UWL, AND NGFS

DISCUSSION NOTES, DN ON:

NATIONAL DIALOGUE ON FISCAL RESPONSIBILITY SERIES

SERIAL ONE

CAN NIGERIA AVOID THE GREEK - TYPE DEBT CRISIS?

Introduction:

The current public debt crisis in Greece has thrown the Euro-Zone, in particular, into jitters. The rest of the world however, is not at any level of comfort either; the Greek debt crisis could result in material domino and contagion economic and political effects. This could further threaten the stability of the European Union, and hence, the entire world economy.

However, it is clear that the Greece's debt crisis is not a result of the 2008 global economic meltdown; rather, it is a result of multiple structural fiscal and monetary imbalances that had plagued Greece since the late 1970s. For well over three decades now, the Greek economy, apart from suffering from clientilism and non-interventionist formal structures of democracy, recorded the highest level of structural unemployment within the Euro-Zone. It is also reputed as having exceptionally high level of corruption, tax evasion, and very unsustainable levels of fiscal deficits.

Tax evasion in Greece averaged 30% or 3.4% of GDP. Greece was ranked 86th out of 133 States on corruption rating internationally. It is accredited as the most corrupt within the Euro-Zone. Greek's massive public spending on health and education in the past 30 years, has gone down without any value. As its political systems are rent-driven, it has consistently, recorded very low Value- for-Money-Index, VMI, in its public expenditure profile.

Greece joined the EU in 2001, with high public debt to GDP ratio of 101.5%, higher than the Maastricht Criteria of 60%. Since 1990, State's savings rate hovered around 11% on average. By the end of 2010, 80% of Greek debt was being held abroad, and this amounts to about Euro 224 billion.

The entire Greek debts were illiquid, unprofitable, and unsustainable. In all these, the macroeconomic data of Greece were mainly unreliable; with doubtful origin. Unfortunately, the Maastricht Treaty has no provision for bailouts by the European Union, much as it does not prohibit same.

The sovereign rating of Greece has been under severe threat; it has already engaged in 35% 'haircut', confirming the prior downgrading by Fitch, and Standards and Poors. Banks in Germany and France have substantial claims on Greece, Portugal, Ireland and Spain. Hence, Germany and France could be under heavy threat if Greece fails totally. Germany and France, being the strangest economy within the European Union, cannot afford to risk a value-collapse of the huge loans and shares in stocks for which its banks are exposed to Grecce.

The Euro-Zone agreed to bailout Greece by absorbing 2/3 of its deficits, while the IMF absorbs 1/3. The bailout comes with huge economic and social costs. German public and press were against Greece's bailout; massive riots and protests are now features of Greek's public life, a clear indication of uncertainty and insecurity.

It is further viewed that the European Central Bank was sluggish in responding to the Greek debt crisis. And indeed, that the entire Euro-Area exhibited lateness, incompetence and lack of the desired consensus in anticipating and containing Greek's public debt crisis. Hence, if this scenario adds up to the wave of violence that has already engulfed the Arabian Penninsula, the entire world may relapse into an uncontrollable recession. Already, the Euro Area has already relapsed into a first-stage recession.

There are lessons from Greece for Nigeria; Is Nigeria immune from the Greek-type debt crisis? If it is true that national debt management drives national security, how is Nigeria's public debt management strategy preventing the Greek-type experience? This is the primary object of a collaborative dialogue session between UWL, and the NGFS, and anchored by the Society For Analytical Economics, Nigeria.

Consequently, Union Wrights Limited, Nigerian Governors Forum Secretariat, and the Society For Analytical Economics, Nigeria are pleased to announce Serial One of its National Dialogue on Fiscal Responsibility with the theme; Can Nigeria Avoid the Greek- type Debt Crisis?.

Summary of the Structure of this dialogue are as contained below:

1:00 Theme:

Can Nigeria Avoid the Greek- type Debt Crisis?

2:00 Objectives:

Five key objectives are apt to this theme. These are specified as follows:

1. To evaluate the nexus between Nigeria national debt management strategy and national security;

2. to proactively assess the roots, causes and perspective of the emerging lessons from the current Greece's debt crisis as relates to Nigeria;

3. to identify key lessons of the Greek's experience and how national savings, business competitiveness, monetary and fiscal policy impact on national security;

4. to identify, evaluate, and assess how Nigeria's national debt management strategies is preventing the Greek-type debt crisis; and consequently, to

5. create awareness on the strengths and prospects of Nigeria's national debt management strategies towards sustaining economic growth and development.

3:00 Who should attend:

- Course ……………… Participants
- Heads of: Debt Management Departments, Economic Management Institutions at national & sub-national level: Commissioners of Finance, Budgets, Economic Planning, and other relevant stakeholders.

4:00 Format of Sessions:

Two (2) day session

Day One – Paper Presentations
10 – 2:30 pm

Day Two – Discussion Sessions
Questions/Answers
10 – 2:30 pm
- Communique /Session Reports

5:00 Modalities:

- UWL and NGFS collaboration. Details to be worked out

6:00 Tentative Timelines:

Week 4 March, 2012: Agreement of concept;

Week 2 April, 2012: Confirmation of status and MOU Execution;

Week 3 April, 2012: Completion of Draft Papers & Internal Evaluation;

Week 4 April , 2012: Final Materials Availability and conclusion of Packaging.

Week 1 May 2012: Delivery

Presented by:
Godwin U. Owoh, PhD, FCA, FCIT
Executive Chairman,
Society For Analytical Economics, Nigeria.
& CEO,
Union Wrights Consulting International
Union Wrights Limited

Abuja, February, 2012.