

The Imperative Role of Public Financial Management (PFM) in State Finances

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JAPONICA PARTNERS

**THE CHARLES & AGNES KAZARIAN FOUNDATION
KAZARIAN CENTER FOR PUBLIC FINANCIAL MANAGEMENT**

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**AMERICAN-HELLENIC
CHAMBER OF COMMERCE**

Paul B. Kazarian Summary CV

- Japonica Partners and Charles & Agnes Kazarian Foundation **Chairman, and CEO.**
- As **CEO and CFO** of Fortune 300 diversified conglomerate, turned around over a dozen multinational businesses from bankruptcy to world-leading successful growth companies.

Since Summer 2012 – Additional Activities:

- **Sole Special Advisor** to the Centre for European Policy Studies Task Force on How Better Managing Government Balance Sheets Can Enhance Growth.
- **William Pitt the Younger Award** for extraordinary leadership in strengthening democracy through government financial management.
- **Adjunct professor** of public financial management at Columbia Business School.
- **Visiting Professor** of Government Financial Management at the ISCTE Business School at the Instituto Universitário de Lisboa in Portugal.
- **Over 100 presentations** on the topic of Greek debt and debt sustainability including: AmCham, BHCC, CEPS, CESifo, CIPFA, EGPA, FEE, HBS, IIF, IFAC, INET Oxford, IOBE, ISCTE, LBS, OECD, PMI Congress, S&P, and USC.
- Analysis on Greek debt **cited in prestigious publications** including: HBS Case Study, InterEconomics, The Accountant, Der Spiegel, and the FT.
- Established **Kazarian Center for Public Financial Management** in Lisbon.

The Imperative Role of Public Financial Management (PFM) in State Finances

Topic 1: Why Public Financial Management (PFM)

Topic 2: Greek Government PFM Successes

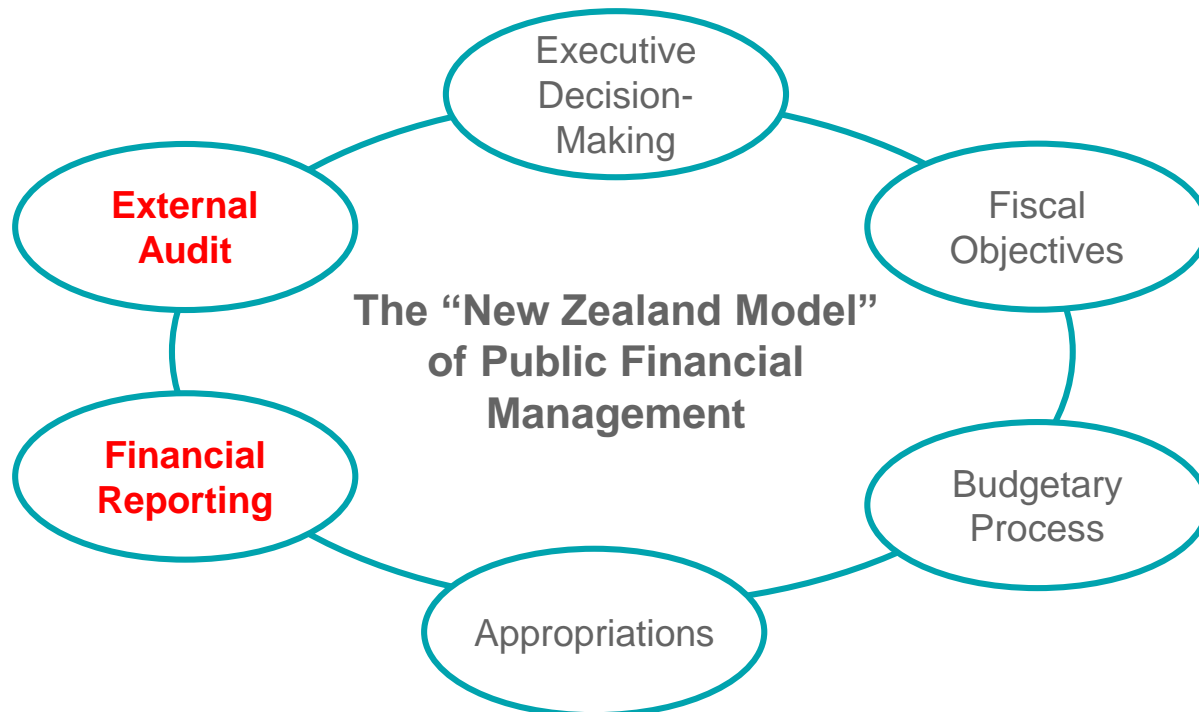
Topic 3: EY Monthly Government Financial Reporting Comparison Report

Topic 4: Greek Government Debt Correctly Calculated Using International Accounting Standards

