Jump Start Investments and New Jobs in Greece with Good Government Accounting

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Greece has an opportunity to jump start investments and job creation by implementing international accounting standards. International experience shows that countries managed with international accounting standards have outperformed others—with sustainable economic prosperity. International accounting standards will spark a positive cycle of lower borrowing costs and improved loan availability, and will jump start investments and job creation in Greece.

The crisis in Greece has highlighted the lack of internationally comparable and credible government financial statements. With such financial statements, Greek citizens and foreign investors will be more inclined to trust the government and confidently assess its performance. Proper financial statements attract investors and provide access to the credit markets based on actual performance.

Every year more countries are adopting the only international accounting standards for government, IPSAS (International Public Sector Accounting Standards), to increase transparency, improve decision-making, and strengthen accountability. IPSAS has helped them improve their image and credit ratings, and succeed in capital markets. The production of IPSAS financials by the Greek government will boost access to capital by Greek companies, jump starting investments and job creation.

Even though many countries have seen the benefits of IPSAS, Greece stands out: it has much to gain, but has yet to decide to adopt IPSAS. Greek companies remain handcuffed with higher borrowing costs and have restricted access to capital. They face borrowing costs 400-600 basis points higher than foreign competitors. The result is lower competiveness, lower margins, and fewer resources to invest.

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In addition to the many benefits of implementing IPSAS, Greece has a unique additional benefit. With IPSAS, Greece will report significantly improved credit metrics. When accounted for correctly, Greece's net debt-to-GDP is significantly below 60%, not the often-cited figure of 175%. Greece's cash interest expense as a percent of revenue is about one-third of its peers and average cash borrowing costs are approximately one percent.

IPSAS financials will show Greece's credit metrics are superior to those of credit peers and help remove the ECB "57% penalty" on Greek government bonds (GGBs), which is suffocating growth and job creation. Under this penalty, investors seeking a loan to buy certain Greek assets, such as GGBs, must post ten times the collateral compared to similar assets from peer countries. The "57% penalty" is a significant reason for the lack of liquidity in our country and its higher borrowing costs.

Ignoring these benefits, some say Greece should not report truthful financials using IPSAS because lower debt numbers will be suspect. Is it not wrong-headed to report numbers that do not reflect economic reality? Still others say Greece should not adopt IPSAS, because some citizens and a small number of politicians can't handle the truth that Greece's debt to GDP is significantly below 60%. Is it not equally wrong-headed to cite incorrectly high public debt numbers in order to appease a misguided minority and prevent jump starting job growth in Greece? The adoption of IPSAS is the only way that Greece can build trust and confidence, which will jump start investments and job growth in Greece.