

A stylized map of Greece composed of a grid of dots. Most dots are light gray, but several are highlighted in red, representing the 'ten rays of light' mentioned in the title. The title 'Ten rays of light in the Greek crisis' is overlaid on the map in blue text.

Ten rays of light in the Greek crisis

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- The economic and political crisis Greece has been going through during the last three years has led to dramatic changes. The decline of the Greek economy in connection with an unprecedented rise of unemployment and poverty has put society under huge pressure.
- Several reform packages have been introduced and progress has been made in various fields. But even if growth returns in 2014 as predicted by many economists Greece's exit from the crisis is still a long way off.
- Greece's image has changed fundamentally during the last years: Perceived mainly as a sunny and relaxed tourist destination in the past Greece is now seen as a country where laziness, corruption and chaos prevail. Both perceptions are based on stereotypes and ignore the diversity of the Greek society and the complexity of its politics and economy.
- Nevertheless there are positive developments in different fields, be it in society, in the economy or in the public administration sector. Ten examples can hopefully complete the picture of a country going through a painful process of transformation and show possible ways out of the crisis.



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1. Introduction

From 2009 Greece has been experiencing one of its deepest economic and political crises since the country's bloody civil war. Greece's troubled economy and beleaguered political class have been the focus of attention in Europe since the signing of a bailout agreement in May 2010. This publication aims to analyse a few aspects of Greece's diverse and sometimes contradictory reality, thus trying to draw a more comprehensive and authentic picture of the country's situation.

In the last three years, Greece has changed dramatically: The economy has shrunk by more than 20 percent, the unemployment rate has risen to nearly 30 percent and as high as 60 percent for young people, wage cuts and tax hikes have reduced disposable incomes by about 30 percent and poverty is rising.

Meanwhile, a series of governments have tried to reform the country by reducing bureaucracy, downsizing the public sector and liberalising markets. Headway has been made in a few areas but in others positive signs are yet to emerge. While there has been remarkable progress in reducing the budget deficit, Greek society continues to suffer the effects of the crisis. Many economists predict that growth will return in 2014 for the first time since 2008 but Greece's exit from the crisis still seems a long distance away.

The crisis and the problems it has created in Greece's cooperation with its European partners have altered the country's image. Whereas Greece was once regarded as a sunny destination for tourists, relaxed and maybe a bit disorganised, now the image of the lazy Greeks, who are chaotic in every respect, prevails. Before the crisis, Greece was perceived with a certain amount of naïveté, now it is treated mostly with cynicism and sarcasm. Both approaches prevent observers from seeing the details and understanding the broad diversity of Greek society and the complexities of its politics and economy.

Greeks are living through one of the severest crises in their history but there is some cause for hope, partly as a result of the dramatic changes described above. There are faint beams of hope breaking through the overall bleak atmosphere. These ten rays of light, as we call them in the title of this publication, can hopefully complement

the reader's understanding of Greece and enrich the debate on possible ways out of the crisis, even if this is a journey that will involve many small steps.

2. A drastic fiscal adjustment put public finances on a sounder footing

While many of the reasons behind the Greek crisis are in dispute, as are the methods that have been chosen to tackle it, there is one aspect over which there should be no disagreement: Greece's public finances were in a catastrophic state in 2009.

The 2009 deficit closed at 30.9 billion euros (15.6 percent of GDP) after a complete collapse of revenues, which missed the annual target by 11 billion euros. Government expenses increased by 10 billion euros compared to 2008 and Greece entered the second year of its long recession, with the economy contracting by 3.1 percent.

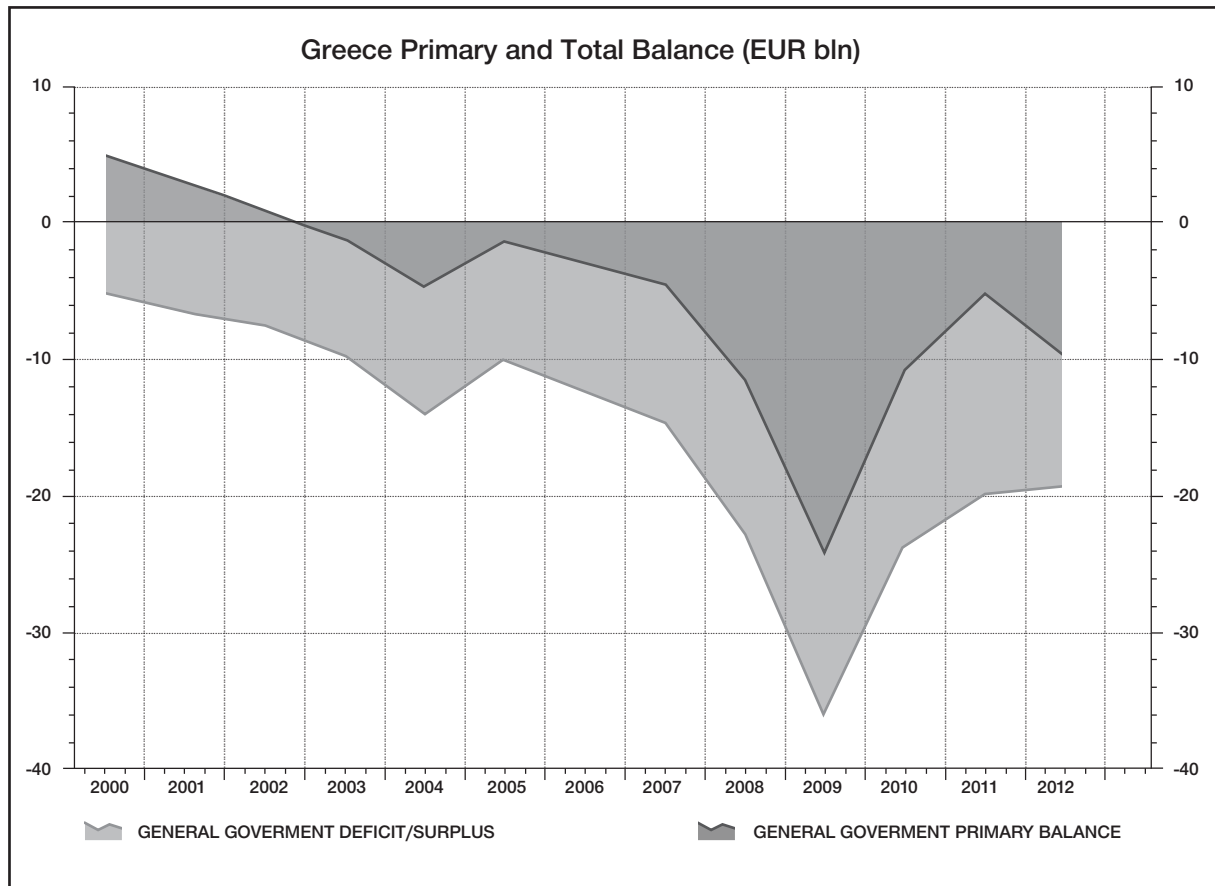
Restoring some semblance of stability to the country's public finances has been an enormous task requiring considerable cutbacks in the public sector and sacrifices from taxpayers. However, this long and hard road could lead Greece to a primary surplus as early as this year. The steps taken to achieve this are almost unprecedented internationally, as Fitch Ratings outlined on May 14¹, when it upgraded Greece's sovereign rating from CCC to B-.