Topic 1:
**Why Public Financial
Management (PFM)**

The “New Zealand Model” of Public Financial Management

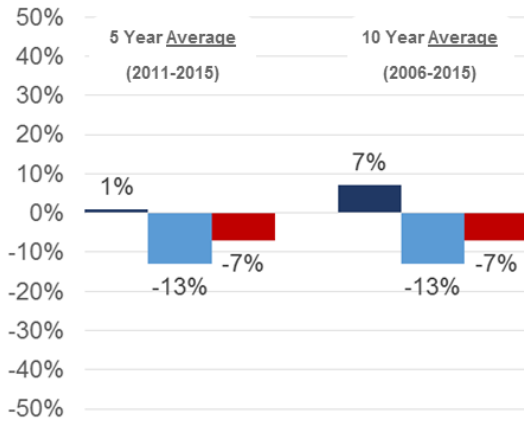
1. The "New Zealand Model" of Public Financial Management (PFM) should be understood, used, and communicated as a **full system of six components** to improve government performance (and position) and not solely as a project to improve accounting.
2. PFM focuses on resource mobilization and expenditure management in government.
3. PFM refers to the set of laws, rules, systems and processes used by sovereign nations (and sub-national governments), to mobilise revenue, allocate public funds, undertake public spending, account for funds, and audit results.
4. New Zealand reports and projects monthly and annual government net worth.



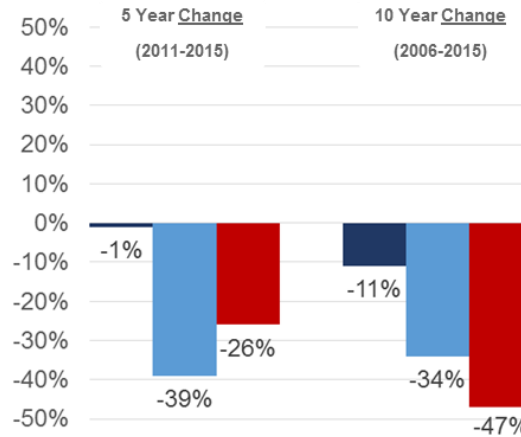
The Financial Benefits of the New Zealand Model are Evident In Superior Government Financial Key Performance Indicators (KPIs)

(Page 1 of 2)

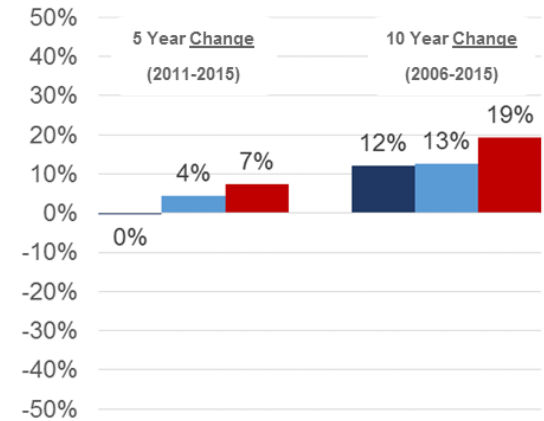
Government Net Worth Annual % Change



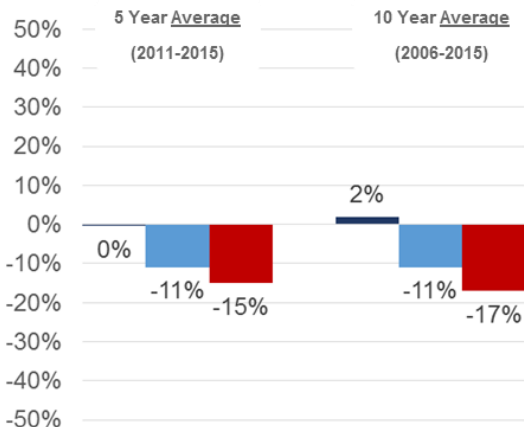
Government Net Worth % of GDP



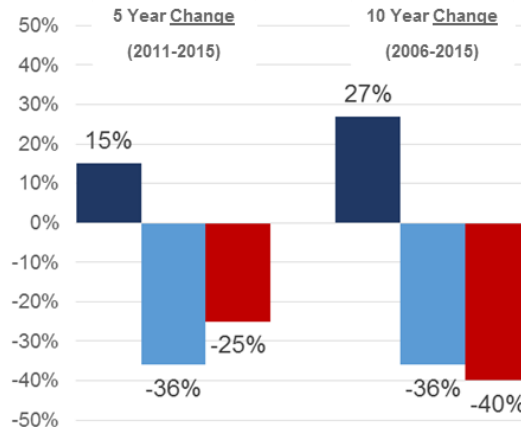
Government Net Debt % of GDP



Government Return on Assets



Government GDP Value Created/Lost Ratio



Legend

- New Zealand Government
- UK Government
- France Government

Notes: 2006-2015 data as available; base years: NZ: 2005, UK: 2010, FR: 2006.

