

Projects pending

Tourism is the largest single driver of Greek economic growth and employment. Yet for years it has taken a back seat in government development policy to industry – particularly to manufacturing.

A misguided conception during the two-decade long socialist era that service was de-meaning led to the natural propensity of Greeks to offer hospitality being relegated to a secondary role in favour of industrial projects many of which failed to fulfil their expectations.

The New Democracy government has recognised tourism's potential and created a ministry to promote it. Ironically, however, the cabinet post rests near the bottom of the protocol hierarchy.

The new investment incentives law¹ of the Ministry of Economy and Finance (YpOi), contains extensive subsidies for tourism projects – both hotels and ancillary installations but, as it focuses on regional rather than sectoral development, benefits are conditioned by geographical considerations that have little to do with maximisation of the tourism product.

New land use legislation from the Ministry of Environment, Town Planning and Public Works (YPEHODE) that is supposed to define areas for tourism development² has yet to

materialise two years into the government's four-year term and it would appear that when it does there could be a considerable gap between the expansive aspirations of development-oriented entrepreneurs and the cramped mentalities of the drafting bureaucrats.

The Ministry of Tourism is supposed to be preparing a series of laws that will set technical specifications for tourism installations to diversify the tourism product. The legislation was promised for first or second quarter 2005.

But at the time of writing, the outgoing minister, Dimitris Avramopoulos, had yet to bring legislation to parliament and the new minister, Fanny Palli-Petralia, has implied that she may wish to make changes to the two bills that were nearing the completion of their drafting process which could mean further delays.

At least 13 entrepreneurial groups are planning integrated resort developments worth some €3.5 bn, incorporating golf courses, convention centres, spas and hotels. But the viability of most of these is contingent on a change in the law to permit increased construction of associated housing.

The Greek authorities mistakenly believe that second holiday homes do not have the multiplier effect of hotels and have been reluctant to change the planning rules to allow housing construction. By failing to do so, they

1 Law 3299/04.

2 And for industry and renewable energy installations.

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could kill the projects altogether leaving Greece trailing even further behind rival tourism centres such as Spain, Portugal, Turkey and Cyprus.

In February 2005, the inner cabinet addressed the bureaucratic snarl that had held up for years the two largest of these projects, but, despite such top-level intervention, it looks unlikely that the projects will get all the necessary permits before the second half of this year making it touch and go whether they might be able to meet their current targets of commencement of operations for the 2008 tourist season.