



Minister of Finance

To Mr. Jeroen Dijsselbloem,
Chairperson of the Board of Governors of ESM and
President of the Eurogroup

Athens, 9.07.2015

Dear President of the Eurogroup
Dear Jeroen,

As discussed in the Eurogroup of 7 July, I am enclosing a list of prior actions to accompany the Hellenic Republic's request for a loan facility from the ESM. Any set of reforms must make sense as a "package"; a logic which needs to be sustained throughout, from the short to the medium term, and pave the way for the long-term. A vision which serves our commitment to remain an integral member of the eurozone and respect the evolving rules of our monetary union; one that underpins that commitment with a comprehensive set of reforms and measures to be implemented in the areas of fiscal sustainability, financial stability, long-term economic growth and sustainable development, and, last but not least, reforming the public administration as one element in a wider drive at institution-building that will better serve the needs of both society and the economy.

In the **very short-run**, even before the negotiation process begins in earnest, and as a first element in a trust building exercise with our partners, we are proposing to our parliament starting next week, a set of legislative initiatives in the areas of pension reform, increasing tax revenues and further ensuring the independence of our statistical office. At the same time, at the macroeconomic level we are committing to the same fiscal effort - as previously agreed with the Institutions - as well as reaching the 3.5% fiscal surplus target for 2018. Given the deteriorating economic circumstances we are of course open to discussions about the best path to that target.

Over the **more medium-term** we will continue to build on the common ground reached with the Institutions so far, as well as enrich the agenda with further reforms and measures. In most of these areas we are keenly aware that beyond ideas for change, we also have a deficit in certain capacities to carry out these changes. Thus we have sought, and will continue to seek, the active support not only of international organizations, such as the OECD, the World Bank, and the ILO, but also member states that have considerable expertise in areas such as tax evasion.

A preview of the highlights of our proposed package include:

Fiscal policy

- streamlining VAT: simplifying our system of indirect taxation to ensure increased collectability and reduced tax evasion.

- tax administration: formalizing and enhancing the increased independence of the tax administration infrastructure to facilitate improved income and wealth transparency, as well as minimizing malign political interference.

- tax evasion: introducing a voluntary disclosure programme with appropriate incentives, sanctions and verification procedures, consistent with international best practices, while, at the same time, cultivating a culture of tax compliance.

Structural reforms and institution-building

- pension reform: restricting early retirement, increasing the effective age of retirement, and investigating and subsequently applying the appropriate reforms over the more medium-run to ensure the long-term sustainability of the system.

- institution-building: cooperating with the World Bank to address institutional shortcomings, in particular the manner in which the state can better serve the private, social and public sectors, as well as the day-to-day needs of ordinary citizens. This can start with the independence of the GSPR, the new Fiscal Council and the enhanced independence of the statistical office. But a far more ambitious programme is needed for the longer term and we welcome assistance here.

- public administration: applying a new approach to selecting managers, mobility and evaluation schemes for all public servants in line with the true needs of the wider public sector.

Path to sustainable growth

- product market reform: streamlining licensing requirements to stimulate business activity at all levels; eliminating anti-competitive practices in the major areas, for instance agricultural wholesale and public works, which keep prices high and the Greek economy uncompetitive.

- cutting red tape: reducing the bureaucratic burden on economic agents by minimizing points of contact with the public administration and unnecessary red tape requirements;

- reducing the dead-weight loss of corruption on the economy: assess major risks in the public procurement cycle to reduce public expenditure resource waste and improve the overall business environment; strengthen controls and audits in entities in the wider public sector and especially SOEs.

The above can give but a flavour of our commitment to changing our society, changing our economy, changing our state. While this task may appear Herculean, we firmly believe in these reforms and measures and are fully dedicated to implementing them in their entirety. We are asking our partners to give us the space and time for these changes.

Best wishes,



Euclid Tsakalotos
Finance Minister