New Zealand Ranks #1 in the World on Social Prosperity Corresponding to Leadership in PFM



THE LEGATUM
PROSPERITY INDEX™

2016

Bringing Prosperity to Life

- “New Zealand has had the **largest prosperity surplus** of any country in the world over the past decade. That it can generate the world’s **highest level of prosperity** with only average wealth for a developed country, is an achievement based on strong structural foundations and ongoing improvements in key areas of prosperity.”
- “Structurally, New Zealand’s free and open markets, free people, and strong society play a significant role in its ability to turn wealth into prosperity. “



annual accounts

of the European Union

Financial year

2015

Annual accounts of the European Union 2015

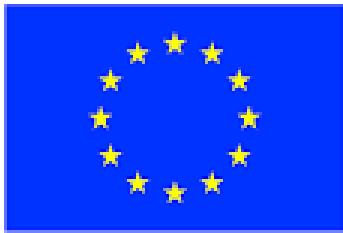
1. SIGNIFICANT ACCOUNTING POLICIES

1.1. LEGAL BASIS AND ACCOUNTING RULES

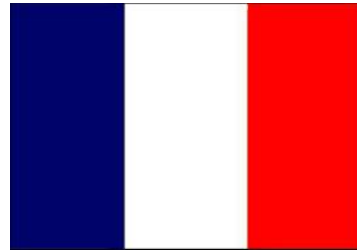
In accordance with article 143 of the Financial Regulation, the EU prepares its financial statements on the basis of accrual-based accounting rules that are based on International Public Sector Accounting Standards (IPSAS). These accounting rules, adopted by the Accounting Officer of the Commission, have to be applied by all the institutions and EU bodies falling within the scope of consolidation in order to establish a uniform set of rules for accounting, valuation and presentation of the accounts with a view to harmonising the process for drawing up the financial statements and consolidation. The accounts are kept in Euro on the basis of the calendar year.

Government Benchmarks with Financial Statements Prepared in Accordance with International Accounting Rules

European Union



France



United Kingdom



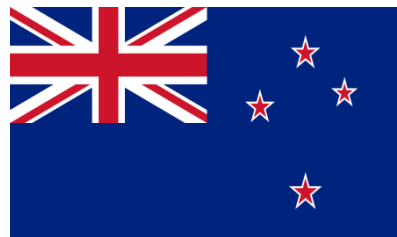
United States



Switzerland



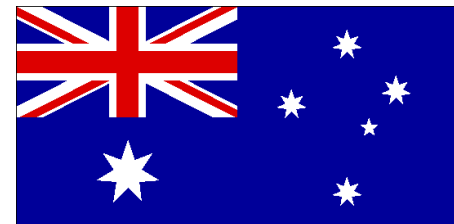
New Zealand



Canada



Australia



French Government Uses International Accounting Standards



MODERNIZATION OF THE PUBLIC ACCOUNTING SYSTEMS IN FRANCE: ACCOUNTING SCOPE, PRINCIPES, AND METHODS (2016)

The framework of **French Central Government Accounting Standards** has been designed with special reference to the following three standards: *(Page 3/21)*

- The French Chart of Accounts and the Accounting Regulation Committee regulations in force in France.
- The Standards being developed by the IFAC Public Sector Committee (*subsequently known as **International Public Sector Accounting Standards - IPSAS***).
- The International Financial Reporting Standards – IFRS (*formerly known as IASB Standards*).

CENTRAL GOVERNMENT ACCOUNTING STANDARDS FRANCE (February 2013) Ministère de l'Économie et des Finances

“Consequently, the **Constitutional bylaw** stipulates that the accounting rules for the Central Government are the **same as those for business**, except when differences are warranted by the specific nature of the Central Government’s activity.” *(Page 10/214)*

“**All of the rules and standards** for applying accrual accounting principles to the Central Government should therefore be **elaborated with reference to the provisions applying to business**.” *(Page 10/214)*

EU Member State General Governments are a Very Significant Part of the Economy with Total Expenditures Averaging 46% of GDP

| SN | Country | Total Expenditure % of GDP | SN | Country | Total Expenditure % of GDP |
|----|-------------|----------------------------|-----------------|----------------|----------------------------|
| 1 | Finland | 58% | 15 | Germany | 44% |
| 2 | France | 57% | 16 | Malta | 43% |
| 3 | Denmark | 56% | 17 | Spain | 43% |
| 4 | Greece | 55% | 18 | United Kingdom | 43% |
| 5 | Belgium | 54% | 19 | Czech Republic | 43% |
| 6 | Austria | 52% | 20 | Luxembourg | 42% |
| 7 | Hungary | 51% | 21 | Poland | 41% |
| 8 | Italy | 51% | 22 | Bulgaria | 40% |
| 9 | Sweden | 50% | 23 | Cyprus | 40% |
| 10 | Portugal | 48% | 24 | Estonia | 40% |
| 11 | Slovenia | 48% | 25 | Latvia | 37% |
| 12 | Croatia | 47% | 26 | Romania | 36% |
| 13 | Slovakia | 46% | 27 | Ireland | 35% |
| 14 | Netherlands | 45% | 28 | Lithuania | 35% |
| | | | Average: | | 46% |

