

GREEN/20/38

March 26, 2020

**Joint Green Statement from Mr. Trabinski, Ms. Urbanowska, Mr. Poso, Mr. Bernatavicius,
Mr. von Kleist and Mr. Herold on Belgium—Staff Report for the
2020 Article IV Consultation (SM/20/69)**

We thank staff for the informative reports and the selected issues paper and Mr. De Lannoy and Mr. Cools for their helpful statement. We recognize that the situation in Belgium and elsewhere in Europe is changing rapidly. In these circumstances, the current Article IV cannot possibly make predictions on the societal and economic impacts of the Covid-19 virus. The authorities have reacted strongly to the crisis, their efforts are supported by very determined policy actions by the ECB and a temporary suspension of European fiscal rules.

We join staff's assessment that growth was resilient and job rich in 2019, while the unemployment rate reached a historical low. The virus outbreak is expected to reduce growth considerably this year and the outlook is uncertain with downside risks. In addition, the Belgian authorities will have to address remaining medium-term structural challenges, such as a high level of public and rising private debt and issues arising from an aging population.

In this vein, staff proposes a credible medium-term consolidation effort to re-build fiscal buffers, to then guard against future shocks. After the current crisis, the new government will thus need to put in place a credible medium-term consolidation strategy to put the deficit and debt on a firm downward path. We share staff's recommendation that such a strategy should contain determined reforms focused on medium-term healthcare costs, strengthening the sustainability of the pension system and improving the targeting of social benefits and labor-market incentives.

With these remarks, we wish the authorities success with their efforts to contain and overcome the current common crisis.