IPSAS: The Greek Elephant in the Room

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The Greek government's failure to adopt international accounting standards means the fiscal opacity that existed before the crisis remains substantially unchanged. The costs to Greece and Europe are high but avoidable. Moving to international accounting standards would be good for Greece and Europe. It was bad government accounting by Greece that triggered the crisis in Europe. The "elephant in the room" is that government accounting in Greece has not changed. What make the lack of progress remarkable are the many benefits that would accrue if Greece were to implement international accounting standards. There are positive benefits that foster sustainable growth and job creation through improved decision making, and protective benefits that safeguard growth from risks and failures of control through increased government transparency and accountability.

Since 1995, the list of governments implementing international accounting standards has grown dramatically, and the benefits are widely communicated. International Public Sector Accounting Standards (IPSAS) have been adopted by many countries in Europe and around the world. These countries report better fiscal decisions resulting from greater understanding of the fiscal position. They also report more sustainable growth, lower taxation, and net debt reduction associated with the need for fiscal responsibility.

International accounting standards increase trust and confidence that facilitate foreign investment. Financially transparent countries earn benefits in the global capital markets, including lower cost of capital, more extended maturity profiles, and greater predictability of financing. A lower cost of capital for the government feeds through into the cost of capital to companies, making them more competitive internationally. International accounting standards will benefit Greece by addressing its unfavorable accounting reputation, and by revealing the government's real debt and performance-related metrics, thus providing a more accurate reflection of economic reality, especially relative to peers. The systems that produce high quality financial information, through transparency and accounting controls, will make corruption more difficult. Also, international accounting standards will prevent decisions based on a picture of the fiscal position that does not reflect economic reality.

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In addition to many countries, major international institutions (The World Bank, IMF, UN, and OECD); key regional organizations (the European Commission, Eurostat, the European Securities and Markets Authority); and international and regional accounting bodies (the International Federation of Accountants, and the European Federation of Accountants) support the call for improved governmental accounting. Many of these institutions—including the EC, OECD, NATO and UN—have adopted IPSAS.

Greece would achieve immediate benefits from announcing its decision to implement IPSAS now. Other institutions must also act in support, especially those having significant roles (and stakes) in restoring the Greek economy. While there is widespread support, it is not being voiced loudly enough by those who wish to see Greece revitalized, and those whose job it is to protect Europe. Now is the time for all stakeholders to demonstrate a greater commitment to good accounting by advocating passionately for the adoption and implementation of international accounting standards. International accounting standards for Greece are good for both Greece and Europe.