Estimate: At Year-End 2016, the Greece Government had Over **½ Trillion Euros** in Assets and Liabilities to Manage, which is more than **€48,000 per Citizen**

(€, Billions; as of 31 December 2016)

| <u>SN</u> | <u>Balance Sheet Item</u> | <u>Amount</u> | <u>Assets and Liabilities</u> | <u>% of GDP</u> |
|-----------|------------------------------|---------------|-------------------------------|-----------------|
| 1. | Financial Assets | € 51 | 10% | 29% |
| 2. | Non-Financial Assets | € 90 | 17% | 51% |
| 3. | Total Assets | € 141 | 27% | 80% |
| 4. | Financial Liabilities | € 131 | 25% | 74% |
| 5. | Non-Financial Liabilities | € 255 | 48% | 145% |
| 6. | Total Liabilities | € 386 | 73% | 219% |
| 7. | Net Worth | -€ 245 | | -139% |
| 8. | Total Assets and Liabilities | € 527 | 100% | |

Notes: Working draft balance sheet is a Japonica Partners collaborative analysis based on EC AMECO and Eurostat data accessed 7 July 2017. Financial liabilities calculated according to international accounting standards.

Topic 2:
Greek Government PFM
Successes

Greek Government Successes in Public Financial Management: Highlights

1. Prime Minister Alexis Tsipras's speech in which he stated that Greece improving the legislative framework for fiscal management is a **most important reform**, increasing both transparency and accountability in the management of public finances. (See [video](#) of the speech).
2. Parliamentary legislation **adopting IPSAS**. <http://bponline.amcham.gr/?p=3820>
3. Recognized the importance of progressing to the benefits of the **New Zealand Model** of public financial management.
4. Six major categories of Greek government **PFM reforms**. http://www.mostimportantreform.info/Greece_PFM_Reforms.pdf
5. **Monthly reporting** among best in Eurozone. <http://www.minfin.gr/web/guest/deltia-ekteleses-proupologismou>

Six Major Categories of Greek Government PFM Reforms

(Page 1 of 4)

1. Budgeting framework
2. Fiscal reporting
3. Cash management
4. Accounting
5. Process of payments
6. Institutional reforms

“Reforms in Public Financial Management in the Context of Greece’s Economic Adjustment Programmes.” Hellenic Republic Ministry of Finance General Accounting Office – 2017. http://www.mostimportantreform.info/Greece_PFM_Reforms.pdf

Six Major Categories of Greek Government PFM Reforms: Highlights

(Page 2 of 4)

1. **Budgeting framework:**

- Extension of scope of PFM from state to all General Government entities.
- Established commitment registries for all General Government entities.
- Imposition of expenditure ceilings.
- Introduction of sanctions for 10% or greater divergence from budget.
- Publicly disclosed budgets and reporting for SOEs with €10M+ budgets.

2. **Fiscal reporting:**

- Best-in-eurozone monthly financial reporting and disclosure.
- Best-in-eurozone public internet access to monthly financial reports.
- Comprehensive financial detail on line items and all general government entities.
- Monthly reporting on accounts payable and arrears for entire general government.

Six Major Categories of Greek Government PFM Reforms: Highlights

(Page 3 of 4)

3. **Cash management:**

- Establishment of Treasury Single Account.
- Mandatory cash transfers from expanded government entities to Treasury Single Account.
- Over 2,000 bank accounts eliminated.

4. **Accounting:**

- Established double-entry accounting system (modified cash basis).
- Established single Chart of Accounts for all General Government entities.
- Published State financial reports using modified accrual accounting and progressing to expand to all General Government entities.
- Working to produce all financial statements including a balance sheet prepared in accordance with international public accounting standards.

Six Major Categories of Greek Government PFM Reforms: Highlights

(Page 4 of 4)

5. Process of payments:

- Implementation of arrears clearance programme and reduction of overdue surcharges.
- Shift of payments execution to Fiscal Audit Offices (FAOs) and increased threshold for Hellenic Court of Audits (HCA) approval.
- Abolition of duplicate ex-ante audits.
- Transfer of responsibilities from FAOs to the General Directorates of Financial Services (GDFS) of Ministries.

6. Institutional reforms:

- Established census and Registry of all General Government employees.
- Single Payment Authority for wages of Registry employees.
- Established GDFSs for all ministries.

