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**Statement by Mr. Henriksson and Ms. Mogensen on Belgium
(Preliminary)
Executive Board Meeting 09/22
March 4, 2009**

Faced with a bleak economic outlook and considerable risks stemming from both the real and the financial sector, the authorities are confronted with a significant challenge to balance appropriate short- and medium-term policy responses. We agree with staff's recommendation of a systematic approach to some of these policy challenges. As we share many of the viewpoints expressed by Mr. Stein and Mr. von Stenglin, we shall only offer the following additional comments.

We agree that a systematic approach to further interventions in the financial sector would be useful, as we concur that risks in the financial sector are still elevated. Such an approach would reduce uncertainty and make the rules of the game clear. As noted by Mr. Stein and Mr. von Stenglin, it should be in line with the common approach agreed by the EU. Concerning the situation in the sector, we get the impression from the staff paper (paragraph 19) that despite capital injections a credit crunch is already taking place in Belgium, not a confidence crisis alone – is this impression correct?

Likewise, we believe that developing a medium-term fiscal framework to guide the critically needed consolidation process would be beneficial. Developing such a plan would not need await an improved economic situation, and consolidation measures could be agreed to kick in at a later stage. In fact, more clarity on the necessary future adjustments might reduce uncertainty and help restore confidence. However, we acknowledge the complex political situation.

Among the benefits, such a framework should help guide short-term fiscal measures to avoid adversely affecting long-term fiscal sustainability. From this perspective, staff has rightly cautioned against some of the fiscal stimulus measures considered in the *Plan de Relance*. We would encourage staff to suggest alternatives to the authorities, as staff finds the envelope of the package broadly appropriate. Regarding the investment part of the stimulus

plan, we would, as other Directors, argue for a more qualified view. Such investments can indeed prove effective, particularly if they are already planned for but have awaited funding.

We agree with staff that medium-term policy considerations should include measures to address the continuing deterioration in competitiveness vis-à-vis neighboring countries.

We shall refrain from commenting on some of the specific measures suggested for improving efficiency in goods and product markets, but instead emphasize the Board's considerations at last year's Article IV consultation regarding labor market policies. We are glad to note from Mr. Kiekens' and Mr. Rottier's Buff that the authorities are working towards this end.