"Greek primary fiscal adjustment of over 9 percent of GDP in 2009-12 (excluding one-off support to the financial sector), and around 16 percent in cyclically adjusted terms, ranks as the most ambitious instance of fiscal consolidation among advanced economies in recent times," the ratings agency said. "The current account deficit has also shrunk from 10 percent of GDP in 2011 to 3 percent in 2012."

Fiscal data for 2013 suggests Greece is on track to achieve a primary surplus this year. Budget figures for the year up to August showed that Greece had a deficit of 4 billion euros and a primary surplus of 1.3 billion euros, which is well ahead of the targets set by

1. http://www.fitchratings.com/creditdesk/press_releases/detail.cfm?pr_id=791093

the troika. It is expected that Greece's primary surplus at the end of the year will be around 100 million euros.



Source: Thomson Reuters Datastream - Eurostat

It should be noted, however, that achieving this surplus has required ongoing cuts in public sector spending and new tax measures to make up for the fact that the economy has been contracting since 2008, shrinking by a total more than 20 percent over the last six years. In 2012, for example, public revenues rose from 42.4 billion euros in 2011 to 44.7 billion euros at the same time that the economy contracted by 6.4 percent.

Overall, public primary spending has been reduced from 112.8 billion euros in 2009, when the crisis first became apparent to 96.4 billion in 2012. It is expected that by the end of this year, public spending will have been pared back to the same level as 2006.

In terms of taxation, there have been some improvements in the collection system but the bulk of extra revenues have been the result of increases in Value Added Tax, income tax, special consumption tax and property tax.

As a result of these changes to taxation, revenues came in at 86.7 billion euros last year, which are slightly higher than 2009, when Greece's GDP peaked. Property tax alone is expected to bring in 3.2 billion euros this year, which is six times what Greeks were paying in 2009.

Greece has committed to producing 13 billion euros of new savings this year and next. A quarter of this will come from increased tax revenues and the rest from reductions in public spending. These savings in the civil service are partly the result of addressing waste and reducing

the size of the workforce. Although direct dismissals of public servants did not begin until this summer, the non-renewal of short-term contracts, retirements and a limit on the number of new hirings means the number of people working full-time in central and local government fell below 620,000² in June. The first such census carries out in the summer of 2010, shortly after Greece signed its bailout agreement, indicated there were almost 770,000 people working in the core public sector. Civil servants' salary expenses rose from 13.9 billion euros in 2005 to 18.5 billion in 2009 but fell again to 13.7 billion last year.

The majority of savings have been produced by reduced spending in a number of public services, including frontline ones such as health and education. Greece spends just 4 percent of its national budget in the

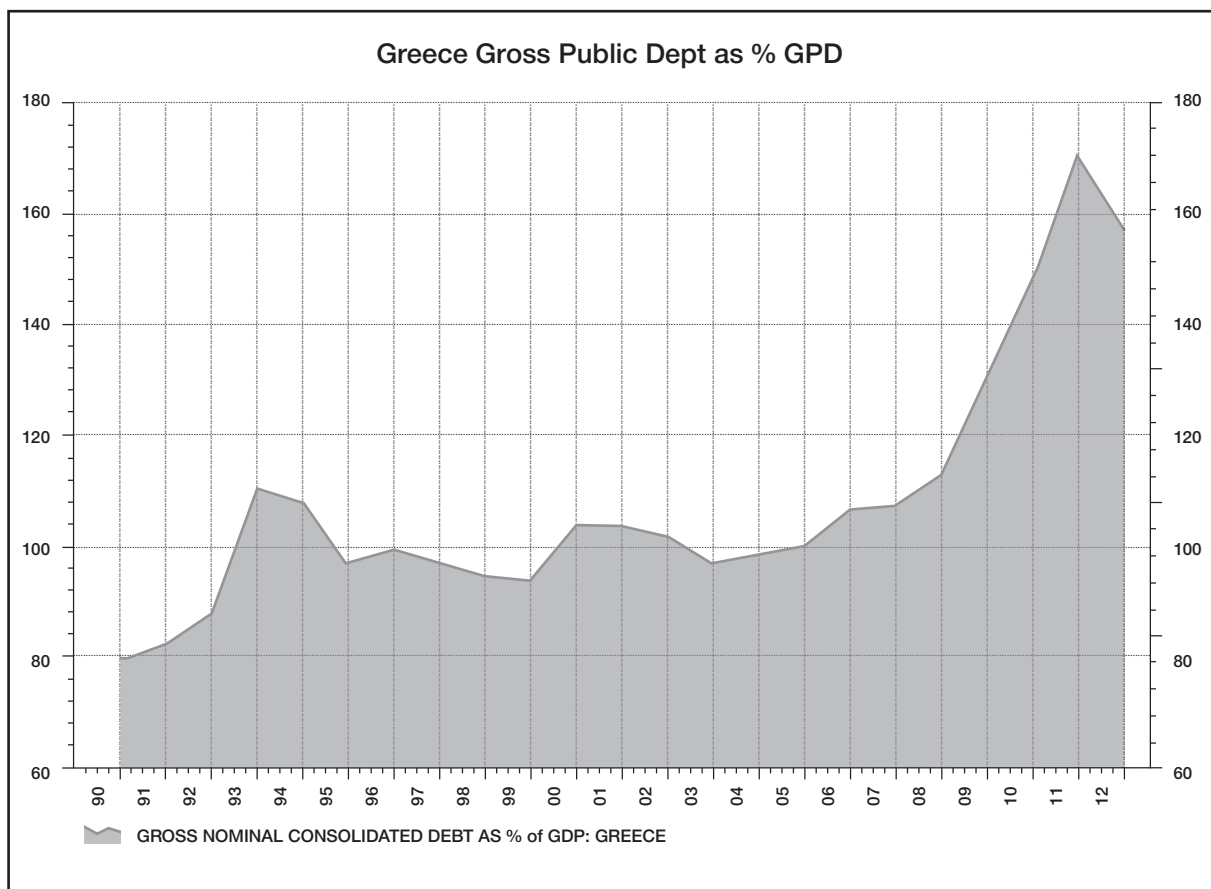
European Union, which is one of the lowest proportions in the European Union³. Greece also spends well below the EU average on public healthcare⁴.

