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## **Greece adopts IPSAS!**

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Greece's decision to adopt International Public Sector Accounting Standards is significant and very welcome. The next challenge is one of implementation – the task requires excellent planning and execution

I have, in the past, been critical of the way Greece's public debt has been accounted for, given its significance for the Greek economy and society and for the future of the eurozone. It remains a mystery how highly regarded commentators and institutions continue to refer to a debt-to-GDP ratio of 175%, when on an IPSAS basis the number would be around 70%. And even more of a mystery when account is taken of the €91bn in financial assets that Greece had at end 2013, which would reduce net debt to less than 20% of GDP!

It was therefore, a hugely welcome and encouraging development to read in a speech by the Deputy Minister of Finance of Greece, to *The Economist*'s 19th roundtable with the government of Greece, that they are moving to adopt IPSAS. This was no indirect reference – it was the focus of the speech, which was entitled "International accounting standards & their contribution to the confrontation of Greek debt". It made a number of points that bear repeating. They are below, from an unofficial translation:

"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.

"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,
- lowering of government borrowing and, therefore, reduction in the corresponding costs,
- better allocation and release of public funds, which will <u>contribute to the amplification of</u> the employment,
- reduction of the cost of public goods and services,
- greater transparency and accountability through the disclosure of all transactions conducted.
- improved quality and amplification of credibility of public accounts.
- increased economic competitiveness, indirectly favoring the private sector companies,
- attainment of comparative advantage in the international market."

"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.

"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 be justified from a Greek perspective.

"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."

These are extracts from the minister's speech. But they convey the rationale for the adoption of IPSAS and the intent of the Greek government. This is a very significant development.

In the first instance, and urgently, Greece needs to start using IPSAS based numbers in evaluating major financial policy decisions. Even if they lack a full IPSAS-based accounting system, they can still ask the question: how will this decision impact our net debt and net worth? Even if the answers are estimates, they will at least be asking the right question and using the best available information.

In moving to introduce IPSAS, the Greek government will need the support of the accountancy profession. The profession has resources and experience which will be needed for the implementation of the government's decision. What Greece is seeking to do has been done by other countries – there is experience to draw on.

Finally, the Greek Government's decision means that the challenge now is one of implementation. This is a management challenge. It requires excellent planning and execution. And the Greek government needs to be as transparent about its plans and their execution as it has committed to be over its finances.

IPSAS based financial information is a first step towards <u>creating transparency and enabling</u> <u>accountability</u>. This in turn can <u>build trust</u> – a commodity Greece has great need of – and the adoption of IPSAS is a critical first step.

http://opinion.publicfinanceinternational.org/2015/05/greece-adopts-ipsas/



## **About Ian Ball**

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