

The **Financing Policy** and **Spatial Development of Tourism** in Greece: A Brief Review

VLAMI AIMILIA * [vlami@upatras.gr]

Keywords | State Intervention, Hotel Capital Formation, Spatial Development of Tourism, Greece, Financing Policy, Investment Incentives.

Objectives | This work is based on the results of a multi-year research effort (doctoral thesis), which aimed at an overall interpretation of the financing policy and tourism development of host countries, focusing particularly on the Greek case. Tourism development in Greece provides a typical example of the general framework of the tourism policy having been followed by the majority of the European Union host countries after World War II. The work has a focus on the financing state policy related with the formation of the hotel capital in the Greek territory. The case of the financing policy in Greece as a means of forming the necessary hotel capital is related to establish its tourist product in the global market and use tourism for the development of its socio-economically depressed areas.

Methodology | Approaching the Greek case is made through the incentives policy for tourist investments which took place on the basis of each era's Developmental laws. This evaluation has drawn evidence from information deriving from the data collected by the Ministry of Economy, Greek National Tourism Organization (GNTO) and Hellenic Chamber of Hotels, which were processed and classified into a database (statistical variables, such as: private investments approved and realised by incentives policy, granted hotel beds and jobs, the amount of average investment realized, hotel capacity, etc.). In addition, the above data were used for map analysis, with the use of Geographic Information System (GIS).

Main results and contributions | The outset of a distinct intervention policy by the Greek state in tourism appears in 1920. More coordinated actions though are found right after the reestablishment of GNTO in 1951. GNTO was focused on the construction and management of standard businesses entering in the touristic demand, and especially the creation of a basic network of hotel units under the typical name "XENIA". The policy of directly financing enterprise investments initially covered 100% of the total public funds available for tourism. In 1966 this percentage dropped to 27% and it continued decreasing until the beginning of the 1980's, when the policy was suspended.

Actually, the intervention for the formation of private capital in the tourism was realized in the context of Development Laws. The main goal governing these laws is the regional development of the country through the division of the territory in regions of high, medium and low. The main innovation introduced by the Law 1262/1982 was the generalization of the provision of incentives for the reduction of the capital in all regions. This law contributed to the creation of a significant number of small scale hotel units and the employment growth mainly in the touristically developed regions, except urban centers. However, that policy had resulted in the uncontrollable dispersion of small accommodations in coastal and insular

* **Ph.D in Tourism Policy & Development** by University of Patras. **Lecturer** at Department of Economics, University of Peloponnese and at Department of Tourism Management, Technological Educational Institute of Patras.

areas. Consequently, a new state intervention of a spatial nature was necessary, with the introduction of the concept of "saturated areas" and aiming at the further turnover of the concentration of hotel rooms in already developed areas. During the period 1990-2004, developmental laws (L. 1892/1990 and L. 2601/1998) were focused mainly to the modernization of the existing hotel capital as well as to the transformation of old beautiful buildings into main tourism accommodations, and almost excluded investments for the creation of hotel rooms for medium and low classes. Especially, the L. 2601/1998 limited even more the subsidies, giving access only to the new bodies in that form of aid. The most important achievement of this policy was the mobilization of an increased number of investments for the modernization of hotels, having as a result the renovation of 15,5% of the total amount of hotel capacity. However, this policy did not accomplish its objectives to a satisfactory level, because its criteria were unattainable by the majority of small scale hotel businesses.

The current incentives policy (Law 3299/2004) changes. It is becoming an expansionist policy, which is focused on the acceleration of the creation of hotel units. There are distinct parts in all regions of incentives, where the plans of medium-small sized hotels can cover a 60% of their total investment. Furthermore, the saturation regime is abrogated, allowing to the touristically developed areas (except Athens and Thessaloniki) the increase of investments for the creation of high class hotels. That kind of policy resulted in the dependence of a noticeably increased number of investment plans. The greatest part of the investment for the creation of hotel units concerns luxury hotels which are intended exclusively in already developed areas. The new situation that is going to be created in the Greek tourist network, raises a serious consideration, since it is highly believed that the concentration of new luxury beds in saturated areas is going to sharpen the oversupply problem, since the tourist period is shrunked.

Limitations | The study of the financing policy in tourism is in its infancy in Greece, which is mainly due to the lack of necessary and reliable statistical data, since there is no state body officially responsible for the collection, treatment and provision of statistical data for the private tourist investments.

Conclusions | Today's picture of the regionalization of tourism activity does not permit us to conclude that the goals set and the measures taken have been successful. In fact, the financing policy that was pursued, independently of its goals, increased the same concentrations, with just a few differentiations. Traditional and newly rising tourist areas concentrate and will continue to concentrate more than 66,10% of the total amount of hotel units and 74,78% of capacity. The dominant characteristic of these areas is the element of the insufficiency of satisfactory infrastructure. The majority of Greek hotels is of a small scale, of medium classes, something that notes the existence of serious problems concerning the variety and quality of the provided services and consequently of the "economic quality" of tourists. Eventually, the financing policy in tourism was based more on social and political criteria and less in the particularities and needs of the country. The most important problem of the Greek tourism during its evolution is the deficit of the economic, political opinion and conception concerning what is tourism, how it functions in the social and economic structure of the country and consequently which is its place in the structure and hierarchy of the state policies.