



HELLENIC REPUBLIC  
MINISTRY OF FINANCE

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MINISTER

Athens 23/12/16

Ext.N.: 00093 Conf

To:- Mr.Jeroen Dijsselbloem  
President of EG  
- Mr. Klaus Regling  
Managing Director of ESM

Dear Mr. President,  
Dear Managing Director,

In response to the institutions' preliminary assessment of the measures on pensions and VAT which were recently legislated and implemented by the Greek authorities and the views expressed at the extraordinary EWG teleconference on 20 December, I would like to clarify the following.

As regards the pension measure, please note that both the Prime Minister and myself have made it publicly clear, and will continue to do so, that this is a one-off payment that is not intended to become a permanent feature of the recently enacted pension reform. As regards the temporary suspension of the VAT for selected Aegean islands, the measure is limited to 2017 only and is fully funded in the 2017 budget.

The Greek authorities remain fully committed to pursue the agreed fiscal path that is based on primary surplus targets of 0.5, 1.75 and 3.5 percent of GDP in 2016, 2017 and 2018 respectively. The Greek authorities will activate the contingency fiscal mechanism, put in place in the context of the first review, as foreseen in Law 4389/16, in case outturn data validated by Eurostat shows that those agreed targets were not met. In particular, in the event that the budgetary outturn for 2016 does not meet the agreed target, which we consider extremely unlikely, the Greek authorities commit to undertake compensatory measures in the area of pension expenditures, to make up the difference between the outcome and the fiscal target for 2016.

On process, I recognize that measures with fiscal implications need to be discussed and agreed with the institutions in line with our MoU commitments. In particular, in case of permanent fiscal over-performance vis-à-vis the programme targets as confirmed by the annual budgetary outturns validated by Eurostat, the Greek authorities will agree with the institutions, in the context of the reviews, on the use of the available fiscal space. We recognize that the available fiscal space may be used on targeted measures to strengthen social protection (especially the Social Solidarity Income Programme) and/or to reduce tax burdens subject to MoU commitments. Otherwise, we will use the over-performance to build cash buffers and/or clear arrears.



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The Greek authorities fully recognize that the Eurogroup statements of 25 May and 5 December are premised on continuous adherence to the MoU commitments.

I hope that these clarifications reassure the Eurogroup on our full commitment to remain compliant with our obligations under the MoU, both as regards the substance as well as the process of cooperation with our partners.

Yours faithfully

Euclid Tsakalotos

A handwritten signature in black ink, appearing to read 'Euclid Tsakalotos'.