

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.

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

INTRODUCTION

For many developing countries, tourism is a significant vehicle for economic progress that creates jobs, foreign exchange, and tax revenues - all of which contribute in one way or another to improving poor people's lives. While poor countries command only a minority share of the international tourism market, tourism can make a significant contribution to their economies, says the UK's Department for International Development (DFID). "Tourism can play a critical economic role in developing countries, especially for those with limited income-generating alternatives," says Motomichi Ikawa, executive vice president of the Multilateral Investment Guarantee Agency (MIGA), a private sector branch of the World Bank Group. "While tourism accounts for less than 1 percent, or \$269 million, of our cumulative guarantees portfolio, we believe this sector offers our developing member countries tremendous growth potential", says Motomichi Ikawa (MIGA, 2009).

Tourism is one the world's fastest growing industries, expected to overtake agriculture as the world's largest industry by 2010. In the past year, an estimated one out of every 13 workers was employed either directly or indirectly by tourism, according to the World Travel and Tourism Council. In the year ahead, the travel and tourism economy is expected to contribute \$3.5 trillion to world GDP and account for 11.6 percent (or \$1.1 trillion) of total world exports, the council says.

1. THE ROLE OF THE TOURISM SECTOR IN EXPANDING ECONOMIC OPPORTUNITY

Travel and tourism is a vital sector of the world economy. Extensive data and literature point to the particular and growing importance of tourism in developing countries. The UN's World Tourism Organization (UNWTO) cites the following statistics (Caroline Ashley, et. al. 2007):

- Growth in tourism arrivals: World tourism Organization (WTO) statistics indicate that between 1950 and 1993, international tourist arrivals grew by 7.2% p.a., from 25 million to 500 million. The annual average growth rate of international tourism arrivals in developing countries for the years 1990-2005 was 6.5%, compared to 4.1 % growth worldwide over the same period. Close to 1 billion of international arrivals are projected for the year 2010.
- Growth in tourism revenues: The average annual growth rate of international tourism receipts in developing countries for the years 1990-2005 was 9.7% compared to 6.3% worldwide over the same period. In 2005, developing countries recorded \$205 billion in international tourism receipts.
- Contribution to gross domestic product (GDP): The UNWTO does not have data on the global contribution of tourism to GDP, but estimates that at the country level broadly-defined tourism accounts for between two and 12% of GDP in advanced, diversified economies, and up to 40% of GDP in developing economies, and up to 70% of GDP in small island economies.

A recent literature review for the World Bank by the Overseas Development Institute concludes that rigorous, empirical national - and global-level analysis of tourism's economic and poverty alleviation impacts is lacking, but nevertheless it is clear that the industry is having substantial impact on local people and local economies in many developing countries. The ODI World Bank review identifies three main pathways through which tourism affects poverty reduction (Caroline Ashley, et. al. 2007). First are tourism's direct effects, the wages and earnings of those who participate directly in the sector as workers or entrepreneurs.

International evidence shows that tourism is more labor-intensive than other non-agricultural sectors. It also uses a relatively high proportion of unskilled or semi-skilled labor. For these reasons, in some countries, tourism is an important source of employment for poor people. Tourism's employment impact can also be highly significant in urban and coastal areas with higher population densities.

Secondly, indirect effects occur through the tourism value chain. Tourism draws on inputs from the food and beverage, construction, transportation, furniture, and many other sectors. Evidence suggests that in developing countries, this inter-sectoral impact adds an extra 60-70% on top of the direct effects of tourism.

Finally, tourism has a wide range of dynamic effects. Tourism development can affect the livelihood strategies of local households, the business climate for small enterprise development, patterns of growth of the local or national economy, and the infrastructure or natural resource base of the destination.

2. INTERNATIONAL FINANCE CORPORATION AND TOURISM AND HOSPITALITY FINANCING

The International Finance Corporation (IFC) is the only World Bank Group agency to have financed tourism projects continuously and to have maintained an in-house small team of tourism experts for the past three decades. The IFC finances private sector investment, mobilizes capital in the international financial markets and provides technical assistance and advice to governments and businesses in developing countries. In partnership with private investors, the IFC provides loan and equity finance for business ventures in developing countries (IFC, 2007).

2.1. IFC Tourism Portfolio

IFC's total portfolio for tourism lending increased significantly from \$189 million in FY90 to over \$2 billion in FY07.