Achieving this massive fiscal consolidation while maintaining the appropriate level of basic services has been a major challenge for the Greek government and one of the areas where the adjustment program has produced many problems and complaints.

Despite the improvements in Greece's fiscal data, it should not be ignored that the country's public debt remains extremely high. Greek government debt declined from 170.3 percent of GDP in 2011 to 160.5 percent, or 305.3 billion euros, at the end of this year's first quarter, according to Eurostat. This also is one of the aspects of the program that draws a lot of criticism.

2. http://apografi.yap.gov.gr/apografi/Flows_2013.htm
 3. http://ec.europa.eu/europe2020/pdf/themes/01_public_finances_growth_friendly_expenditure.pdf

4. http://ec.europa.eu/europe2020/pdf/themes/05_health_and_health_systems.pdf



Source: Thomson Reuters Datastream - Eurostat

However, one of the undoubted benefits of the bailout has been to lighten the short-term load on Greece in terms of interest payments. The new bailout terms agreed in December 2012 and debt restructuring that took place in March last year means that Greece has few bonds maturing in the near future and will have to set aside fewer public revenues to pay of its national debt over the next few years. For example, Greece paid out in interest 13.2 billion euros in 2010 and 15 billion euros in 2011, whereas in 2013, it will have to pay just under 9 billion euros.

3. Squaring up to the Lernaean hydra of tax evasion

Improving tax collection in Greece has been one of the dominant themes over the past three years as the government not only tries to boost its revenues but also aims to ensure greater fairness amongst taxpayers, which is a key factor towards increasing the acceptance of the challenging fiscal adjustment program the country embarked on in 2010.

Although very high, the extent of tax evasion in Greece and its significance for public finances is sometimes exaggerated. Using World Bank figures, the Tax Justice Network⁵ found in late 2011 that Greece had the third largest shadow economy in the Eurozone. It was equivalent to 27.5 percent of GDP, making it one of nine euro-area members that has a shadow economy that is equivalent to more than a fifth of its GDP. It is sometimes claimed that if Greece were able to wipe out its tax evasion problem, it would also resolve its fiscal difficulties. This is a misnomer for two reasons.

Firstly, it fails to take into account that the self-employed, a group that is a common source of tax evasion throughout the world, make up a sizeable part of the Greek economy. In the European Union, Greece has by far the highest rate of self-employed people in its labor force with 31.9 percent of Greeks working for themselves against an EU average of 15 percent, according to Eurostat figures⁶. Secondly, there is no country in the Eurozone with no shadow economy at all. The smallest is in Luxembourg and Austria, where it reaches 9.7 percent of GDP,

according to the World Bank. In fact, if Greece were able to reduce its shadow economy by a quarter, it would be roughly equal to the Eurozone average.

Nevertheless, Greece has a serious problem with its tax administration. Recently, some significant steps have been made towards improving it but there is still a long way to go. Greece has received extensive advice from the troika and the European Union Task Force on updating and improving its tax collection methods, which were susceptible to bureaucracy, lack of organization and corruption. For example, experts from France, the Netherlands, Sweden and Belgium have provided assistance in areas ranging from conducting checks on high income earners and creating an automated system to remind taxpayers about unpaid debts.

The technical assistance Greece has received was aimed at achieving a number of improvements the troika had written into the bailout program. These included setting up task forces to implement anti-evasion actions and tabling legislation to remove obstacles for revenue administration. This was backed up by quantitative performance targets, such as auditing a certain amount of large taxpayers and collecting debts. In 2011, for instance, Greece beat its target of 400 million euros for existing debts by collecting 946 million euros. It also met the troika requirements on audits of wealthy and high income taxpayers by checking 404 individuals against a target of 400.

4. Banishing 'phantom' pensions

One of the main problems the Greek state faced at the start of the crisis was putting right the obvious public administration inefficiencies that had become an undue burden on the country's finances while also being a source of gross unfairness. An example of this was Greece's pension system and the poor way in which it was managed. Bureaucracy, corruption and neglect meant that even in 2010 the government did not have a clear picture of how many pensioners it was paying for and whether they all had a legal entitlement to their monthly retirement pay.

As a result, Greece's main social security fund, IKA, carried out its first ever census between July 1, 2011 and September 30, 2011. This was followed by a second audit

5. http://www.tackletaxhavens.com/Cost_of_Tax_Abuse_TJN%20Research_23rd_Nov_2011.pdf

6. http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-07062013-BP/EN/3-07062013-BP-EN.pdf

in 2012 to confirm the findings. The state also reviewed the pensions it was paying to retired civil servants and to the wives and unmarried daughters of public sector workers who had died. The Agricultural Insurance Organization (OGA), which provides pensions to farmers, completed its census in March this year.

For the censuses, pensioners were required to present themselves either at an IKA office or at the place they receive their retirement pay from, such as post offices and banks, with their pension documents, ID cards and social security numbers. Pensioners unable to leave their homes or those living abroad were able to authorize someone to do this on their behalf.

This process allowed the data to be gathered by the newly created Computer Center for Social Security Services (IDIKA), which created the “Ilios” system to monitor monthly payments and log pensioners’ data. The first Ilios report in June showed that there were 2.71 million Greeks claiming pensions that averaged at 907.65 euros, including auxiliary pensions. The average basic monthly pension was found to be 694.56 euros.