Chartered Institute of Public Finance & Accounting (CIPFA) International Chairman Ian Ball

1. **Significant development with Greek Prime Minister Alexis Tsipras** making public financial management transparency and accountability a most important reform.
2. The Greek PM's announcement holds the promise of better prospects for Greece and its citizens and will give investors added confidence following the successful return to the capital markets in July 2017.
3. The announcement is also significant as history demonstrates that for public financial management reforms to be successful, it requires commitment at the most senior levels of government.
4. The announcement from the Greek PM signals an intention to implement reforms aimed at significantly upgrading the management of Greece's finances.

“Greek Steps Forward” The Accountant, 9 August 2017

<http://www.theaccountant-online.com/comments/comment-greek-steps-forward-5896399>

Former Head of Moody's Sovereign Credit Ratings Vincent Truglia

November 2017

- Greece has made **impressive and significant progress** with its public financial management. The reforms have been made across six major areas including budgeting, fiscal reporting, cash management, accounting, process of payments, and institutional reforms.
- Of special note, the **Greek government public financial management reforms** include double-entry accounting, impressive monthly reporting, single cash management and payment accounts, management and reporting of payables and arrears for the entire general government, and general directorates of financial services at all ministries.

University of Southern California History Professor of Government Accounting and Financial Management Jacob Soll

August 2017

- The **announcement by Greek Prime Minister Alexis Tsipras** that government financial transparency and accountability are a most important reform is extraordinarily significant, as history tells us that when the senior-most government official makes public financial management a most important reform, the probability of success is greatly enhanced.
- Having hosted a **Greek government delegation and senior leadership of all major Greek political parties** to a major conference at the University of Southern California, and in my follow up meetings with Greek government officials responsible for public financial management, I found an extraordinarily honest and committed team of professionals who have made and continue to make substantial progress on public financial management reforms, including government accounting and financial reporting.

Consensus Across the Greek Political Spectrum on the Importance of Public Financial Management

National and Kapodistrian University of Athens June 2017 Panel Participants:

- **SYRIZA**, Secretary General for Fiscal Policy, Franciscos Koutentakis: “Public financial management is a cornerstone of Greece’s reform programme.”
- **New Democracy** Member of the Hellenic Parliament, former Minister of Finance, Christos Staikouras: “We can all agree that public financial management is essential to Greece’s continued growth and success.”
- **PASOK**, Member of the Hellenic Parliament, former Deputy Prime Minister and Minister of Finance, Evangelos Venizelos: “Greece should continue working to be a leader in public financial management.”
- National and Kapodistrian University of Athens, Chairman of the Department of Economics, Nikolaos Eriotis: “We are so pleased to help build consensus across the political spectrum on the importance of public financial management.”
- University of Piraeus, Chairman of the Department of International and European Studies, Aristotle Tziampiris: “Public financial management is the key to rebuilding trust and confidence with our citizens and global capital markets.”

Topic 3:

**EY Monthly Government
Financial Reporting
Comparison Report**

Greece has Best-in-Eurozone Monthly Government Financial Reporting: Select Criteria

1. Comprehensive general government and component performance statements.
2. Both English and Greek language reports.
3. Excellent disclosure detail.
4. Timing of report disclosure: 15 days for preliminary state, 24 days for state, and 34 days for general government.
5. Increasingly more insightful narrative analysis.
6. Increasingly comprehensive financial footnotes.
7. Progress in disclosing important balance sheet data.

EY Government Monthly Financial Reporting Comparison: Summary

(Page 1 of 5)

Ranking: 1 (Low) - 10 (High)

| Criteria | Potential Score | New Zealand | Greece | Portugal | Germany | France |
|--------------------------------------|-----------------|-------------|------------|------------|-----------|-----------|
| Foundation Criteria Score | 100 | 88 | 43 | 31 | 22 | 15 |
| Data Disclosures Criteria Score | 100 | 92 | 56 | 39 | 24 | 15 |
| Quality of Disclosure Criteria Score | 100 | 98 | 32 | 30 | 20 | 9 |
| Comparative Data Criteria Score | 50 | 34 | 21 | 18 | 8 | 9 |
| Overall Score | 350 | 312 | 152 | 118 | 74 | 48 |

Total Ranking from highest possible score of 350.

EY Government Monthly Financial Reporting Comparison

(Page 2 of 5)

Ranking: 1 (Low) - 10 (High)

| SN | Criteria | NZ | GRE | PT | DE | FR |
|--|---|-----------|-----------|-----------|-----------|-----------|
| English Language: 0% to 50% Reduction to Criteria Score | | | | | | |
| 1 | English language (comparable to local language if applicable) | 0% | 10% | 25% | 40% | 50% |
| Section One: Foundation Criteria | | | | | | |
| 2 | Forecast Monthly Tax Pay Net Worth | 10 | 1 | 1 | 1 | 1 |
| 3 | Whole of government consolidated financial information | 10 | 9 | 7 | 3 | 3 |
| 4 | Accessibility: ease of public access | 10 | 10 | 4 | 4 | 5 |
| 5 | Ease to read and use financial data presentation | 10 | 8 | 7 | 4 | 3 |
| 6 | Print and save functionality | 10 | 8 | 8 | 6 | 6 |
| 7 | Accrual accounting level/quality | 10 | 1 | 1 | 1 | 1 |
| 8 | Full set of four financial statements | 10 | 3 | 3 | 1 | 1 |
| 9 | Timeliness (days from month end to publish) | 8 | 7 | 9 | 9 | 8 |
| 10 | Quality of Table of Contents | 10 | 1 | 1 | 7 | 1 |
| Foundation Criteria Score Before Discount | | 88 | 48 | 41 | 36 | 29 |
| Foundation Criteria Score | | 88 | 43 | 31 | 22 | 15 |

