Η ΚΑΘΗΜΕΡΙΝΗ

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# Are You Rebuilding or Damaging Greece?

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As we approach Orthodox Easter 2016, there is a relentless drum beat on the topic of Greece debt relief. But something very important is missing from the discourse: Western democracy government financial transparency on Greece debt and debt relief.

Take this opportunity to learn what every Greece stakeholder should know: "Are you rebuilding or damaging Greece?" To find the answer, we suggest you ask the following five questions. All five questions compare transparency and accountability versus opacity and non-accountability.

**QUESTION #1:** Are you educating key stakeholders that Greece's debt burden numbers are investment grade and, once effectively communicated, can super boost the economy, or have you yet to fully understand the fact that Greece has received massive debt relief, has among the lowest debt burdens in the EU periphery, and should no longer use "meaningless" projected debt ratios that are counter-productive and crush the hardest working Greeks?

**QUESTION #2:** Are you educating key stakeholders that Greece received €17 billion in 3rd Programme debt relief in 2015 that decreased Greece balance sheet net debt and increased net worth by €17 billion, or have you yet to fully understand these facts?

**QUESTION #3:** Are you educating key stakeholders that Greece is projected to receive up to €30 billion in 3rd Programme debt relief in 2016 to 2018 that will decrease Greece balance sheet net debt and increase net worth by up to €30 billion, or have you yet to fully understand these facts?

**QUESTION #4:** Are you strongly supporting Western democracy government financial transparency rules to produce a Greece government balance sheet, or have you yet to fully understand what is a proper government balance sheet and the fact that Greece has no proper balance sheet despite repeated promises?

**QUESTION #5:** Are you strongly supporting an experienced Executive Turnaround Manager (ETM) for Greece to super boost the economy in 2016, or have you yet to fully understand that an ETM can make 2016 the year of the super boost for the Greek economy as well as train inexperienced government and political leaders?

Those working to rebuild Greece will tell you that based on decades of professional experience using internationally agreed upon debt measurement rules, Greece preliminary 2015 balance sheet net debt was €68 billion, not the €300 billion plus repeated by those damaging Greece. While an oversimplification, economists explain the €68 billion of Greece balance sheet net debt as the present value of debt less financial assets. The €300 billion is a future face value number legally required to be disclosed but does not comply with internationally agreed upon rules that reflect economic reality.

Furthermore, Greece annual debt service of net interest and bond principal payments, when correctly calculated, is approximately only 5% of GDP, not the 19% gross financing needs that includes many other annual flows. As for the decades ahead, let me be abundantly clear. Greece can keep its debt competitive advantage into the future with good government financial management.

These facts are well documented in professional publications including a Harvard case study by Professor George Serafeim and an economic journal article jointly authored with Professor Theodore Pelagidis from the University of Piraeus.

A prospective rebuilder is often comforted to know that these rules for calculating debt and debt relief are the same as those used in producing the balance sheets of global benchmarks in transparency and accountability. Examples include the European Union, EFSF, IMF, OECD, World Bank, UN, UK, USA, Canada, New Zealand, Australia, Israel, and virtually every major international company in the world. Even the France government balance sheet is prepared based on business accounting as required in their constitution. Indeed, proper accounting for debt is so important that the accounting rules for companies were passed as law by the EC.

**Knowing the correct debt and annual debt service numbers are important for several reasons. To start, the Greece debt burden numbers are better than investment grade peers Portugal, Ireland, Spain, and Italy. When those rebuilding Greece are successful in educating key stakeholders, borrowing costs will decline substantially for the government and throughout Greece. Lower borrowing costs will super boost the economy, increasing the value of real estate and other assets, increasing collateral values, reducing non-performing loans, increasing government revenues without tax increases, increasing private sector jobs, and reducing unnecessary pension cuts. Believing falsely in future face value and not in present value (i.e., balance sheet net debt) and therefore asking for a new future face value haircut continues to harm the financial reputation of the country. This behavior, which comes from either ignorance or political calculation, is suicidal and continues to damage the country.**

By way of background, the Greece government one-year borrowing costs are about 10% versus split investment grade Portugal at approximately 25 basis points. From a Greece rebuilder's perspective, this difference can be corrected by educating key stakeholders.

Those damaging Greece are using debt numbers that do not reflect economic reality to support counter-productive economic policies. Despite claims to the contrary, debt projections based on the "meaningless" future face value of debt, and not balance sheet net debt, are used to push for crushing increases in the primary balance. Also, the use of the gross financing needs metric rather than annual debt service is damaging.

One reason for this damage is that the Greek ministries, despite years of promises, have failed to produce a balance sheet based on Western democracy government financial transparency rules. Stating that economists do not use such tools as an excuse for Greece not using a proper balance sheet is one of the most wrongheaded comments ever heard. The disregard for the transparency and accountability of a proper balance sheet is found in the fact that the debt sustainability analyses (DSAs) do not include proper balance sheet projections. These DSAs seem to be produced in protected silos, where accountants and the transparency of international accounting standards are enemies to be kept outside the silo.

If any key stakeholder tells you the above is not accurate, please provide their names, and we will arrange a public debate to allow the sunshine of transparency to show that those working to rebuild Greece are 100% correct.

My strong recommendation is that you ask these five questions and learn who is rebuilding or who is damaging Greece. To learn more, visit www.MostImportantReform.info.

The change to rebuilding Greece from damaging can start within the next 30 days when key stakeholders strongly support an experienced ETM who will fight for Western democracy government financial transparency and a Greece government balance sheet prepared in accordance with internationally agreed upon rules. The ETM will win market validation of Greece investment grade numbers and make 2016 the year of the super boost for the Greek economy.

*[http://www.ekathimerini.com/207793/opinion/ekathimerini/comment/are-you-rebuilding-or-damaging-greece]*