Presenting figures to Parliament at the end of March, Labor Minister Yiannis Vrotsis said that a total of 51,551 bogus pensions had been discovered with the most common form of deception being relatives of deceased pensioners continuing to collect monthly retirement pay after the claimant had died. Vrotsis said that the annual value of the unjustified claims was about 420 million euros and that the government would launch legal action to recover as much of the unlawfully claimed money as possible.

Vrotsis also said the censuses had led to the state discovering that in about 350,000 cases, there were inconsistencies in documentation, such as tax identification numbers. He said that although these were not instances of fraud, the new information would allow the government to correct these mistakes.

The census process has been part of wider effort to modernize the way pensions are paid and received. This year, for instance, will be the first that those claiming farming pensions can use the Internet to obtain confirmation of the payments they have received so they can submit this certificate when completing their tax declaration. This is a small but significant improvement

for retired farmers for whom it is difficult and costly to get to their nearest government office.

Undoubtedly, the main benefits of conducting these censuses has been to stamp out fraud and injustice, while allowing the Greek state to close a hole in its finances that should not have existed in the first place.

The process of retrieving money that had been illegally claimed has begun, although it promises to be a lengthy one due to the backlog of cases in Greek courts. By the end of January, IKA had launched legal action against almost 400 claimants who it believes defrauded the fund out of a total of about 10 million euros. In May, Alternate Finance Minister Christos Staikouras informed Parliament that the state had recovered 13.6 million euros from pensions to civil servants that should not have been paid and that it was seeking to recoup another 12.4 million euros.

5. EU Task Force and cohesion funds heal a damaged relationship

The crisis has severely tested Greece’s relationship with some of its Eurozone partners and the European Union as a whole. Unpopular policies, the emergence of insularism at a political level and frequent bashing from the media have all taken their toll on the bonds between Greece and its European partners.

An opinion poll carried out by Public Issue in June⁷ this year indicated that 52 percent of Greeks have a negative view of the EU and 43 percent of the euro. These levels of scepticism are considerably higher than just a few months, let alone years, earlier. A Eurobarometer survey in July⁸ suggested that just 44 percent of Greeks feel they are citizens of the EU, against a Union average of 62 percent. Eight in 10 Greeks said they tend not to trust the EU.

However, behind the scenes and at a more technocratic level, a substantial amount of effort has been made to strengthen Greece’s relationship with the EU and to provide the sense of support that is sometimes absent in the public debate.

7. <http://www.publicissue.gr/2492/varometro-jun-2013/>

8. http://ec.europa.eu/public_opinion/archives/eb/eb79/eb79_fact_el_en.pdf

In this respect, the EU Task Force for Greece has made a significant contribution. Launched in July 2011, the Task Force has provided Greece with useful advice on public sector reform and the allocation of EU cohesion funds. It has acted as a mediator between Greece and its EU partners so the government could benefit from technical expertise available in other member states as it tries to reorganise its public administration. Assistance has been provided in a number of policy areas.

In its fourth quarterly report⁹, published in April 2013, the Task Force noted progress in its efforts to facilitate reforms. “In the first quarter of 2013, the Greek government has advanced on a wide range of reforms,” the report said. “It has in particular made progress with planning of the reorganisation of Greek Ministries, and initiated important reforms of the business environment.” The report also noted that Greece was making greater use of the technical assistance on offer. As of April, the Task Force was facilitating the provision of advice on 93 projects in 12 policy domains, which included administrative reform, taxation, enhancing access to finance, tackling corruption and improving the delivery of justice. For example, EU experts spent 100 days between January 2012 and April 2013 to help Greek authorities fight money laundering and corruption.

Perhaps, though, the Task Force’s most significant impact has been in supporting Greece in its effort to increase its absorption of EU cohesion funds, which amount to more than 20 billion euros for the 2007 to 2013 period. At a time when there is a shortage of liquidity and the government is short of money, this financing is extremely important to both the public and private sectors in Greece, especially after the decision to increase the EU’s share in the co-financing rate to 95 percent from the previous rate of 78 percent.

EU funds have long played a significant role in Greece’s economy. It is estimated that between 2000 and 2009, Greece’s GDP grew by an extra 1.6 percent each year than it would have without the help from Brussels¹⁰. This was the third highest rate in the Union. However, the onset of the economic crisis created an incentive for Greece to increase its absorption rate for EU funds, which in 2012 was just below the Union average at 41.4 percent.

9. http://ec.europa.eu/commission_2010-2014/president/pdf/q4_en.pdf
10. <http://www.eurobank.gr/Uploads/Reports/GREECE%20MACRO%20FOCUS%20December%2022%202011.pdf>

The signs are that the cooperation between the EU Task Force and the Greek government has helped make better use of the financing available. By the end of 2012, absorption had increased to 46.25 percent and when the Task Force’s report was published in April, the average had shot up to 56 percent. This benefited both major national projects, such as highway construction, which have been stifled because of the shrinking of Greece’s public investment program, regional schemes, such as the funding of municipal nursery schools, and entrepreneurial endeavours, such as providing working capital for tourism businesses on Greek islands.

In fact, a decision by the European Commission to accept a request from Athens for its 811-million-euro share in the construction of new highways to be covered by cohesion funds meant that in the first half of 2013, Greece comfortably beat the absorption target included in the terms of its bailout with the Eurozone and International Monetary Fund. The troika had asked Greece to absorb 1.3 billion euros between January and June but Athens actually managed to rake in 2.1 billion euros, which was almost 70 percent above the target. It was the second consecutive six-month period that Greece had exceeded its absorption target and meant that the rate at which the country is drawing in cohesion funds is the fourth highest in the EU.

At a time when Greece’s relationship with the EU and the euro is under strain, the input from the Task Force and the increased absorption of cohesion funds shows that all is not lost. In this time of crisis, they have provided a reminder as well as tangible evidence that Greece continues to be a fellow member of the Union, a fact that is often lost in the swirl of debate about austerity, budget targets, reform goals and the role of European institutions.

6. Standing against corruption and demanding accountability

It is widely accepted in Greece¹⁰ that apart from experiencing an economic collapse, the country has also suffered a crisis of values. While the exact economic reasons that led to Greece’s problems today are still the subject of intense debate, there are few Greeks who would challenge the assertion that an ever-growing moral compromise at a political and societal level also contributed to the country’s downfall.

The prosperity that many enjoyed over recent years meant that a blind eye was often turned to corruption in the public sector, undesirable practices in the private sector and an all-round feeling of impunity for those who did not want to be bound by the legal and ethical boundaries set by the Greek state and society.

