, 101 % in 2010 and 104 % in 2011. **The debt ratio cannot be considered as diminishing sufficiently and approaching the reference value at a satisfactory pace within the meaning of the Treaty and the Stability and Growth Pact. The debt criterion in the Treaty is not fulfilled**."

HAS ADOPTED THIS DECISION:

Article 1 : From an overall assessment it follows that an excessive deficit exists in Belgium.

Article 2 : This Decision is addressed to the Kingdom of Belgium.

Done at Brussels, 19 January 2010.

Case study: Belgium, ongoing EDP procedure

Recommendation for a COUNCIL DECISION establishing that no effective action has been taken by Belgium in response to the Council Recommendation of 2 December 2009 (29.5.2013)

"Despite relatively favourable macro-economic conditions in the first half of 2011 (annual GDP growth of 1.8%), the nominal balance fell only marginally that year, to 3.7% of GDP, compared to a target of 3.6% of GDP in the 2011 Stability Programme. The structural balance deteriorated by 0.1% in 2011. Therefore, Belgium failed to take advantage of the relatively favourable economic times to reduce its deficit, partly due to the political deadlock at federal level between the June 2010 elections and December 2011."

Case study: Belgium, ongoing EDP procedure

"At the end of 2012, the Belgian and French governments needed to increase the capital of the banking group Dexia, in order to remedy a negative net asset position and allow the orderly resolution of the group to go ahead. For Belgium, this had a one-off negative impact on the deficit of 0.8% of GDP. Moreover, despite a mechanism of reinforced monitoring, the economic downturn impacted government revenue more than expected, resulting in a deficit at federal level of 2.7% of GDP excluding the impact of the Dexia operation compared to a target of 2.4%. (…) Sizeable government measures have been partly offset by rising interest expenditure, a negative impact of the automatic indexation of wages and social benefits linked to past inflation, and a strong increase in pension expenditure."

"**Public debt rose from 84.0% of GDP in 2007 to 99.6% of GDP in 2012**. The dynamics of the deficit and of GDP account for around 6.5 pp. of the increase, while exogenous factors amount to around 9 pp., mainly due to rescue operations in the financial sector in the form of equity injections."

Case study: Belgium, ongoing EDP procedure

"Belgium took some measures to strengthen the monitoring mechanisms to ensure that fiscal targets are respected, such as the instauration of a monitoring committee in 2010 and a strengthened monitoring of the budget execution in 2012. However, no significant progress has been made to adjust the fiscal framework in order to ensure that the budgetary targets are binding at federal and sub-federal levels, and increase transparency of burden-sharing and accountability across government layers."

"This leads to the conclusion that the response of Belgium to the Council recommendation according to Article 126(7) of the Treaty of 2 December 2009 has been insufficient. Belgium did not put an end to its excessive deficit by 2012. The fiscal effort falls significantly short of what was recommended by the Council, and was even entirely absent in 2011,"

HAS ADOPTED THIS DECISION:

Article 1: **Belgium has not taken effective action in response to the Council recommendation according to Article 126(7) of the Treaty of 2 December 2009.**

Article 2: This Decision is addressed to Belgium. (29.5.2013)

CASE STUDY:
BELGIUM'S STABILITY PROGRAMME (2013-2016)

- Briefing assessment
    - Macro projections (GDP, HICP)
    - Fiscal developments (budget deficit, debt path)
    - Fiscal stance, CAPB, structural balance
    - MTO
    - Main spending and revenue measures for 2013
    - Sensitivity analysis
    - Compliance with the Stability and Growth Pact?
    - Contingent liabilities
    - Risks to the projections