



EUROPEAN COMMISSION

Valdis Dombrovskis
Vice-President of the European Commission
Pierre Moscovici
Commissioner
Rue de la Loi 200
1049 Bruxelles

Brussels, 27th October 2016

Your letter from
25th October 2016

Your references
Ares(2016)6111688

Our references
KFIN/ 2016.03609

Annex(es)
1

Subject : Belgium 's Draft Budgetary Plan (DBP) for 2017

Dear Mr Vice President of the European Commission,
Dear Mr Commissioner,

We took note of your letter of 25 October 2016.

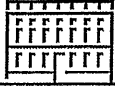
The Belgian draft budgetary plan was transmitted to the European Commission on 17 October 2016. In accordance with Regulation (EU) N° 473/2013, it contains the data regarding the 2017 draft budgets for the Belgian public administrations. Also included were the budgetary objectives and measures of Entity I and of the communities and regions.

On the basis of the forecasts of this draft budgetary plan, Belgian net lending would amount to -1.7 % GDP in 2017 and the structural balance would amount to -1.1 % GDP. Between 2016 and 2017, the structural balance would improve by 1.3 % GDP for general government. Regarding Entity I, the federal government has set the objective to achieve a structural improvement of 1.26 % GDP compared to the estimated result for 2016. As such, the nominal balance in 2017 will be -1.43 % GDP and the structural balance will attain -0.83 % GDP. By applying the flexibility clause and taking into account a safety margin, the structural improvement would reach 1.37% GDP for the period 2016-2017.

Regarding the communities and regions the budgetary objectives, as communicated by the respective governments, have been included in the draft budgetary plan. Regarding the local government, the nominal balance objective in the Stability Programme 2016-2019 was maintained, in spite of a net improvement of the 2015 result (estimated at -140 million EUR in April 2016, it is now valued at 261 million EUR).

In your letter, it was mentioned that there are differences in underlying hypothesis, methodology and the use of certain measures. On this note, we would like to inform you that the Belgian public administrations draft budgets have been established on the basis of the macroeconomic forecasts prepared by the Federal Planning Bureau at the request of the Institute of National Accounts. This economic budget has been published on 8 September, while the European Commission's forecasts were still being drawn up. Given the time gap, it is normal that differences exist between the EC figures and the draft budgetary plan macroeconomic forecasts.

A meeting held between our services and yours on 25 October and additional talks the following two days, 26 and 27 October, clarified the technical issues for the differences of the two forecasts. These intensive talks have been productive and informative of both the return



of the measures and the basic assumptions. Enclosed you will find the budgetary notifications approved by the Council of Ministers on 20 October 2016. They provide further details on the measures taken by the federal government to the initial budget 2017.

Furthermore, as far as the under-use specifically is concerned, we would like to draw your attention on the table below showing that the intended objectives have been attained every year (and sometimes even been exceeded). Therefore the federal government confirms, as it was also stated by the Minister of Budget during your meeting, its objective to attain an under-use of 910 million EUR in 2017.

Millions of Eur.	2015	2014	2013	2012	2011	2010
Under-use	941.1	859.2	1003.3	1070.5	1054.7	932.4
Objective of the under-use	832.0	870.0	819.0	850.0	650.0	400.0

Finally, we would like to underline that during the drawing up of the budget 2017 the different public administrations pursued their budget consolidation efforts and implemented structural reforms in line with the European Commission's recommendations. This was done in particularly through a mobility policy reform by means of measures regarding company cars and a major labour market reform (including the revision of the Feasible and Flexible Work Act, the reform of the 1996 Act on promoting employment and protecting competitiveness, and the employment incentives for young people).

The Government and its services stand ready to provide any further information the European Commission may require.

Sincerely,

Johan VAN OVERTVELDT
Minister of Finance in charge of Combating Tax Fraud

Sophie WILMÈS
Minister of Budget in charge of The National Lottery

cc: Mr. François Roux, Head of Belgian Representation