The crisis has prompted a reaction to this unhealthy status quo. Its most visible form is the proliferation of citizens movements formed with the intention of highlighting the deficiencies and restoring trust within society.

One of the best known unethical practices of the last few decades in Greece was the payment of bribes to doctors at public hospitals. Although this was by no means the case with all physicians, it was not uncommon for patients to pay cash in an envelope (known as a fakelaki) to ensure quicker and better treatment.

This practice and other unwelcome tendencies are being addressed by a group called the Young Doctors' Movement. The aim of the group is to bring together doctors who are just joining the national health system and who are determined to display a greater commitment to patients and the wider public than some of their predecessors.

"We are not the ones who have asked you for a "fakelaki" or any other kind of reward to treat you," the doctors say in the first line of the text explaining what their movement is about via the blog they have created <http://medkinima.blogspot.gr> The doctors often put up posters in public hospitals declaring that bribes are not acceptable.

The movement was created after some of the doctors met at a protest at the Health Ministry in Athens in 2010, which is indicative of the fact that apart from sometimes being sinners, Greek hospital staff are also sinned against frequently, often working long hours for low pay in difficult conditions. This makes the fact that the movement has already attracted some 6,000 members even more impressive.

The idea of doing more than drawing attention to unacceptable practices and trying to actually exert pressure so that corrective action is taken is also gaining momentum.

Another new group adopting this tactic is Emeis oi Polites (We the Citizens), which is an association of

friends and volunteers that has chosen to monitor the implementation of more than 30 government policy decisions, which range from reducing the bureaucracy faced by businesses to the adoption of an electronic prescription system. The areas that have been chosen are ones that affect citizens' daily lives rather than being related exclusively to Greece's bailout agreement.

Through its website (<http://www.emeisoiapolites.gr/>) the group encourages volunteers to follow the progress of policies so the public can be aware of whether the government is living up to its pledges so it can exercise pressure on public officials to complete the tasks. Any information gathered is posted on the website and the group says it will notify ministers about any delays it discovers.

The group has been set up by Notis Paraskevopoulos, a transport engineer, who worked in the office of former Prime Minister George Papandreou, where he was responsible for monitoring ministers' efficiency. Paraskevopoulos has said he was frustrated in his attempts to keep Papandreou informed and that this acted as a motivation to form Emeis oi Polites, which had more than 120 volunteers by May.

In the cases of the groups mentioned here, as well as other similar movements, there is a clear tendency by organisers to stress the non-political nature of their motivations and goals. In itself this is a significant development as the issues of corruption and accountability in Greece have long been seen through a political prism. The flowering of such groups points to a genuine desire among some citizens to contribute to resolving problems rather making short-term impressions for political gains.

7. Volunteers try to fill the void left by a retreating state

One of the most worrying aspects of the crisis has been that the financial constraints on the state and its ever-decreasing role in a number of areas, such as social welfare, healthcare and urban services. This has left thousands of Greeks directly exposed to some of the worst effects of the recession.

According to Eurostat, 31 percent¹¹ of Greeks are at risk of poverty or social exclusion, compared to 27.6 percent in 2009, before the crisis began. Also about 65 percent

of Greece's 1.3 million unemployed have been out of a job for more than 12 months and therefore without proper social insurance. In 2009, just 45.6 percent of Greece's jobless were long-term unemployed. At the time, Greece only had around 500,000 people out of work. The impact of the recession is as clear as the need for a safety net to protect the growing number of people being pushed to society's fringes. In the state's absence, this crucial role is increasingly played by volunteer groups.

Boroume¹² (We Can) is one of the organizations that has attracted most attention over the last couple of years as it uses food donations and salvages ingredients that others discard in order to provide meals for Greeks who cannot afford to feed themselves. Similarly, the Greek branch of Doctors of the World relies on the volunteer work of doctors and medical experts to provide free healthcare to Greeks who do not have enough social security credits to visit public hospitals.

A similar role is carried out by the Metropolitan Community Clinic in the southern Athens suburb of Elliniko (<http://mkie-foreign.blogspot.gr/>). Created in 2012, the clinic is run by volunteer doctors and other staff who provide medical assistance to more than 4,000 people a year who cannot afford care elsewhere. The medicines and equipment used at the clinic have been donated.

Also, a group of about 100 Athenians came together in May this year to form the Symahoi Ygeias¹³ (Allies of Health). While some of the group are doctors, it also includes people from many other walks of life. Their initial aim is to provide assistance to units that are providing vital social work, such as municipal medical centers, the "help at home" scheme for the elderly and disabled and neighbourhood "friendship clubs". The group has already signed agreements with several municipalities in Athens and hopes at some point to be able to set up its own centers to provide medical assistance.

This type of volunteerism is a relatively new concept in Greece, which has a poor record of this kind of social engagement, partly because of the relative economic stability over the last few decades but also because of the dominant role of the family in personal life and the political

party in public life. Even last year, Greece came 145th out of 146 countries in the World Giving Index¹⁴, which also suggested that only 5 percent of Greeks donated money and only 3 percent volunteered their time.

However, recent research suggests that the crisis is prompting a change in the way Greeks approach the idea of helping others. An opinion poll carried out by QED for the Human Grid¹⁵, a scheme set up by the TEDx Athens discussion forum to map and act as a bridge between the various volunteer groups in the Greek capital, suggests that a growing number of Greeks are giving up their time for common causes. The survey, published in May this year, indicated that there has been a 44 percent increase in the number of Greeks taking part in volunteer projects and solidarity activities since 2010, when Greece signed up to the EU-IMF bailout.

A third of those questioned said that they will likely join a volunteer group soon, while 84 percent said that they viewed the idea of volunteerism positively. Half of the respondents also had a positive view of non-governmental organizations and 46 percent were in favour of collective activism. The latter is significant as NGOs have often been viewed negatively in Greece due cases of corruption, while some forms of activism, such as urban intervention, have been regarded with suspicion because of the absence of political influences and connections.

"So far our country has scored very low in terms of having an active civil society but there is constant improvement," said Stathis Haikalis, who acted as a coordinator for the survey. "There is a subtle but continuous trend of people dealing with the nightmare in the Greek social and economic spheres, which is the lack of trust in every aspect of domestic life."

