

## ΠΑΡΑΡΤΗΜΑ VI

## I. LETTER OF INTENT

Athens, February [x], 2012

Mr. Juncker,  
President of Eurogroup

Mr Rehn  
Vice- President of Economic and  
Financial Affairs and the Euro  
European Commission

Mr Draghi.  
President of the European Central Bank

Dear Messrs. Juncker, Rehn and Draghi,

The attached Memorandum of Economic and Financial Policies (MEFP) outlines the economic and financial policies that the Greek Government and the Bank of Greece will implement during the remainder of 2012 and in the period 2013-2015 to correct Greece's competitiveness gap and restore growth and employment; to restore public finances to sustainability; to secure financial system stability, and to secure the living conditions of the Greek population in an equitable way, within our commitment to the common currency.

In support of our objectives, we have committed to a set of key policies, building on what has been achieved under the Stand-By Arrangement agreed in May 2010. These policies places strong emphasis on restoring growth and ensuring an equitable fiscal adjustment:

- To restore competitiveness and growth, we will accelerate implementation of deep structural reforms in the labor, product, and service markets. Indeed to give a strong upfront impetus to unit labor cost reductions, and protect employment, [we have already] reformed the collective bargaining framework and reduced the minimum wage as a prior action for this program. And to reduce market rigidities, boost productivity, and increase long-term growth potential [we are implementing] reforms in product and service markets and improvements in the business environment.
- To bring the fiscal deficit to a sustainable position, we will implement bold structural spending and revenue reforms. The adjustment will be achieved through permanent expenditure reductions, and measures to this end [have already been implemented] as prior actions. These efforts will be supported on the revenue side by a tax reform to broaden the tax base and achieve a fairer distribution of the tax burden, and by tax administration reforms to stem tax evasion. Indeed to reinvigorate this crucial latter effort, [we have already taken] actions to strengthen the tax administration.

- We have adopted a comprehensive banking sector strategy to secure a viable and well-capitalized private banking sector that supports the economic recovery and sustained growth. The banking system will be restructured and recapitalized following the upcoming sovereign debt exchange. [We have already completed] a capital needs assessment and a plan for a large state-owned bank as prior actions. In support of these efforts, and as prior actions, [have strengthened] our resolution and recapitalization framework and financial oversight framework
- We remain committed to our ambitious privatization plans. Transferring assets in key sectors of the economy to more productive uses through privatization and concessions will encourage private investment and support long-term growth.

In support of our ambitious multi-year policy program, we request a [three] year arrangement under the Extended Fund Facility (EFF) in the amount of SDR[xx] billion ([x,xxx] percent of quota; € [xx] billion). We request cancellation of the existing SBA. We have sent a parallel request for financial assistance to euro area member states for a total amount of €[xx] billion. The euro area member states have given assurances that financing will be available to support implementation of our policy program for as long as it takes for Greece to return to the market, provide that we implement the program.

The government believes that sustained implementation of this policy program, complemented by debt restructuring, will put the public debt on a clear downward path. In this context we have launched a debt exchange with the goal of reaching agreement on a restructuring of our debt. We will successfully complete the debt exchange, as described in the attached MEFP, prior to the meeting of the IMF Board to consider this EFF request.

The implementation of our program will be monitored through quantitative performance criteria and structural benchmarks as described in the attached MEFP and Technical Memorandum of Understanding (TMU), and through the detailed and specific economic policy criteria in the Memorandum of Understanding agreed with the European Commission (EC). There will be twelve quarterly reviews under the arrangement. The reviews will assess progress in implementing the program and reach understandings on any additional measures that may be needed to achieve its objectives.

