

Bringing Western Democracy Government Financial Transparency to the OSI-PSI

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Myths and Truths about the Greek Public Debt Before and After the PSI/OSI

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What is Western Democracy Government Financial Transparency?

Western democracy government financial **transparency** is about giving your voting citizens the necessary financial information on a timely basis in order for there to be **accountability** for government officials financial actions.

Goals of Western Democracy

Government Financial Transparency

- 1. Better use of taxpayers money**
- 2. Combat corruption**
3. Global comparability and consistency
4. Reflect economic reality
5. Accuracy
6. Auditability
7. Citizen friendly

Three Accounting Standards of Western Democracy Financial Transparency

1. **IPSAS:** International Public Sector Accounting Standards
2. **IFRS:** International Financial Reporting Standards
3. **US GAAP:** United States Generally Accepted Accounting Principles

Public Sector Benchmarks with Financial Statements Prepared in Accordance with International Accounting Rules



European Union
IPSAS



IFRS



IFRS



US GAAP



IPSAS



IPSAS

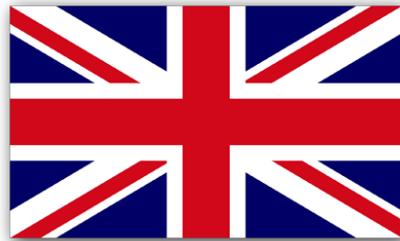
Government Benchmarks with Financial Statements Prepared in Accordance with International Accounting Rules

US



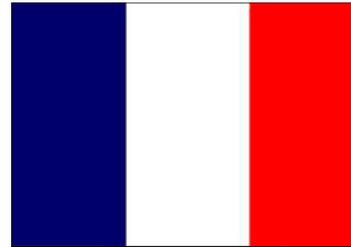
US GAAP

UK



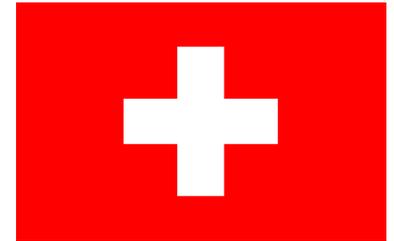
IFRS

FR



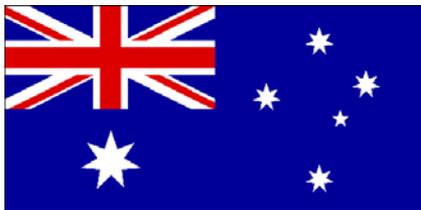
IPSAS/IFRS

CH



IPSAS

AU



IPSAS-like

CA



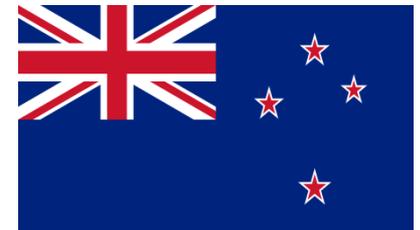
IPSAS-like

IL



IPSAS

NZ



IPSAS

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

AT



IPSAS

EE



IPSAS

IE



IPSAS

PH



IPSAS

PT



IPSAS

RO



IPSAS

SK



IPSAS

ES



IPSAS

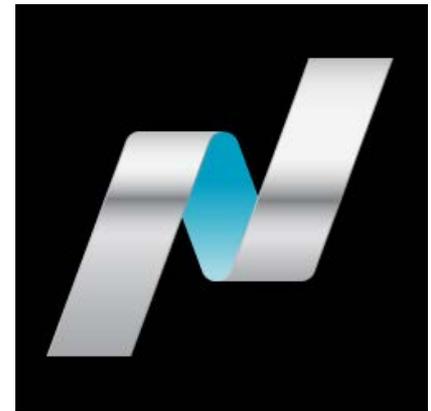
The Leading Stock Exchanges with Companies that Must Use Financial Statements Prepared in Accordance with International Accounting Rules



IFRS/US GAAP



US GAAP/IFRS



US GAAP/IFRS

A Balance Sheet

Total Assets
less Total Debts
equals Net Worth.

Too many people do not know that there are international accounting rules to construct a balance sheet and believe they can create their own. They cannot and should not.

