

**Speech of the Deputy Finance Minister Dimitris Mardas**

**“International Accounting Standards &  
their contribution to the confrontation of Greek Debt”**

**Regarding the annual  
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Public sector in Greece consists of the General Government, the outside public legal entities as well as the outside Public Enterprises and Organizations. Part of that is the Central Government, which is also part of the Central Administration including the Presidency of the Republic, Ministries, Independent Authorities and also Administrative Reconstructions.

At the moment there is a set of account projects (sectoral accounting plans and budget numbers code systems) concerning the General Government in Greece.

Through those account projects a) the Budget is being established as well as executed and b) the Accounting is being informed. The country also prepares reports for Eurostat based on the rules provided for by ESA 2010.

Especially for the Accounting System of the Central Government, the Double Entry Accounting of Modified Cash Basis (DEAMCB) is being established under law 3871/2010 and came into force on 1-1-2011, which is based on the accrual of income and expenses and aims to the gradual transition from traditional accounting based on cash to the more accurate and efficient accrual accounting.

The financial statements of the Double Entry Accounting of Modified Cash Basis (DEAMCB) are a structured representation of the financial position, financial performance and also cash flows of the Central Government and are as follows:

- financial position (FP)
- financial performance status (FPS)
- Statement of Changes in Net Equity Citizens (SCNEC)
- statement of cash flows (SCF)

According to the Double Entry Accounting of Modified Cash Basis (DEAMCB), the liquidated obligations of Greek Government are being accounted, including the Public Debt.

The need to produce and analyze accounting data in a national level is **urgent and imperative**, especially in countries that are tested due to high public debt and fiscal deficits, given that the deficit and the public sector's debt are determined by the stabilization of the annual public accounts.

The adoption of International Public Sector Accounting Standards (IPSAS) stands out as the most important step of progress and evolution in financial accounting, enhancing the transparency and credibility of public finances, while contributing to global growth and prosperity through the convergence and harmonization of public accounting systems in various countries and organizations.

More than 80 countries as well as international organizations, such as the European Union and the Council of Europe, NATO, the OECD, the World Bank and the United Nations, have already adopted IPSAS.

At European level, most countries continue to prepare their financial statements based on cash accounting basis, while countries like the Netherlands, France, Switzerland, Sweden,

Finland, the United Kingdom, Austria, Italy, Spain, Romania and Russia have adopted (or adopt) IPSAS in accordance with the accrual accounting basis.

We should note that major international financial institutions such as the IMF (International Monetary Fund) and the World Bank, are at the forefront of the adoption of accrual accounting in the public sector and the implementation of IPSAS.

The adoption of IPSAS provides the opportunity for more efficient management of public finances with multiple benefits, including:

- reduction of operating cost of the public administration and the government,
- reduction of government borrowing and, therefore, reduction of the corresponding costs,
- better allocation and release of public funds, which will contribute to the amplification of the employment,
- reduction of the cost of public goods and services,
- greater transparency and accountability through the disclosure of all transactions conducted,
- improvement of quality and amplification of credibility of public accounts,
- improvement of economic competitiveness, indirectly favoring the private sector companies,
- acquisition of comparative advantage in the international market.

On the contrary, the absence of accounting standards in public accounting, such as IPSAS, imposes a substantial cost on public authorities, while suggesting in parallel the lack of reliable data, the decision making under circumstances of deficient information and the exploitation of public resources in the wrong direction, with all that this means for the entire economy.

The main difference between IPSAS and the debt recording in nominal values (values of historical cost), is that with IPSAS the debt is recorded in net present value taking into consideration the current value of the debt discounted by their expiry date on the basis of the market including the management of derivative transactions.

With IPSAS, any amendment on the contractual terms mainly of the negotiable secondary loans (bonds, treasury bills, etc.), as well as any change on the repayment duration, on interest rate, on the provision or non-provision of grace periods, etc., is taken into account and alter respectively the total Public debt, unlike to what happens when the debt is recorded in nominal values.

The issue therefore for the public administration is the planning and development of a new uniformly applied accounting schedule to be adopted by the entire public sector, based on international accounting standards.

In this context, a working group of highly qualified staff of the Greek Government's General Accounting Office, in collaboration with the Accounting Standardizing Board, has already been established, in order to study and plan the new Uniform Accounting Schedule.

Overall the new Accounting Schedule of the General Government will seek the reasonable representation of the financial state and asset structure of the General Government, the reasonable estimation of its credibility, the uniform accounting operation of General Government's transactions, the facilitation of transactors with it, the extraction of reliable information conducive for policy formation and decision making, the simplification and facilitation of all control forms, the increased productivity, as well as connection, to the extent permitted, of the accounting framework of the State with the accounting framework of the private sector.

The new accounting context has to be organically connected with the budget's execution follow up and of course serve the relevant informational needs for the drafting of the State Budget.

At the same time, as an aim is recorded the need of drafting of a uniform coding system for the preparation and monitoring of the execution of the State Budget (Income / Expenses) for the entirety of the General Government (Ministries – Legal Entities of Public Law – Legal Entities of Private Law) that would serve the needs of data submission according to ESA-2010/GFSM

Overall, the issue is of **major importance** and consists a significant opportunity for a **truly, meaningful and long term reform**. There are at least two studies (British Treasury, 2002 and IMF, 2005) for Greece, as well as a significant international experience<sup>1</sup>. This material specifies the course to be followed by the project, while the developments in the EU in relation to the public sector's accounting and especially the issue of the apparent adoption of EPSAS (European Public Sector Accounting Standards) and also the country's obligation to provide information to the European Union regarding fiscal issues according to the rules of ESA 2010, should be taken into account.

Given the extent and complexity of the project, the technical assistance by international organizations or technical groups that have already co-operated with the Greek government on the basis of international agreements, on design issues and also on implementation issues, is considered to be extremely useful, but in any case it is the Greek side that bears the responsibility: the administrative reform of the public sector in the principles of transparency, good governance and effectiveness, should practically consist a Greek case.

The new accounts plan should cover the information needs of the Greek government and the administrations of individual authorities, while it should also be suitable for the reliable, quick and easy reporting of data in the forms requested by Eurostat and other organizations.

<sup>1</sup>Allen, R. and Tommasi, D. "Managing Public Expenditure: A Reference Book for Transition Countries", OECD. Roberts, J. "Managing Public expenditure for development Results and Poverty Reduction", Mrakovcic, M. "Public Expenditure Management", Zugravu, B., Sava Anca-Stefania "Patterns in the Composition of Public Expenditures in CEE Countries