



MINISTER OF FINANCE
OF THE NETHERLANDS

Dear Minister,

Herewith I put forward my candidacy to continue in the Eurogroup Presidency for another term of 2 ½ years. I write to you to set out my views and priorities.

Looking back

When I first entered the Eurogroup, as Dutch Minister of Finance, at the end of 2012, the Eurogroup was still in full crisis-mode. Since the start of the crisis in 2009 stabilization mechanisms had been set up, banks had been saved, 5 countries had been granted a financial assistance programme and our governance framework had been strengthened, while at the same time markets had questioned the future of the euro area.

Currently, in my view, the Eurozone is in a much better shape. Our joined efforts are paying off, as economic recovery is gaining speed. Growth projections have repeatedly been adjusted upwards for most euro area economies and we have seen significant progress on the fiscal front. Our collective work in the Eurogroup has contributed to this recovery:

1. Euro area countries have supported the successful exit of three countries – Spain, Ireland and Portugal – out of their financial assistance programme in the last 2 years. The difficult reforms implemented under unprecedented circumstances are starting to bear fruit with jobs returning. At the same time, both Ireland and Portugal made early repayments to the IMF and Spain recently expressed the wish to make a third early repayment to the ESM.
2. In a very challenging economic environment, the Eurogroup supported Cyprus with a financial assistance programme with encouraging results. All capital controls have been lifted now, the deposit base has stabilized and the fiscal target for 2014 was exceeded by a wide margin. Growth returned in the first quarter of 2015.
3. After intensive discussions in February, the Eurogroup reached an agreement on the extension of the second support programme with the Greek government. Currently, negotiations between the institutions and Greece on the current review are on-going. The Eurogroup is and will be deeply involved in this process, and has always expressed its commitment to provide adequate support to Greece as long as it honors its commitments within the agreed framework.



4. On the basis of the two pack framework, the Eurogroup has strengthened budgetary surveillance by discussing euro area member states' draft budgetary plans and the corresponding Commission's opinion in dedicated meetings. As a result, peer pressure is enforced and we have witnessed significant progress on the fiscal front. The Stability and Growth Pact should continue to be one of the cornerstones of our strategy to ensure confidence of markets and consumers. In addition, we have taken the follow-up of the Commission's conclusions within the framework of the Macro-Economic Imbalances Procedure actively on our agenda by inviting ministers concerned to report on progress.
5. The Eurogroup has played a central role in establishing a Banking Union at unprecedented speed, in particular in setting up a Single Resolution Fund and defining the parameters of the direct recapitalization instrument under the ESM. The new Single Supervisor has actively informed us on the results of the Comprehensive Assessment, and subsequent challenges to improve the quality situation of our banks. Thanks to this process credit conditions have improved throughout the Eurozone.
6. The Eurogroup has clearly followed up on the Commission's recommendations to the Eurozone by having thematic discussions on jobs and growth. We discussed crucial reform areas such as the tax burden on labour, reform of services markets and the climate for private investment. We agreed to continue and intensify these discussions and formulated some key policy areas that we will take up until the end of the year. This will involve common principles for reforms and benchmarking of best practices, to stimulate convergence and improve our growth potential.
7. Finally, the euro area has expanded with the accession of Latvia at the start of 2014 and Lithuania at the start of this year. Both countries have implemented impressive convergence programmes and are continuing on this path. Euro introduction has been rolled out without complications.

Our cooperation in the Eurogroup has become closer and more efficient. There is a strong sense of urgency to work closely together on a joint agenda focusing on increased growth and jobs for the Eurozone. We did so in a collegial spirit and with great efficiency. In a joint effort, we have limited the length of our meetings and have avoided extraordinary sessions to a large extent in the last 2 ½ years. I am very grateful for the way we were able to work together.

Looking forward

Although the economic situation has improved since 2009, we now have to take the next step to ensure the Eurozone is ready to face the challenges of the global economy. In order to boost employment and growth, we need to restart the successful European convergence process. We need to accelerate the modernization of our economies. And, we need to build a Eurozone which becomes more attractive for private investment again.