We believe that the policies set forth in the attached MEFP are adequate to achieve the objectives under the program. We stand ready to take any corrective actions that may become appropriate for this purpose as circumstances change. We will consult with the Fund, as well as with the European Commission and ECB on the adoption of any such actions and in advance of revisions to the policies contained in this MEFP, in accordance with the Fund's policies on such consultations:

This letter is being copied to Ms. Christine Lagarde:

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Lucas Papademos  
Prime Minister

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Evangelos Venizelos  
Deputy PM and Minister of Finance

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George Provoopoulos  
Governor of the Bank of Greece

## I. LETTER OF INTENT

Athens, February [x], 2012

Ms. Christine Lagarde:  
Managing Director  
International Monetary Fund  
Washington DC

Dear Ms. Lagarde:

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In support of our objectives, we have committed to a set of key policies, building on what has been achieved under the Stand-By Arrangement agreed in May 2010. These policies places strong emphasis on restoring growth and ensuring an equitable fiscal adjustment:

- To restore competitiveness and growth, we will accelerate implementation of deep structural reforms in the labor, product, and service markets. Indeed to give a strong upfront impetus to unit labor cost reductions, and protect employment, [we have already] reformed the collective bargaining framework and reduced the minimum wage as a prior action for this program. And to reduce market rigidities, boost productivity, and increase long-term growth potential [we are implementing] reforms in product and service markets and improvements in the business environment.
- To bring the fiscal deficit to a sustainable position, we will implement bold structural spending and revenue reforms. The adjustment will be achieved through permanent expenditure reductions, and measures to this end [have already been implemented] as prior actions. These efforts will be supported on the revenue side by a tax reform to broaden the tax base and achieve a fairer distribution of the tax burden, and by tax administration reforms to stem tax evasion. Indeed to reinvigorate this crucial latter effort, [we have already taken] actions to strengthen the tax administration.
- We have adopted a comprehensive banking sector strategy to secure a viable and well-capitalized private banking sector that supports the economic recovery and sustained growth. The banking system will be restructured and recapitalized following the upcoming government debt exchange. [We have already completed] a capital needs assessment and a plan for a large state-owned bank as prior actions. In support of these efforts, and as prior actions, [have strengthened] our resolution and recapitalization framework and financial oversight framework

- We remain committed to our ambitious privatization plans. Transferring assets in key sectors of the economy to more productive uses through privatization and concessions will encourage private investment and support long-term growth.

Achieving the aforementioned objectives will take political resolve and determined policy implementation over many years. In support of our ambitious multi-year policy program, we request a [three] year arrangement under the Extended Fund Facility (EFF) in the amount of SDR[xx] billion ([x,xxx] percent of quota; € [xx] billion). We request cancellation of the existing SBA. We have sent a parallel request for financial assistance to euro area member states for a total amount of €[xx] billion. The euro area member states have given assurances that financing will be available to support implementation of our policy program for as long as it takes for Greece to return to the market, provide that we implement the program.

The implementation of our program will be monitored through quantitative performance criteria and structural benchmarks as described in the attached MEFP and Technical Memorandum of Understanding (TMU), and through the detailed and specific economic policy criteria in the Memorandum of Understanding agreed with the European Commission (EC). There will be twelve quarterly reviews under the arrangement. The reviews will assess progress in implementing the program and reach understandings on any additional measures that may be needed to achieve its objectives.

We believe that the policies set forth in the attached MEFP are adequate to achieve the objectives under the program. We stand ready to take any corrective actions that may become appropriate for this purpose as circumstances change. We will consult with the Fund, as well as with the European Commission and ECB on the adoption of any such actions and in advance of revisions to the policies contained in this MEFP, in accordance with the Fund's policies on such consultations.

This letter, memorandum, and attachments have been reviewed by leaders of the coalition parties supporting the government. They support the objectives and policies, and have indicated that they will not pursue policies that are inconsistent with them.

This letter is being copied to Messrs. Juncker, Rehn and Draghi.

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Lucas Papademos  
Prime Minister

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Evangelos Venizelos  
Deputy PM and Minister of Finance

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George Provopoulos  
Governor of the Bank of Greece