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VICE-PRESIDENT OF THE  
EUROPEAN COMMISSION

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Brussels, 11 November 2011

Dear Minister Reynders,

*Dear Didier*

On the occasion of yesterday's publication of the Commission services' autumn forecast, I would like to recall the Council recommendations addressed to Belgium under the Stability and Growth Pact.

The Council Recommendation of 2 December 2009 under Article 126(7) of the Treaty set 2012 as the time limit for Belgium to correct the excessive deficit. Specifically, to this end, the Belgian authorities should strengthen the planned fiscal effort in 2011 and 2012 and ensure an average annual fiscal effort of  $\frac{3}{4}$  % of GDP over the period 2010-2012.

Our forecast projects the deficit at 3.6% of GDP in 2011, which would, under unchanged policies, rise to 4.6% in 2012 and remain at such elevated level also in 2013. The fiscal effort appears to have fallen significantly short of the Council recommendation in 2010 and 2011. Under unchanged policies the structural budget balance would even deteriorate in 2012.

Moreover, the first European Semester underlined that sound public finances must be complemented with structural reforms in order to bring Europe back on a path of sustained growth, as reflected in the Council's recommendations of 12 July 2011 addressed to Belgium:

1. Take steps to improve the long-term sustainability of public finances, notably by preventing early exit from the labour market in order to markedly increase the effective retirement age.
2. Address the structural weaknesses in the financial sector, in particular by finalising restructuring of the banks in need of an adequately funded and viable business model.
3. Take steps to reform, in consultation with the social partners and in accordance with national practice, the system of wage bargaining and wage indexation, to ensure that wage growth better reflects developments in labour productivity and competitiveness.

Mr Didier Reynders  
Minister of Finance  
12 Rue de la Loi  
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4. Improve participation in the labour market by several measures as detailed by the Council.
5. Introduce measures to boost competition in the retail sector, by lowering barriers to entry and reducing operational restrictions, and strengthen competition in the electricity and gas markets.

I expect the necessary budgetary correction to be carried out with due regard to these recommendations.

I am committed to rigorously apply the new rules of economic governance from day one of their entering into force. As it stands, this would be in the second half of December.

Given that the budgetary year 2012 will start soon, a Commission recommendation for a Council decision under Art. 126(8) followed by a Council decision to give notice under Article 126(9) of the Treaty would become unavoidable in the absence of corrective measures that are spelled out in detail and adopted by mid-December. As you are well aware, under the new Stability and Growth Pact this step could prompt sanctions.

I therefore call on you to treat as a matter of urgency the adoption of a 2012 budget that ensures a timely and lasting correction of the excessive deficit and the implementation of structural reforms according to the Council recommendations.

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'J. Juncker', written in a cursive style.