EY Government Monthly Financial Reporting Comparison

(Page 3 of 5)

Ranking: 1 (Low) - 10 (High)

| SN | Criteria | NZ | GRE | PT | DE | FR |
|---|--|-----------|-----------|-----------|-----------|-----------|
| Section Two: Data Disclosure Criteria | | | | | | |
| 11 | Monthly data provided | 10 | 5 | 5 | 5 | 3 |
| 12 | Year to date data provided | 10 | 10 | 10 | 10 | 7 |
| 13 | Disclosure of components of general government | 10 | 9 | 8 | 1 | 1 |
| 14 | Disclosure of important categories of revenue | 10 | 9 | 8 | 7 | 4 |
| 15 | Disclosure of important categories of expenses | 10 | 9 | 8 | 8 | 3 |
| 16 | Disclosure of change in net worth | 10 | 1 | 1 | 1 | 4 |
| 17 | Reconciliation of reporting to change in cash balance | 10 | 7 | 5 | 1 | 1 |
| 18 | Provide relevant GDP data and ratios | 7 | 1 | 1 | 1 | 1 |
| 19 | Disclosure of EU or NGO or other government financial support and spending | 10 | 10 | 5 | 5 | 5 |
| 20 | Disclosure of five key value creation ratios | 5 | 1 | 1 | 1 | 1 |
| Data Disclosure Criteria Score Before Discount | | 92 | 62 | 52 | 40 | 30 |
| Data Disclosure Criteria Score | | 92 | 56 | 39 | 24 | 15 |
| Quality of Disclosure Criteria Score | | 98 | 32 | 30 | 20 | 9 |

EY Government Monthly Financial Reporting Comparison

(Page 4 of 5)

Ranking: 1 (Low) - 10 (High)

| SN | Criteria | NZ | GRE | PT | DE | FR |
|---|--|----|-----|----|----|----|
| Section Three: Quality of Disclosure Criteria | | | | | | |
| 21 | Disclosure of expense both by type and function | 10 | 6 | 4 | 8 | 4 |
| 22 | Quality of detail of large categories of revenues and expenses | 10 | 9 | 8 | 8 | 3 |
| 23 | Quality of disclosure of assets | 10 | 2 | 1 | 1 | 1 |
| 24 | Quality of disclosure of liabilities | 10 | 1 | 3 | 4 | 1 |
| 25 | Quality of narrative on analysis of results | 10 | 2 | 6 | 4 | 1 |
| 26 | Quality of footnotes | 8 | 3 | 3 | 1 | 1 |
| 27 | Quality of statement of accounting policies | 10 | 3 | 3 | 1 | 1 |
| 28 | Quality of change in accounting or presentation disclosure | 10 | 3 | 3 | 1 | 1 |
| 29 | Quality of disclosure on transfers among entities | 10 | 3 | 4 | 1 | 1 |
| 30 | Avoidance of excessive and potentially confusing disclosure | 10 | 4 | 5 | 4 | 3 |
| Quality of Disclosure Criteria Score Before Discount | | 98 | 36 | 40 | 33 | 17 |
| Quality of Disclosure Criteria Score | | 98 | 32 | 30 | 20 | 9 |

EY Government Monthly Financial Reporting Comparison

(Page 5 of 5)

Ranking: 1 (Low) - 10 (High)

| SN | Criteria | NZ | GRE | PT | DE | FR |
|--|---|-----|-----|-----|----|----|
| Section Four: Comparative Data Criteria | | | | | | |
| 31 | Comparison to prior year | 10 | 10 | 10 | 5 | 10 |
| 32 | Comparison to budget | 10 | 5 | 5 | 2 | 1 |
| 33 | Continued disclosure of initial budget for month, year to date, and full year | 5 | 2 | 3 | 1 | 1 |
| 34 | Helpful period to period amount and percentage change data | 8 | 5 | 5 | 5 | 5 |
| 35 | Comparison to Other Governments | 1 | 1 | 1 | 1 | 1 |
| Comparative Data Criteria Score Before Discount | | 34 | 23 | 24 | 14 | 18 |
| Comparative Data Criteria Score | | 34 | 21 | 18 | 8 | 9 |
| Overall Score | | 312 | 152 | 118 | 74 | 48 |

Topic 4:

**Greek Government Debt
Calculated Using International
Accounting Standards**

ALL International Standards Require Calculating Government Debt to **Reflect Economic Reality**

1. The **European Union** reports its debt using international public sector accounting standards which reflect economic reality, not future face value.
2. **International Public Sector Accounting Standards (IPSAS)** reflect economic reality, not future face value.
3. **European System of Accounts (ESA 2010)** and the **System of National Accounts (2008 SNA)** endorsed by the major intergovernmental organizations (EC, IMF, OECD, UN, and WB) reflect economic reality, not future face value, on restructured debt.
4. The **International Financial Reporting Standards (IFRS)** used worldwide reflect economic reality, not future face value.

