Speech: Bringing Western Democracy Government Financial Transparency to the OSI-PSI
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Thank you for this historic opportunity to discuss in a large public venue in Athens the topic of my comments today. There was considerable courage in inviting me to publicly discuss the topic of "Bringing Western Democracy Government Financial Transparency to the OSI-PSI". As you know, OSI-PSI is the abbreviation for the official sector involvement and the private sector involvement in restructuring Greece government debt.

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First, let me start by providing a traditional definition of Western democracy government financial transparency. As you can see on the screen, 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' actions. Please note the words in red on the slide, transparency and accountability.

[Citizens in a democracy have many concerns, and many opposing concerns. And, exploiting the emotions of vulnerable citizens is unfortunately a weakness of democracy. Nonetheless, in this very and increasingly complicated global world we all live in, honest citizens – especially hard working taxpayers, of a successful Western democracy must demand that their government provide Western democracy government financial transparency.]

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Among the goals of Western democracy government financial transparency are: (1) better use of taxpayer money, (2) combatting corruption, (3) global comparability and consistency, (4) reflecting economic reality, (5) accuracy, (6) auditability, and (7) citizen friendly information.

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There are three accounting standards of Western democracy financial transparency: the International Public Sector Accounting Standards, known by its abbreviation IPSAS; the International Financial Reporting Standards, known as IFRS, and the United States Generally Accepted Accounting Principles, known as US GAAP. And, it's important to know that these standards are harmonized, which means they are all very similar, especially when measuring debt. To repeat, these rules are all very similar, if not identical, in measuring debt. Yes, debt is measured using these rules.

These internationally agreed upon standards are a cornerstone to Western democracy in the modern world. If you'd like to see how essential these standards are, let's take a look at the rules used by a wide range of organizations and governments. These next three slides will show you the rules used to report financial information that is transparent in order for the leadership to be held accountable.

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Here is a list of public sector benchmarks with financial statements prepared in accordance with international accounting rules: the European Union, European Financial Stability Facility (EFSF), the IMF, the World Bank, the OECD, and the UNDP. Let me stress again, these are the rules used by the European Union, the IMF, and the EFSF to produce their financial statements so their stakeholders can hold them accountable for their financial actions.

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How about a list of the government benchmarks with financial statements prepared in accordance with international accounting rules? The governments include the United States of America, the UK, France, Switzerland, Australia, Canada, Israel, and New Zealand.

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Now, how about a list of aspiring government benchmarks with financial statements prepared, or in the process of being prepared, in accordance with international rules: Austria, Estonia, Ireland, the Philippines, Portugal, Romania, Slovakia, and Spain.

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It’s also important to know that the leading stock exchanges in the world require that their major companies use these rules to report their financial statements: The London Stock Exchange, the New York Stock Exchange, and the NASDAQ.

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Now that you know that there are intentionally agreed upon rules for financial information, let me mention one of the most important transparencies, it is the balance sheet. Yes, all these entities report the all-important balance sheet. The beauty of a balance sheet is that it is very easy to understand and totally important from a financial perspective. A balance sheet is Total Assets less Total Debts, which tells you the Net Worth. Repeat, Total Assets less Total Debts equals Net Worth. Simple, right? We all have a balance sheet, and we all have a net worth, just like governments. 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.

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By way of example, the slide you are now seeing shows the Net Worth reported by the global benchmark governments. They provide the transparency of their Net Worth so their citizens can see the impact of their financial decisions and decide how to hold them accountable. Without question, having the transparency of the change in Net Worth is the most important number to assess the use of taxpayer money and to combat corruption. The rules want to see economic reality on an internationally comparable basis.

Now that you know the world has and the world uses these accounting rules to produce balance sheets, let’s discuss -- in basic terms -- how the rules measure debt when it is restructured as in the OSI-PSI.

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By way of introduction, let me give you two super simple examples to help you better understand how balance sheet net debt is calculated. Let’s start with seeing how changing the terms on debt changes the value of the balance sheet net debt in accordance with international accounting rules.

The first example: You or any entity has a 120,000 euro loan. The loan has an interest rate of 10%, the principal must be paid down annually and all must be paid off within three years; and this goes on the balance sheet at 100%. Your annual payments are 12,000 in interest and 40,000 in loan repayment. A total of 52,000. Simple. Happens every day. Now, let's assume that a miracle happens and the lender restructures your loan and reduces your interest to 1% and says you don't need to repay any of the loan for 20 years and full payment until 40 years. So your annual payment drops like a rock to 1,200 from 52,000. Obviously, the debt now looks much more like a gift. So, what happened to the balance sheet? The intentionally agreed upon accounting rules are crystal clear and in total agreement. The debt goes on your balance sheet at 16% of the prior number or about 19,200.