There is a very practical element to the apparent trend for more Greeks to become involved in volunteer groups, since the effects of the crisis demand that people come to the help of their fellow citizens. But there is also a more existential aspect to this development as it indicates a growing willingness for people to trust each other and wean themselves off a dependence on political parties to act as their social networks and providers.

11. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_peps01&lang=en/

12. <http://www.boroume.gr/>

13. <http://www.symmaxoiygeias.uoa.gr/>

14. <https://www.cafonline.org/PDF/WorldGivingIndex2012WEB.pdf>

15. <http://www.slideshare.net/TEDxAthens/human-grid-presentation>

There is, however, plenty to be cautious about. The QED survey found that 38 percent of those questioned said they expect that they or their family members will soon be in need of volunteer help. As long as an economic recovery remains elusive, there will continue to be tremendous pressure on Greek society and even an increase in volunteerism is no substitute for a state that can provide the social services that are so desperately necessary in Greece's situation.

8. An awakening of consumer conscience

One of the common complaints in Greece over the past few years is that although wages and pensions have been reduced substantially, the prices of even basic goods remain high. The Organization for Economic Cooperation and Development (OECD), for instance, found recently that the same basket of supermarket goods costs 100 euros in Greece and 110 euros in Germany, where the average wage is substantially higher.

There are a number of reasons for prices not falling significantly: a lack of genuine competition in certain sectors, profiteering, rises in value-added tax and consumption tax and a reliance on imports. The crisis has, however, prompted somewhat of an awakening among a section of Greek consumers who, with the help of producers who also want to bypass these market inefficiencies, have taken action into their own hands.

There have been two key developments over the past few years: producers have started selling directly to customers, thereby cutting out the middlemen, while consumers have come together to form cooperatives that are able to source products in bulk and, therefore, at more favorable prices.

The first real signs that the constrictions of the crisis would bring about a change in consumer practices came in early 2012 when a group of farmers from the potato-growing region of Nevrokopi in northeastern Greece began selling their produce directly to customers through open-air markets that received the backing of some municipalities. The farmers felt they were being squeezed by wholesalers who had long dominated the agricultural goods sector and were frustrated that cheaper imports were being preferred by consumers.

The so-called "potato movement" had an immediate effect as Greeks were able to buy local potatoes for as little as 25 cents a kilo directly from farmers when supermarkets were charging up to a euro or more for the same produce. Having seen people's positive response to this initiative, producers of rice, olive oil and other products followed suit. According to estimates, there are now about 250 regular markets around Greece that allow consumers to buy directly from the producers. In Katerini, it is estimated that 40 percent of the northern city's residents buy their food from these markets. According to a survey conducted by the Hellenic Confederation of Professionals, Craftsmen & Merchants (GSEVEE), 22 percent of Greek households said they have bought produce from markets designed to cut out wholesalers.

In late 2012, the first urban consumer cooperative that sourced food directly from producers, opened in Athens. Membership of the scheme costs 20 euros and relies on members volunteering their services. Although established in other European countries, this form of consumer action was an alien to concept in Greece, where consumer awareness has been relatively low.

The store, located in the northeastern Athens suburb of Halandri, is run by volunteers. Members of the cooperatives take it upon themselves to travel around the country to meet producers and strike deals to for their products to be sold in the shop. The goods on sale in the store have prices that are sometimes less than half of similar products that are sold in other shops or supermarkets. The Halandri store has about 300 members, while several other cooperatives have been established in Athens since it opened.

The first years of Greece's Eurozone membership were marked by a boom in consumer spending, which reached a peak of 151.6 billion euros in 2008 but fell to 117.4 billion in 2012, a drop of 22.5 percent, as disposable income also shrank. In these testing circumstances, when some Greek families have found it difficult to buy even basic goods, there is greater awareness about what products cost, who makes them, who profits and how they can be made available to buy for less. This has had a practical consequence in that cheaper food has become available to families that are struggling financially but there has been a broader effect in terms of realigning the relationship between consumers and producers.

While Greek consumers continue to get a raw deal overall, there have been signs over the last two years that they are also realizing the power they have in order to change this situation. There is still some way to go before cartels are smashed and there is proper market oversight from the state but Greeks have taken the first steps in showing they can force results themselves.

9. Tech start-ups click into place

It is clear that the economic environment in Greece over the last few years has been unfavourable for local businesses. Demand has plummeted, liquidity has evaporated and political instability coupled with international speculation about Greece's future in the euro have created numerous and large obstacles for Greek entrepreneurs in all sectors. Between 2009 and 2011, more than 486,000 businesses closed down, while the 2012 accounts of almost 4,500 firms analyzed by the Icap Group found that 52 percent were losing money.

While the business environment is undoubtedly negative, thousands of companies have also been founded during the crisis. Starting a business is one of the ways Greeks have to combat an unemployment rate that is expected to pass 27 percent by the end of 2013. Greeks' desire to try their luck in the business world was evident by the amount of interest in a recent scheme for start-ups to receive European Union funding through the National Strategic Reference Framework (NSRF). The program offered to cover around 50 percent of the start-up costs and was about four times oversubscribed by the deadline in May. Just over 23,000 companies, hoping to receive a total of almost 1.6 billion euros in subsidies applied to the scheme. Just 456 million euros was available.

One sector where the emergence of new and dynamic Greek companies has been noticeable is in information and communications technology (ICT). Although there were some firms active in this sector before the crisis, they were mostly living off state contracts. There was also innovation in this area but it was usually taking place in universities and not within the private sector. Over the last few years, there has been a flowering of Greek tech companies on all levels: Big players have emerged on the global market and start-ups have been able to get a foothold in the local market.

Upstream Systems, for example, is a Greek company involved in mobile phone marketing. It was founded in 2001 but has grown considerably in recent years. Between 2011 and 2013, its revenues grew by 32 percent and the number of people it employees rose by 20 percent. Upstream has become one of the five largest mobile marketing firms in the world with offices in nine countries. Its sales cover 40 export markets but 70 percent of its 300 or so employees are in Athens.

Velti is another firm in the same sector that was founded by two Greeks in 2001 and is now active in 32 cities around the world with more than 500 employees. In January 2011, Velti raised about \$150 million through a public offering on NASDAQ.