The Eurogroup, in my view, has a crucial role to play in this. We should take up the challenge of reforming our national economies in a concerted manner and strengthen our monetary union in parallel. During the last couple of years, we have started discussing key economic reforms in the Eurogroup. These debates have increased public awareness and even led to common principles and policy action amongst member states. I propose to take this kind of economic policy



coordination a step forward. In order to be as competitive as possible, we need to start pushing each other to a higher level of competitiveness:

1. Eurozone member states should agree on a limited set of common reforms crucial for the smooth functioning of EMU. Issues, such as labor and product market flexibility, pension reforms, modernizing social security or coordinating tax policy need to be on our agenda.
2. As a next step, a joint ambition level by setting benchmarks to best practices and concrete timelines would contribute to achieve real economic convergence.
3. On the basis of Commission reports, the Eurogroup would monitor progress towards this joint ambition.
4. In the same manner, with a view to strengthening our joint and national efforts on fiscal issues, we should explore ways of benchmarking structural indicators in our budgets (such as the share of expenditures on education, or other such categories).
5. A framework of national competitiveness councils should be established, to assess the fiscal and macroeconomic implications of planned and implemented structural reforms, in resemblance of the network of national fiscal councils.
6. The European semester should be streamlined. Long lists of annual country-specific recommendations, could be replaced by a limited list of reforms for a multi-year period. National ownership, including the democratic support from our parliaments, is crucial in this respect. Our commitments should be monitored by the Commission and discussed by the Eurogroup.

In addition to this common national reform agenda, initiatives at the European level are required. Most would not fall within the realm of the Eurogroup only, but as Eurogroup ministers participating in EU28 discussions we have a joint interest. First, I am referring to the fast and effective implementation of the EFSI. Second, this requires the completion and full implementation of the Banking Union, for example by ensuring a level playing field by scrutinizing national discretions and options regarding quality of capital, as well as by the full implementation of the Single Resolution Fund. Third, I would call for completing the internal market with a special focus to digital, services and energy markets and the implementation of international trade agreements, based on high international standards. Finally, I strongly believe that the Capital Markets Union should be our next 'political project' in order to improve private risk sharing, increase the shock absorption and to reduce the dependence on bank financing in the EU. It applies to all 28 EU member states but it is particularly relevant to the euro area.

The strong cooperation between Euro area member states requires constant awareness and respect for the position of the non-euro EU member states. I will continue to invest in our relations and emphasize the joint interests which we have. The fast completion of the Banking Union, which in its design is open for non-euro EU member states shows an example of a successful way forward. The role of the Eurogroup has evolved rapidly over the course of the financial crisis. Close coordination with the ECB, the Commission, ESM and IMF as well as the Ecofin presidency and the President of the European Council has been crucial in these unprecedented times. I have continued the practice of regularly appearing before the European Parliament and will continue to do so. Also I wish to continue

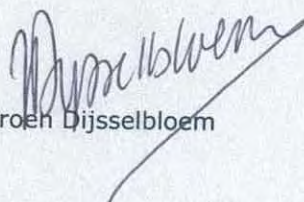


on my path of visiting euro area partners. The Eurogroup President, in my view, should also represent the Eurozone on an international stage. In the last 2 ½ years I have visited Asia and the United States on several occasions to explain our strategy to our partners and a wider audience. Furthermore, I have represented the Eurozone in G7 and IMF meetings. In this respect a continued discussion on external representation in international financial institutions, and G20 fora could be envisaged. I welcome the efforts to create a unified Eurozone constituency at the AIIB.

Concluding

With growth picking up and most countries coming out of crisis mode, new challenges emerge for the Eurozone. My main aim is to let the Eurogroup prepare our currency union for the challenges of the global economy in order to maintain the essence of our European social market economy. Strengthening competitiveness is crucial for the sustainability of our monetary union. I am confident you will share my ambition of taking all necessary measures to prepare our economies for the future.

Yours sincerely,



Jeroen Dijsselbloem