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Our second example is even simpler if that is possible. You have two borrowers that each borrow 120,000. One wastes all the money and the other borrower puts all the money in a savings account. Who has more debt? Obviously, you should look at debt less the assets, and Borrower A has 120,000 in net debt and Borrower B has zero in net debt.

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With these two simple examples as background, let's look at the OSI-PSI. There was massive OSI-PSI restructuring of debt terms. Very quickly, interest rates are now as low as below 1%, maturity extensions are as long as 45 years, grace periods are up to 18 years, interest deferrals were up to 10 years, interest and principal payment rebates on ECB and NCB GGB holdings result in negative interest rates, and some of the funds were invested in financial assets.

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So, what did this do to the Greek government net worth? Good question, right? Let's keep this simple and focus just on the financial assets and debt; and let's compare year-end 2009 with a preliminary estimate of year-end 2015. Look at the numbers in red. The successive progammes have reduced a 2009 negative net worth of 243 billion euros into a negative 68 billion euros. Let's stop for a minute here. Through what is lovingly known as financial engineering, the Greece government net worth increased by 175 billion euros. That's right, Greece government net worth increased by 175 billion euros, which is about equal to the entire economic output of all 11 million Greek citizens during a full year. This is truly extraordinary, and you need the internationally agreed upon accounting rules and a balance sheet to see it. You will be lost and not see the change in net worth without these essential tools.

Now let's see the impact of the proper accounting in accordance with internationally agreed upon rules on balance sheet net debt. Greece balance sheet net debt is only 39%, not the 180% destructively repeatedly as if it were not subject to internationally agreed upon rules. You'll see Greece balance sheet net debt is about half of Ireland, Spain, Italy, and Portugal. Greece maintains this advantage, when numbers are correctly calculated for annual debt service, net interest payments, and next-five years unfunded debt service.

Despite have much better debt metrics that these other countries, Greece bond ratings are at the bottom of the rating scale and all the others are investment grade.   And, very importantly to all Greek citizens, government borrowing costs in the public market are in the sky at around double digits and the other countries are paying negative interest. To put this in perspective, despite lower debt burden numbers, Greece must pay sky high interest rates while the others get paid to borrow money.

Lowering the borrowing costs will super boost the economy, increasing the value of real estate and other assets, increasing collateral values, reducing non-performing loans, increasing government revenues without tax increases, increasing private sector jobs, and reducing unnecessary pension cuts.

If any key stakeholder tells you the above is not accurate, please provide their names, and we will arrange a public debate to allow the sunshine of transparency to show that those working to rebuild Greece are 100% correct.

So, that's the history to bring us where we are today on 12 April 2016.

So, with only a few minutes remaining, let me share with you a ticket to progress that you, each and every one of you, can begin using right now.

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My strong recommendation is that you take this opportunity to learn what every Greece stakeholder should know: "Are you rebuilding or damaging Greece?" To find the answer, we suggest you ask five questions. All five questions compare transparency and accountability versus opacity and non-accountability.

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There are sheets that have been distributed and are at the check-in desk in the front in both English and Greek that list the five questions. Question #1 asks if you are using debt numbers based on international accounting rules or using meaningless and counter-productive numbers that are crushing the hardest working Greeks. Question #2 asks do you know that Greece received 17 billion euros in debt relief in 2015, and not zero, which decreased balance sheet net debt by 17 billion euros and increased net worth? Question #3 asks do you know that there is 30 billion euros of built-in debt relief for 2016 to 2018 and not zero, which will decrease balance sheet net debt by 30 billion euros and increase net worth? Question #4 asks are you strongly supporting Western government financial transparency for Greece? And Question #5 asks are you strongly supporting an experienced Executive Turnaround manager for Greece who will advance Western democracy government financial transparency and – all importantly – make 2016 the year of the “super boost” for the Greek economy. Ask these five questions and you will learn who is rebuilding Greece and who is damaging Greece. The five question sheet is your ticket to rebuilding Greece. Use the ticket. Ask “who are you?”

To learn more and get additional copies of the five questions, visit www.MostImportantReform.info.

In conclusion, the change to rebuilding Greece from damaging can start within the next 30 days when key stakeholders strongly support an experienced ETM who will fight for Western democracy government financial transparency and a Greece government balance sheet prepared in accordance with internationally agreed upon rules. The ETM will win market validation of Greece investment grade numbers and make 2016 the year of the super boost for the Greek economy.

Thank you and let us know how we can be of further help in rebuilding Greece.

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