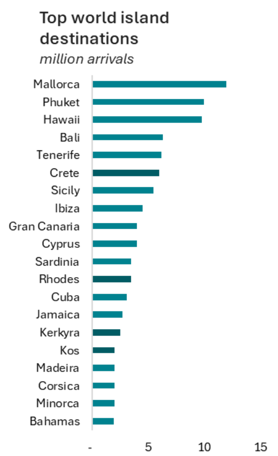
NATIONAL BANK OF GREECE

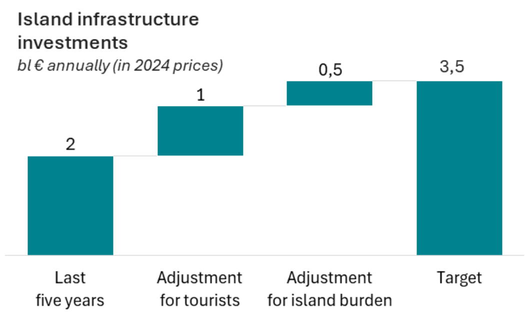
PRESS RELEASE

Infrastructure as the Catalyst for Keeping the Greek Islands in the Elite of Global Tourism

At a time when Greece remains – despite intense competitive pressures – at the top of the global tourism map, the country faces a critical challenge: maintaining its attractiveness through modern, sustainable, and resilient infrastructure. With its islands welcoming nearly half of all foreign visitors, this challenge is particularly acute. According to a new study by the Economic Analysis Department of the National Bank of Greece, investment needs across the Greek islands are estimated at **€35 billion over the next decade**, aiming to upgrade key sectors such as transport, energy, water, and waste management. The challenge is not only to secure financing sources but also to establish a modern governance framework capable of setting priorities, directing resources predictably, and translating funding into fully executed projects. The ability to achieve this will determine whether the current success of the Greek islands will gradually be undermined by outdated infrastructure or transformed into a **strategic advantage** that will consolidate their position among the world's leading destinations — turning them into a *pilot model* for the sustainable upgrade of Greek tourism.



Greece is a quintessential island tourism destination. Over the past 15 years, arrivals on the islands have doubled, reaching 16 million in 2024. Remarkably, they account for 11% of global island tourism, while seven Greek islands rank among the 30 most popular island destinations worldwide (alongside iconic islands such as Bali and Hawaii). However, this strong momentum comes with growing pressure on infrastructure: during peak months, tourist density reaches 33 visitors per km^2 per day, compared to only 2–3 in the rest of Greece and the Mediterranean. Despite this seasonal surge in demand, infrastructure investment per capita over the past two decades has remained comparable to mainland areas, even though island regions face significant structural challenges. Firstly, island populations increase by an average of 50% compared to their permanent residents (and in some cases more than double), placing far greater strain on infrastructure. On the mainland, while there are localized hotspots (such as Chalkidiki, where the rise approaches 50%), the overall increase is much smaller — around 5% on average. Secondly, islands bear additional costs of about 15%, due to higher logistics expenses, lack of economies of scale, and the need for redundancy in remote areas.



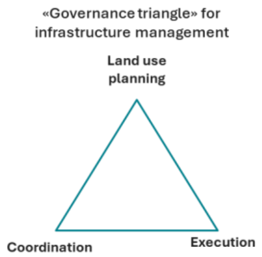
Without targeted infrastructure upgrades, tourism growth risks reaching its limits. To meet the growing demand, our estimates suggest that, in addition to current annual investments of around €2 billion (mainly in transport and basic infrastructure such as energy and water), an extra €1 billion per year is required to meet seasonal population surges, plus another €0.5 billion to offset the additional "island burden." In total, this implies an annual investment effort of €3.5 billion, or €35 billion by 2035 — a prerequisite for absorbing rising demand, strengthening productive capacity, and safeguarding the islands' long-term sustainability.

In this context, emerging global trends offer an opportunity to rebalance this equation by enhancing the return on necessary investments. Rising demand from long-haul, high-spending markets (such as the US and Asia), and a shift toward travel in lesser-known destinations and off-peak seasons, create the conditions for a strategic transition from quantitative to sustainable growth. If Greek islands leverage these trends effectively, they could increase average spending per visitor by 15% by 2035 and reduce the concentration of arrivals in July–August from 42% to 34%.

With this window of opportunity open, establishing a stable and predictable financing mix becomes a top priority. The first and most important source lies in own resources: currently, the islands collect around €0.4 billion annually from accommodation and cruise levies — almost half of the additional needs arising from seasonal population growth. The key is to institutionalize ring-fencing, ensuring that these revenues are reinvested locally into critical infrastructure. Additional funding can come from: (i) mobilizing private capital through Public–Private Partnerships (PPPs) and concessions, and (ii) leveraging European and international financial instruments, combining grants (RRF, NSRF) with low-interest EIB loans.

The challenge, however, is not solely financial. Without an appropriate governance architecture, available funds risk remaining trapped in planning stages rather than becoming functional infrastructure. Fragmented responsibilities across ministries, regions, and municipalities delay projects and hinder prioritization, while three-quarters of island municipalities lack technical departments, leaving many projects stuck at the design phase. While governance for destination management, branding, and tourism promotion can effectively operate through decentralized structures (as provided for under Law 4875/2021), infrastructure governance requires a more centralized and institutionally robust mechanism. This mechanism should act as an executive body for planning, financing, and implementing critical local projects. A coherent proposal could therefore be the creation of a National Island Infrastructure Authority, acting as a central hub for strategic planning, with mandates to:

- ✓ Aggregate and allocate resources predictably,
- ✓ Prioritize projects based on objective data, aligning national priorities with local needs, and
- ✓ Accelerate implementation through unified digital fast-track licensing systems.



For such an Authority to operate effectively, it must be supported by two complementary pillars:
(i) The upcoming Special Spatial Framework for Tourism, which can provide the institutional foundation for coherent regional development plans and their linkage with required infrastructure; and
(ii) A technical assistance and monitoring mechanism, including centralized project preparation, inter-municipal engineering clusters, and standardized performance indicators. Successful international examples, such as the Balearic Islands and the Azores, demonstrate that integrating these three pillars into a coherent "institutional triangle" significantly boosts effectiveness and accelerates project delivery — an approach that, if applied to Greek islands, could serve as a model for all major tourism destinations in Greece.

Infrastructure investment will be the decisive factor of the next decade. Without a strategic shift toward sustainable development, today's success risks reaching its limits under the weight of inadequate infrastructure. From the State's perspective, establishing an institutional triangle of planning, coordination, and implementation will ensure that investments are directed toward real needs and deliver maximum returns. From the business perspective, upgrading accommodation and strengthening local partnerships will enhance both attractiveness and value. The outcome of such an investment strategy is measurable: over the next decade, tourism revenues could rise by 45% (+€5 billion) and GDP could increase from €24 billion to around €30 billion, with substantial multiplier effects on employment and exports. Thus, Greece can consolidate its position at the top of global island tourism and convert rising demand into long-term development strength. This is the true challenge of the next decade: not the sheer number of arrivals, but the country's — and above all, its islands' ability to manage success and transform it into a lasting competitive advantage.

The full study is available on the National Bank of Greece Group website, under Economic Studies and Analyses (Greek Entrepreneurship): https://www.nbg.gr/el/omilos/grafeio-tupou/reports/islands-2025

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