At a more grassroots level, a number of Greek tech start-ups are beginning to break through as well. There are more than 200 companies active in a sector which only had a few firms before the crisis. Among the success stories is BugSense, which provides software that analyses and fixes mobile phone applications when they crash. The company was founded by two Greeks under the age of 30 in 2011 with \$100,000 of seed funding. Their software development kit (SDK) is now one of the most popular in the world and the company employs more than a dozen people in three countries.

Another Greek firm that has been making rapid progress is Taxibeat. Four friends in Athens designed a mobile phone application that allows passengers to locate nearby taxi drivers and hail the one they prefer based on distance, user ratings, car model and on-board amenities. Since beginning its operations in May 2011, Taxibeat has expanded to Brazil, France, Norway and Romania.

"There is an ecosystem of smaller companies that were not on the map four years ago," says Eric Parks, who is the co-founder of Pinnata, a Greek start-up behind a mobile phone application that allows users to send interactive messages. "The key effect of the emergence of all these start-ups has been to provide a psychological boost," he adds.

The success of the big Greek players in the ICT sector and the flowering of local tech start-ups has been one of the few bright spots in the business sector during the crisis. Taking just the mobile applications and software sector alone, the value of exports from around 70 local companies is worth about 700 million euros a year more

than the combined worth of Greece's annual revenues from olive oil. The sector is growing by about 25 percent a year and employs about 3,000 people, mostly highly-educated engineers.

In effect, these companies have adapted to the recession and some of the traditional obstacles in the Greek markets, such as a lack of free competition, to evolve into small, agile and export-oriented enterprises that are virtually crisis-proof. They are able to tap into the considerable human resources Greece has (one in four Greeks over 25 has completed tertiary education) and launch entrepreneurial schemes that required limited financing to get off the ground. Since they need only a small amount of funding to start, they are usually able to get this from angel investors. Recently, four funds started providing funds through the EU's JEREMIE initiative for small- and medium-sized enterprises.

The last couple of years have also seen regular events held for start-ups to present their ideas, exchange thoughts with others and attract investors. There are many reasons to believe that the tech sector will continue to provide positive developments for the Greek economy in the years to come.

10. Here comes the sun: Photovoltaics on the rise

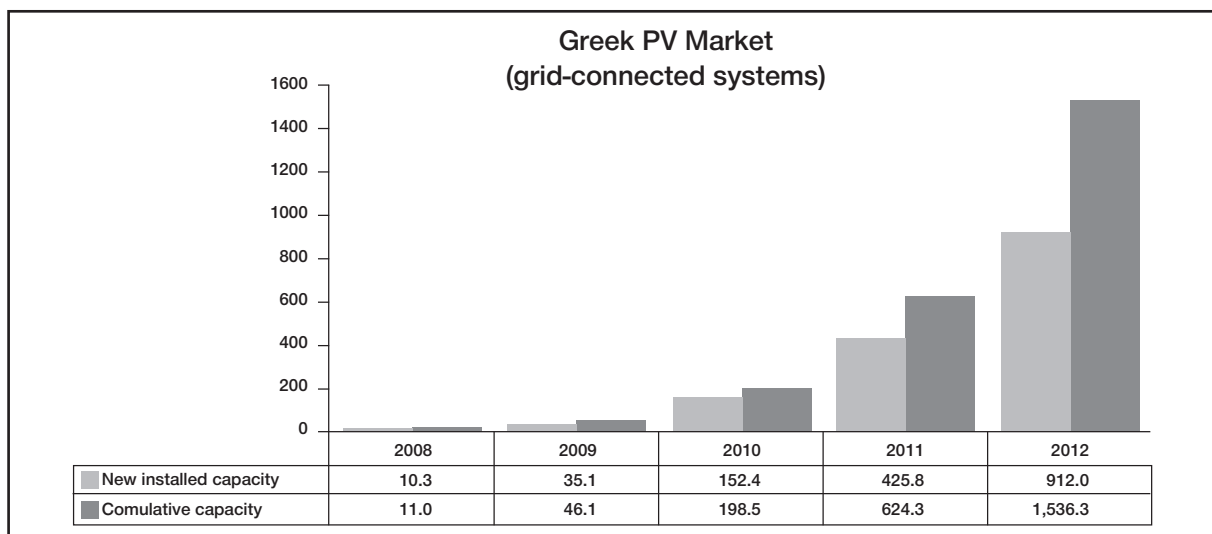
A few years ago, Greece was seen as having much unfulfilled potential in terms of renewable energy and was considered a laggard in comparison to other southern European countries, like Spain and Portugal, which benefit from similar weather conditions. However, the crisis has acted as a catalyst for Greece to explore better use of its

green energy sources and it has seen a tremendous rise in the use of photovoltaic panels in particular.

Ahead of the crisis, renewable energy, excluding the big hydro units, accounted for less than 5 percent of electricity production. In contrast, more than 50 percent of energy produced came from the use of lignite and about 30 percent from natural gas. The use of domestically-sourced lignite helped keep electricity prices low but proved damaging for the environment, while the use of imported natural gas and oil was expensive and damaging for Greece's current account balance.

Several key factors have helped in making renewable energy a much more significant part of Greece's energy mix over the past few years. The key development has been in the area of photovoltaics, where the combination of generous feed-in tariffs introduced in 2006, a simplification of the legal framework in 2010, a fall in the price of solar panels and government- and EU-subsidized programs that provided financing via local banks despite the general lack of liquidity have all contributed to a significant rise in the use of this form of renewable energy.

The increase in the use of solar photovoltaics in Greece over the last few years has been spectacular. According to the Hellenic Association of Photovoltaic Companies (HELAPCO), Greece had just 11 MW of capacity from this form of renewable energy in 2008. This grew by 319 percent in 2009, 331 percent in 2010, 215 percent in 2011 and 146 percent in 2012 to reach 1,536 MW at the end of that year. In comparison, installations for wind power, which until recently led the way for renewable energy in Greece, reached 1,749 MW by the end of 2012.



Source: http://www.helapco.gr/ims/file/market_statistics/pv-stats_greece_eng_2012.pdf

This spike in the installation and use of photovoltaic panels meant that at the end of 2012, Greece was third in the world, behind Germany and Italy, in terms of energy produced by photovoltaics per capita¹⁶. Cumulative photovoltaic capacity in the main electricity system is due to reach 2,591 MW at the end of 2013 and 2,825 MW by the end of 2014, according to Greece's grid operator (LAGIE).

