



HELLENIC REPUBLIC ASSET
DEVELOPMENT FUND

Mr I. Stournaras
Minister
Ministry of Finance
5-7 Nikis Str
101 80 Athens

Athens, July 19th, 2012

Dear Minister,

According to the founding law (Law 3986/2011) of the Hellenic Republic Asset Development Fund, the members of the Board of Directors are appointed by the Minister of Finance. According to the same law, the members of the Board have a three- year tenure and can only be fired for grave cause in the performance of their duties. Finally, the founding law states that HRADF develops the Asset Development Plan (ADP), which is approved by the Board of Directors. Privatisations are implemented according to the Asset Development Plan.

The Hellenic Republic Asset Development Fund was founded in July 2011 to accelerate and depoliticise privatisations. Over the course of the last 11 months, a significant amount of work has gone into the technical and legal preparation of state assets aimed for privatisation. Specifically, by the end of 2011, **4** privatisations were completed, with total revenue of **€1.8 billion**, of which **€1.56 billion** in cash and the privatisation process for **6** transactions of estimated revenues of **€1.3 billion** has commenced. **9** privatisations of estimated revenues **€2.5 billion** are in an advanced stage of preparation and can commence immediately and **13** more are under preparation. In total, HRADF is currently managing **28** privatisations. In addition, **82.000** real estate assets from **35** different public sector entities have been taken under HRADF management, a monitoring system for them has been set up, and detailed technical and legal due diligence is in progress for dozens of real estate assets. Finally, **8** strategic initiatives have been developed that would reinforce and/or accelerate the Privatisation Programme, if implemented.

The Board of Directors, with the majority vote of the representatives of the political parties, decided on 15 May 2012 to stop making decisions regarding privatisations. In addition, the Chairman of the Board Professor I. Koukiadis resigned on June 19th, 2012, and has not yet been replaced. As a result, the Programme has been delayed for at least 3 months. This delay has proven especially damaging, considering that under the initial plan, 85% of privatisation revenue for 2012 was planned for the last quarter of the year.

The targets of the privatisation programme were substantially reduced after the last negotiation with the Troika (from **€50 billion** to **€19 billion** until 2015), in recognition of the development aspects of the programme as well as the unfavourable economic conditions. The degree of target achievement and especially of the 2012 target (**€3**

billion) is entirely dependent on the delay until the restart of the programme and the markets' view of Greece. I estimate that privatisation revenues for 2012 are unlikely to exceed **€300 million**.

It must be noted that post-PSI Greek Government Bonds trade at a discount of **85%**. This discount level undermines all real investment in the country, since in case of positive developments; the yield of Greek Government Bonds is substantially higher than any investment in state assets under privatisation.

90% of the privatisation programme consists of sale of rights to land and concessions of infrastructure. It is in essence a large scale public-private cooperation programme and in that sense, an important economic reform that can fuel growth in the country. Apart from revenues, the true value of the privatisation programme is in the investments that the investors will make after acquiring the rights to develop either the land or the infrastructure. The programme is the dominant mode of Foreign Direct Investment attraction to the country. Its implementation could lead to additional investments of **€25 billion** in the period until 2020, and that will in turn increase the GDP by **3%** and add **150.000** new jobs.

To complete the transactions and the development of the Hellenic Republic's assets requires significant technical and legal preparation that is organised by HRADF according to the ADP. However, the cooperation of the state in the form of legislative and administrative actions and the continuous political support of the programme is also required. At this time, **77** actions are required by the state to complete the **6** privatisations that are in progress and to commence the next. Most of these actions have been significantly delayed. Without the wholehearted support of the entire Government, it is evident that it is impossible to implement the privatisation programme in a fast manner.

HRADF is fully organised and remains absolutely focused on the preparation of all assets for privatisation. Important, in-depth work has been performed, especially for infrastructure and real estate, so that as soon as market conditions allow, we will move quickly and effectively. HRADF has also made significant efforts to market privatisations to international investors - this has led to **17** interested parties for the Public Gas Corporation, **9** for Hellinikon, **3** for the State Lotteries and **3** for IBC. HRADF has organised, in cooperation with the European Commission, a fast-track approval process for all planned privatisations, from the aspect of State Aid and competition – this process has already demonstrated results.

In order to accelerate privatisations and achieve the planned result, the Government should publicly and actively support HRADF's management and facilitate HRADF in its actions and promote privatisations as they have been planned. This will give investors who are looking to invest in Greece a message of professionalism, credibility and target focus.

The newly elected government has not given HRADF the necessary level of support. On the contrary, in an indirect but systematic manner, the government has acted to undermine the authority and credibility of the Fund in the eyes of potential investors. Furthermore, the government has not yet appointed a Chairman of the Board of Directors so that the Board can convene again and accelerate the privatisation programme. Under these circumstances, I can no longer meet my professional duties and effectively play the role of Chief Executive Officer entrusted to me by the State in July 2011.

Fully recognising the difficult circumstances in the country, as well as my own responsibility, and being proud of what was achieved in the first 11 months of HRADF's operation, I hereby submit my resignation from the post of Chief Executive Officer, so that the implementation of the privatisation policy of the current government is made easier.

My resignation is effective as of August 10th, 2012, so that I can bring the new Chief Executive Officer up to speed and ensure HRADF management continuity.

For the good of our country, I wish you every success in your work and in the privatisation efforts of the Government.

Yours sincerely,

Costas S. Mitropoulos
Chief Executive Officer

Cc.: Mr Ant. Samaras, Prime Minister
Mr Ev Venizelos, Chairman, Panhellenic Socialist Movement
Mr F. Kouvelis, Chairman, Democratic Left