Using International Public Sector Accounting Standards, Greek Government Debt is Much Lower Compared to Peers

The much lower debt number for Greece reflects the economic reality of massive and historically unprecedented debt relief from six debt restructurings.

| | | <u>Greece</u> | <u>Peer Average</u> | <u>Cyprus</u> | <u>Ireland</u> | <u>Italy</u> | <u>Portugal</u> | <u>Spain</u> |
|----|---|-----------------|---------------------|----------------|----------------|-------------------|-------------------|-------------------|
| 1. | Ratings (M/S/F/D) | Caa2/B-/B-/CCCH | | Ba3/BB+/BB/BBL | A2/A+/A/AH | Baa2/BBB/BBB/BBBH | Ba1/BBB-/BB+/BBBL | Baa2/BBB+/BBB+/AL |
| 2. | Debt as a % of GDP using International Public Sector Accounting Standards (reflects economic reality) | 75% | 102% | 88% | 72% | 133% | 119% | 98% |
| 3. | Debt as a % of GDP using Future Face Value (does not reflect economic reality) | 179% | 109% | 108% | 75% | 133% | 130% | 99% |
| 4. | Overstatement of Debt (Percentage Points) | 104 | 7 | 20 | 3 | 0 | 11 | 1 |

Growing Recognition on Present Value as Correct Measure of Greece Debt: **International Comments** (1 of 2)

1. **European Stability Mechanism Managing Director Klaus Regling:** **Greece debt ratio is meaningless** (WSJ, 26 Sep 2013) given very generous concessional terms on the debt and the debt relief should be measured using net **present value** (ESM Annual Report, 18 Jun 2015).
2. **IMF:** Given the extraordinarily concessional terms that now apply to the bulk of Greece's debt, the **debt/GDP ratio is not a very meaningful proxy** (Greece Preliminary DSA 26 Jun 2015) and **present value** of debt is the appropriate measure for non-market access countries (DSA LIC Framework, 5 Nov 2013).
3. **Germany Chancellor Angela Merkel:** "It is rightful that we **don't ask about the debt [to GDP] ratio**, but ask, what is the actual burden on Greece from its debt service." (Axia, 1 Sep 2015)
4. **Germany Deputy Minister of Finance Jens Spahn:** Debt burden should be assessed based on "net **present value** of debt" and "how much in fact does Greece have to pay per year". (Bloomberg, 2 Sep 2015)
5. **CDU Economic Council:** It is the **present value** of a loan that is decisive, **not the nominal value**. Greece debt is significantly lower than thought. This 'competitive edge' is kept quiet. (Letter to Members of the CDU/CSU Parliamentary Group, 24 Feb 2015)

Growing Recognition on Present Value as Correct Measure of Greece Debt: **International Comments** (2 of 2)

- 6. Former Member of German Council of Economic Experts Beatrice Weder di Mauro:** The **present value** of outstanding Greek debt is now about 100% of GDP. (Brookings, Sept 2015)
- 7. Brookings Institute Senior Fellow Theodore Pelagidis:** Undermining business confidence for political reasons by saying that debt is unsustainable? A vicious circle of political risk and debt sustainability. Greece debt metrics are a fraction of peers, but its borrowing costs are almost 1,000 bps greater. Why? The political risk again is the answer. Numbers are even better when using **present value**, not future face value. (LSE, 1 Mar 2016)
- 8. LBS Professor Michael Jacobides:** Calculating this debt in **“present” (i.e., today’s) value**, as the leading governments and businesses that follow international accounting standards do, suggest that the debt is actually 68% of GDP rather than 176%, the number you get if you considered the debt without taking into account maturities and duration. And that is without even deducting the significant value of government financial holdings to produce the net debt figure. (Harvard Business Review, 16 Sep 2016).