While close to a quarter of the photovoltaics have been installed as small, rooftop systems, there have also been some large-scale installations. For example, In May this year, China-based Upsolar completed a 1.5 MW solar electric system in Kozani, northern Greece. Upsolar first entered the Greek market in 2010 and has since shipped more than 68 MW of modules to the country. Also, in February Greece's Public Power Corporation (PPC) launched a tender for the construction of a 50 MW photovoltaic park in the Peloponnese. The project could earn PPC an estimated 28 million euros a year.

However, the spike in the installation of photovoltaics also serves as a salutary lesson for Greece in terms of the planning and stable framework needed to harness the power of renewable energy sources, especially in the midst of an economic crisis. While generous feed-in tariffs and tax breaks helped spark activity in the sector, they also sowed the seeds of a future problem. Over the last few months, the Greek government has realized that it was being more generous to installers than its troubled public finances could allow.

Last November, as part of new austerity measures passed through Parliament to secure further loans from the Eurozone and the IMF, the Greek government imposed a tax on solar projects of 25 percent to 30 percent of their turnover, while other clean-energy plants pay 10 percent. In May this year, the government announced substantial reductions to the feed-in tariffs, which were the highest in the EU and had acted as a major incentive for new installations. For large projects and rooftop installations, there were cuts of more than 40 percent in the rate offered for energy produced from photovoltaics.

The Environment Ministry said the reductions were being made because the Renewable Energy Sources Fund,

which pays energy producers, had run up a deficit of more than 300 million euros. This gap is expected to grow to 473 million euros by the end of this year and 905 million euros by the end of 2014. There is little doubt that the decision to slash tariffs and impose taxes on producers has soured what appeared to be a genuine success story. Some investors in this sector have launched legal action against the government over these changes, which have created a sense of uncertainty that may prove an obstacle to some future projects.

But this is by no means the end of the story for renewable energy in Greece. In fact, it may represent the first, perhaps flawed, steps. At the end of March, the Greek government, Germany and the European Commission signed a joint declaration of intent to reform and expand the sector in Greece. The German Environment Ministry and the Commission will finance the first phase of the project. The European Commission's Task Force for Greece said that with the appropriate assistance "the country can soon become a model of renewable electricity generation". This would certainly be a significant achievement to emerge from the crisis.

11. Greek wine raises a glass to exports

One of the aims of Greece's adjustment program has been to make the country more competitive, with a particular view towards boosting its exports. The main tool for this exercise has been the policy of internal devaluation, which has seen wages drop substantially. As a result, unit labor costs, which rose rapidly from 2001, have been falling equally dramatically since 2009 and by the end of this year are expected to be at around 2005 levels. The intention of this policy is that this drop in costs is reflected in lower prices for goods and services.

This has by no means triggered a boom in the export of Greek goods, which had a total value of 27.6 billion euros in 2012, but there has been a steady rise since 2009. Food and beverages remain the leaders in Greece's export market and the last few years have seen somewhat of a rebirth in the production of agricultural products for foreign markets.

The exports of Greek strawberries, for example, have skyrocketed during the past few years. In 2007, Greece exported just over 4,000 tons of strawberries with a

16. <http://www.renewableenergyworld.com/rea/news/article/2013/01/greece-sees-impressive-solar-pv-growth-despite-banking-crisis>

value of 5.7 million euros. In 2012, exports reached more than 26,000 tons with a value of almost 40 million euros, making strawberries one of Greece's 100 most exportable products. The rise in strawberry exports has been driven partly by the fact that producers have tapped into new markets. Russia, which is not among the main importers of Greek goods overall, accounts for more than 40 percent of Greek strawberry exports.

The Greek exporters who have been successful during the crisis, despite the difficulties created by the lack of liquidity and uncertainty about Greece's future, have been the ones that adapted their methods, improved their products and sought new markets. Greek winemakers are a good example of this. According to the Panhellenic Exporters' Association, the volume of Greek wine exported increased from 28,438 tons in 2008 to a peak of 39,591 tons in 2011. The value of wine exports shot up from 55.6 million euros in 2008 to 66.2 million euros last year.

Year	EXPORTS		UNIT VALUE	
	Value (,000 €)	Volume (tons)	(€/ton)	Index 2008=100
2008	55,640	28,438	1,957	100.00
2009	59,173	35,071	1,687	86.24
2010	58,681	33,605	1,746	89.25
2011	65,178	39,591	1,646	84.14
2012	66,275	34,432	1,925	98.38

Source: Panhellenic Exporters' Association, 2013

This improvement has been based on much more than just internal devaluation. It is, instead, a reflection of a concerted effort on the part of a lot of Greece's top winemakers, as well as many smaller producers, to take the steps necessary to become more outward-looking. The increase in exports has partly been based on better promotion, according to Markus Stolz, an expert on Greek wines, who acts as a middleman between producers and importers.

"The Greek wine industry, which has set up the New Wines of Greece website¹⁷ has done a very solid job of promoting Greek wine," he says. "They have learned to

focus on social media, have executed effective initiatives via trade events and inviting people over to visit Greece and tour the vineyards. They started out by inviting wine writers and bloggers, and now even bring in wine buyers. "Five years ago, they just bought advertising space in wine magazines. This strategy failed, and a lot of money was spent without making any impact," adds Stolz.

He also identifies improved cooperation between vintners as another reason behind the success of Greek wines in recent years.

"Some of them have started working together as a team, rather than only looking for their own, short-term benefit," he says. "For example, the young winemakers of Naoussa meet every two weeks, share wines from around the world, discussing and executing initiatives to support their region."

While Germany remains by far the top market for Greek wines, absorbing 47 percent of exports in volume and 41 percent in terms of value, the United States is the most profitable. Greece exports just 5.9 percent of its wine to the USA but these sales account for 13.2 percent of total revenues for Greek wine exports. Greek winemakers have shown flexibility by adapting to the new wine trends in the USA, where critics and sommeliers are becoming less conservative and are on the lookout for new and different wines.

"Greek wines fit in perfectly into this trend, as they are rarely too heavy, with restrained alcohol levels and being great food pairing partners," says Stolz. "In terms of product and quality, the last five years have been amazing for Greek wine. There are now many young people who make wine and have a different mindset than the older generation. Quality keeps going up, ancient varieties are being revived and the winemaking has become much more refined."

17. <http://www.newwinesofgreece.com/home/>



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