Governments Have A Net Worth

	Australia, Commonwealth of	Canada, Government of	France, Republic of (<i>Central Government</i>)	Israel, Government of the State of
Total Assets	\$532	\$411	€ 989	₪ 503
Total Debts	\$841	\$1,024	€ 3,759	₪ 2,229
	-\$309	-\$612	-€ 2,770	-₪ 1,727
	Net Worth	Accumulated Deficit	Net Worth	Equity
GDP	\$1,637	\$1,975	€ 2,132	₪ 1,094
Net Worth / GDP	-19%	-31%	-130%	-158%
	New Zealand, Government of	Swiss Confederation	United Kingdom	United States Government (<i>Central Government</i>)
Total Assets	\$279	CHF 105	£1,569	\$3,230
Total Debts	\$187	CHF 139	£3,189	\$21,452
	\$92	-CHF 35	-£1,620	-\$18,222
	Net Worth	Equity	Net Worth	Net Position
GDP	\$244	CHF 645	£1,735	\$17,968
Net Worth / GDP	38%	-5%	-93%	-101%

Changing the Balance Sheet Value of Debt in Accordance with International Accounting Rules

Example: €120,000 loan

Current: 100% of future face value

- 10% interest
- Principal must be paid down annually
- All must be paid off within three years

After Restructuring: 16% of future face value

- 1% interest
- Principal payments don't start for 20 years
- Final payment not until 40 years from today

Balance Sheet Net Debt is More Meaningful Than Gross Debt

Borrower A borrows 120,000 and wastes all the money .

Borrower B borrows 120,000 and puts money in savings account.

	Borrower A	Borrower B
Gross Debt	120,000	120,000
Financial Assets	0	120,000
Balance Sheet Net Debt	120,000	0

Massive OSI/PSI Restructuring of Debt Terms

- Interest Rates: as low as below 1%.
- Maturity Extensions: as long as 45 years.
- Grace Periods: up to 18 years.
- Interest Deferrals: up to 10 years.
- Interest/Principal Rebates: on ECB and NCB holdings resulting in negative interest rates.
- Financial assets: funds to invest in financial assets.

OSIs/PSIs Created Globally Historically Unprecedented Net Worth for Greece

Net Worth has increased by €175 billion since before OSIs/PSIs.

2009 - Before OSIs/PSIs				2015 - Post OSIs/PSIs			
Assets		Total Debts / Net Worth		Assets		Total Debts / Net Worth	
Financial Assets	€57.5	Debt	€300.9	Financial Assets	€50.0	Debt	€118.0
		Total Debts	€300.9			Total Debts	€118.0
		Net Worth	-€243.4			Net Worth	-€68.0
Total Assets	€57.5	Total Debts and Net Worth	€57.5	Total Assets	€50.0	Total Debts and Net Worth	€50.0

Greece has Better Important Debt Metrics than Investment Grade Peers but Much Lower Credit Ratings and Much Higher Borrowing Costs

(% of GDP, except as otherwise indicated)

	April 2016 Credit Ratings <i>(M/S&P/F/D)</i>	2015 Balance Sheet Net Debt	2016 Annual Debt Service	2016 Net Interest Payments	Next 5-Years Unfunded Debt Service	2-Year Government Bond Yields
Greece	Caa3/ B- / CCC/CCCH	39%	5%	0.9%	14%	11.07%
Ireland	A+ / A/AH	57%	9%	3.0%	49%	-0.33%
Spain	Baa2/BBB+/ BBB+/ AL	74%	13%	3.0%	58%	-0.05%
Italy	Baa2/BBB-/ BBB+/ AL	109%	15%	4.1%	75%	-0.03%
Portugal	Ba1/BB+/ BB+/ BBBL	80%	11%	4.5%	61%	0.24%

Future Face Value of Debt (Maastricht) as a percentage of GDP: Greece 179%, Ireland 98%, Spain 101%, Italy 133%, Portugal 129% (EC AMECO data accessed 7 April 2016).

Sources: EC AMECO, Eurostat, IMF, Member State MOFs, Bloomberg, MostImportantReform.info.

Are You Rebuilding or Damaging Greece?

5 questions compare
transparency and accountability
versus
opacity and non-accountability.

**For a copy of the 5 questions visit
www.MostImportantReform.info**

The 5 Questions

Q#1. Does Greece have investment grade debt numbers?

Q#2. Was there €17 billion in 2015 debt relief which decreased balance sheet net debt by €17 billion?

Q#3. Is there €30 billion in 2016-2018 debt relief already agreed upon which will decrease balance sheet net debt by €30 billion?

Q#4. Do you strongly support Western democracy government financial transparency?

Q#5. Do you strongly support an Executive Turnaround Manager (ETM) for Greece who can implement transparency and make 2016 the year of the super boost for Greece?

Correctly Calculating Greece Debt Numbers: Select Reading

- “Greece’s New Agreement with Europe: This Time Different?”
Intereconomics. September/October 2015. **Pelagidis, Theodore and Kazarian, Paul B.**
- “Greece’s Debt Sustainable?” Harvard Business School Case Study. June 2015. **Serafeim, George**
- “Greece's Bailout Package: Missing IPSAS?” The Accountant. September 2015. **Tornero, Carlos**
- “The Curious Case of the Rules for Calculating Debt Relief: A Technical Note on EU Accounting for Debt, Especially Restructured and Concessional Debt.” Sep 2015. **Ball, Ian**

See also: www.MostImportantReform.info