Growing Recognition on Present Value as Correct Measure of Greece Debt: **Within Greece Comments** (1 of 3)

1. **Deputy Minister of Finance Giorgos Chouliarakis:** The main short-term measure is considered to be the restructuring under conditions of **present value** of the large debt of EFSF. (Speech to Parliamentary Subcommittee 3 November 2016)
2. **Deputy Minister of Foreign Affairs and Former Deputy Finance Minister Dimitris Mardas:** Greece government debt would be recorded at net **present value** taking into consideration the current value of the debt discounted by their expiry date on the basis of the market. (Economist Government Roundtable Speech, 14 May 2015)
3. **New Democracy President Kyriakos Mitsotakis:** The public debt is not the most fundamental problem of the Greek economy. The problem is the reform deficit, competitiveness deficit, investment deficit, and the persistent unemployment. In other words, the denominator is the problem. The GDP, far more than the numerator, the debt. A very interesting debate has begun on the accurate representation of the public debt in **present value** terms. (Speech in Parliament, 22 May 2016)
4. **Former Deputy Prime Minister and Finance Minister Evangelos Venizelos:** Since the beginning of 2012, Greece has received a debt reduction of more than €200 billion: €100 billion in nominal terms, and another €100 billion in net **present value** terms. (Speech to Hellenic Republic Parliament, 4 Dec 2015)
5. **Former Finance Minister Gikas Hardouvelis:** Greece was offered substantial debt relief through the PSI of February 2012 as well as maturity extensions, interest rate reductions and even a grace period in its interest rate obligations... The long maturities, low yields and grace period render the true **(present) value** of debt obligations very small relative to its nominal (face) value. (World Post, 29 Feb 2016)

Growing Recognition on Present Value as Correct Measure of Greece Debt: **Within Greece Comments** (2 of 3)

6. **Governor of the Bank of Greece Yannis Stournaras:** The combination of these actions would amount to a net **present value** benefit of about 17% of 2015 GDP for Greece over the next 35 years, thus improving debt sustainability. (LSE Speech, 25 Mar 2015)
7. **Former Minister of Economy and Finance Nikos Christodoulakis:** I agree that the **present value** of the debt is the right way to look at the debt stock. Debt is not the issue, it's about growth. (CEPS, 9 Feb 2016)
8. **Bank of Greece Deputy Governor and Former Deputy Finance Minister Iannis (John) Mourmouras:** Greek debt should be correctly calculated using international accounting standards, based on **present value** terms, which would most accurately reflect the economic reality that most of Greek government debt is with the official sector and under concessional terms (low interest rates and long maturities).
10. **PWC Greece:** The net **present value** of Greece government debt is less than half of its nominal value. (Directions for Economic Recovery in Greece, Sep 2013)
11. **American-Hellenic Chamber of Commerce Executive Director Elias Spirtounias:** When accounted for correctly, Greece's **net debt to GDP** is significantly below 60%, not the often cited figure of 175%. (Nov 2014)

Growing Recognition on Present Value as Correct Measure of Greece Debt: **Within Greece Comments** (3 of 3)

12. **Chairman of AmCham Taxation Committee Stavros Costas:** In the framework of the implementation of IPSAS, the value of the Net Debt on 31 December 2013 would be 18% of GDP, a substantially lower level than the subversive threshold of 60% GDP provided for by Maastricht Treaty... By the principal criterion of Net **Present Value**, instead of the Market Value, the classification of the Country, according to the Maastricht Treaty, at the 12th and final unfavorable position among the 12 Eurozone Countries with an increased Debt, would change drastically by bringing competitively the Country to the second best position, after Slovenia. (Voria, 23 Dec 2014)
13. **Chair of Transparency International Greece Costas Bakouris:** Using IPSAS, we could highlight that the **fair value** of our loan obligations is much lower than the nominal one... comparison of the fair value versus the nominal value of the net versus the gross debt to GDP will be considerably less and it is estimated to be comparatively less than that of our creditors, which actually constitutes an important competitive advantage. (Naftemporiki, 19 Feb 2015)
14. **Kathimerini Editorial (INYT local affiliate):** Editorial calls the government claims of a **debt mountain a hoax** on the public and the refusal to admit that debt relief reduced the debt outstanding part of a failed and destructive political strategy. (Kathimerini, 4 July 2016)
15. **Former Finance Minister Yannis Varoufakis:** A Misunderstanding - The misunderstanding regarding Greece solvency owes to the fact that the blunt 175% Debt-to-GDP number does not fully describe the actual burden to public debt over the economy. Indeed, if Greece's debt was calculated in **NPV** terms, say with a 5% discount rate factor, the Debt-to-GDP ratio would already be as low as 133% of GDP. (Eurogroup Non-Paper, 16 Feb 2015)

The “New Zealand Model” of Public Financial Management

1. The "New Zealand Model" of Public Financial Management (PFM) should be understood, used, and communicated as a **full system of six components** to improve government performance (and position) and not solely as a project to improve accounting.
2. PFM focuses on resource mobilization and expenditure management in government.
3. PFM refers to the set of laws, rules, systems and processes used by sovereign nations (and sub-national governments), to mobilise revenue, allocate public funds, undertake public spending, account for funds, and audit results.
4. New Zealand reports and projects monthly and annual government net worth.

