

International Financial Institution Investments in Tourism and Hospitality

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ABSTRACT

International Financial Institutions (IFI's) like World Bank Group and other regional developing banks helps reduce poverty and promote investments in less developed countries. This article outlines the role of IFI's in financing projects in tourism and hospitality industry in developing countries, in terms of how much has been invested in these countries, type of investment, the effects of these investments on local economy and the results of these investments.

Article opens with background on the tourism sector in developing countries its role in the economy. As the demand for tourism services has increased among World Bank Group member countries, so has the World Bank technical assistance focused on attracting foreign direct investment (FDI) in the tourism sector. So, in the second part of the article a brief analysis of policy and instruments used by the IFI's to finance projects in less developed countries has been made especially by the International Finance Corporation which investments and advisory work in countries served by International Development Agency (IDA) now account for 40 percent of it's projects.

The next section focuses on investment promotion activity, including the work of Multilateral Investment Guarantee Agency (MIGA) and International Finance Corporation (IFC). An overview of the investments made by IFC in projects in tourism and hospitality industry in developing countries and guarantees issued by MIGA has been made. Article analyses total investments made by the IFC and guarantees issued by MIGA in tourism and hospitality industry for the period from 1991 – 2009, in developing countries.

Finally, in concluding remarks of the article we analyze the issues of international funding for the development of tourism and hospitality industry in developing countries.

Key Words: IFI, World Bank, IFC, MIGA, hotel investments, tourism and hotel projects, tourism and hospitality industry, developing countries, tourism financing.