



Article Title

International financial institution investments in tourism and hospitality

Citation

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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.

Conclusion

The economic impacts of tourism are considerable and governments are increasingly prioritizing tourism as a vehicle for achieving economic development objectives. The latest research from the World Travel and Tourism Council suggests that the travel and tourism industry generates 234 million direct and indirect jobs worldwide, contributes over 10 percent of global GDP, and

accounts for a third of all international trade in services. International visitors spend close to \$900 billion on goods and services annually, with tourism-related inflows often the primary source of foreign exchange in many developing countries. Tourists spend more than \$200 billion annually in emerging market nations. No other sector spreads wealth and jobs across poor countries in the same way as tourism: statistics indicate that 1 in 12 jobs globally is related to travel and tourism.