



HELLENIC REPUBLIC

MINISTRY OF ECONOMY AND FINANCE
MINISTER

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The Governing Party's Economic and Structural Reform Platform for the Upcoming Elections

Dear Joaquín,

Further to my letter to you of September 5, I would like to brief you on the latest developments in Greece. The elections will take place on October 4. In his annual keynote speech at the Thessaloniki International Trade Fair on September 5, Prime Minister Costas Karamanlis spelled out our party's economic and structural reform agenda.

The Prime Minister elaborated on the planned measures for 2010 and beyond, should our party win the elections. The measures are part of a three-pronged strategy to cut spending, combat tax evasion, and implement wide-ranging structural reforms to improve the viability of public finances and restore competitiveness. The announced plans are only a subset of what the government plans to implement in the event of re-election. Please find attached a list of the most important measures and reforms announced by the Prime Minister.

Yours sincerely,

Yannis Papathanasiou

Attachment

SELECTED MEASURES AND REFORMS ANNOUNCED IN THE GOVERNING PARTY'S ECONOMIC REFORM PLATFORM

Fiscal consolidation

- Hiring freeze in government in 2010, except for the absolutely essential hiring in health and education. Limit hiring in government in 2011-12 to one new recruit for every two departures. ✓
- Extend the freeze on public sector salary increases into 2010. Establish a permanent rule guiding these increases from 2011 onward based on inflation in Greece and the Eurozone. Extend the wage policy to public enterprises.
- Extend the freeze on pensions into 2010.
- No new (or increases in) benefits for two years. 30% cut in paid overtime and in the travel budget.
- Pay cut for members of parliament and the government, and for mayors.
- Implement program budgeting and three-year budgets by 2011, one year ahead of target.
- Legislate a fiscal rule for budgetary allocations by type of expenditure, either setting an absolute level, or a level of expenditure in relation to GDP.
- Set up a single payroll unit in the civil service as well as a new salary system for new hires.
- Introduce presumptive taxation based on objective criteria.
- End exemptions and the special tax treatment of certain incomes & allowances: raise tax rates and/or incorporate those incomes into the income tax schedule.
- Set up a cross-checking and auditing mechanism by accessing the social security database.
- Unify the administration of taxes and social security contributions.
- Launch a system for real-time cross-checking of invoices.
- Complete setting up the database with the tax offenders. Those on the database will be unable to transact with the state for a specified period.

External competitiveness

- Liberalize those closed professions not included the EU Directive 2006/123/EU for services in internal markets that are consider critical for the economy.
- Reduce the procedures required to set up a new business from 14-18 to 4.
- Reform the cabotage law (composition of cruise ship crews) to boost the tourism industry.

Labor Market

- Allow for the suspension of the collective bargaining agreements in sectors or regions that face a high unemployment rate, to facilitate specific short-term agreements.
- Suspend the unemployment benefit after having turned down two employment offers.

Social Security System

- Separate pensions from health insurance at the largest public social security fund.
- Reduce the list of arduous occupations.
- Tighten the rules for granting disability pensions. Monitor data on disability pensions by region.

National Health System

- Launch a new on-line monitoring system for prescription drugs, expected to become fully operational in 2010 and to generate savings of 0.8 percent of GDP a year when fully operational.

Public Administration

- Consolidate considerably the number of municipalities and local councils.

Broader Public Sector

- Accelerate the privatization program.

Education

- Upgrade secondary education, and change the entry system into the tertiary education.