Tourism investments are well diversified geographically with projects in 42 countries and are fairly evenly spread regionally in terms of amounts. Some characteristics of IFC's tourism portfolio are (IFC, 2007):

- tourism investments are frequently IFC's first investment in a country and in some cases still the only project (Angola, Laos, the Maldives, Vanuatu and Cyprus);
- recent investments still recognize the need for luxury hotels in certain city markets and resort destinations in an attempt to upgrade the overall destination; and
- IFC continues to invest in both city/commercial hotels and resort hotels.

But, recent investments have been made in secondary cities and industrial areas, particularly in countries that are well supplied with hotels in capital cities. In comparison with earlier tourism investments, the current portfolio reflects more midscale investments directed at the regional and domestic markets. As of June 30, 2007, IFC has invested over \$2 billion in more than 220 projects across all developing regions (see figure 1 and figure 2).

2.2. IFC Investments in tourism and hotel industry

IFC has invested in tourism projects since 1967. Prior to 1989, IFC only approved 2-3 projects per year. Since 1990, approvals have averaged 12 per year, reflecting the growth of the industry and strong demand for IFC finance. In 1992, IFC established a Tourism Unit to centralize industry expertise. While the Unit's emphasis has been on hotel investments, IFC

supports other forms of tourism development, most notably infrastructure projects which support the growth of tourism, through other units in the Corporation (IFC, 1992).

To date, IFC has invested over 2 billion in 220 hotel projects in more than 80 countries. Hotels play an important role in the development of many IFC client countries, as they catalyze tourism and business infrastructure (IFC, 2007). IFC supports hotel projects and companies that are commercially viable, have a positive development impact, and fit with the country's needs and tourism priorities. IFC seeks to partner with strong, stable firms that have a good understanding of local and regional markets and that seek its support to invest in emerging markets.

Some characteristics of IFC's hotel investments are (IFC, 2007):

- Create thousands of jobs, directly and indirectly;
- Generate government revenue, contributing funds for critical infrastructure and improvements to health, social welfare, and education;
- Support the market for business travel: more hotel, retail, and conference capacity attracts business meetings, increasing business opportunities in a country and revenue for local small businesses;
- Improve economic opportunity for small local suppliers, such as farmers, through supply chain linkages;
- Generate foreign exchange;
- Improve sustainable access to natural and cultural heritage sites.

Christie and Crompton (2001) also reviewed projects on tourism supported by the IFC. The assessment showed that hotel-related projects yielded a real ex post economic rate of return of 12%, which is acceptable but not as high as the private sector demands in developing countries due to the risky nature of investments and the shortage of capital. Moreover, it is important to note that the return on hotel investment derives largely from the additional direct expenditures of visitors outside the hotel complex.

In terms of employment, the average number of employees per hotel room in developing countries is estimated at 2, depending on the type of hotel and the local skill base. These jobs are generally considered "good jobs" as they have good working conditions (compared to other industry) and relatively good pay. A major factor that determined the scale of local benefits from tourism projects is "leakage", which can be defined as *the proportion of monies invested or earned in the tourism sector that end up overseas*. The level of "leakage" of tourism investment and earnings is an issue that has been given some attention in World Bank work and in the wider literature on the linkage between tourism and sustainable development.

A number of studies have calculated the leakage rates of tourist expenditure, and a recent IFC study found that leakage is quite significant for some countries. For underdeveloped countries, particularly islands, the leakage rate is 55% (i.e. only 45% of foreign exchange earnings from tourism remain in the country); while for other countries, including Mexico, Thailand, Turkey and the Dominican Republic, the leakage rate is less than 15% (Christie and Crompton, 2001).

If we look at the table 1 and figure 3 we can see that the total amount IFC has invested in tourism for the period from 1969 till 2008 is about \$2,301,29 millions which makes an average investment per year of about \$59,00 millions. The period from 1969 to 2008 can be divided into three stages.

The first stage is the period from 1969 to 1989, when IFC invested about \$180,35 millions (see figure 4). The average investment per year was about \$9,0175 millions. This was the period in which IFC hasn't made any significant investment in tourism, probably because the tourist industry was at early stages and still in development.

The second significant stage started in the year 1990 when IFC invested about \$309,3 million which was the biggest investment until 2005 when IFC invested \$377,4 million in tourism sector (see figure 5). The average investment per year in tourism sector for that period (1990 – 2004) was about \$101,20 millions, which is a significant amount, and the total amount that IFC has invested in tourism for that period was \$1416,83 millions (see figure 5). This was also the period in which the tourism sector started to expand, and many countries saw the benefits of tourism as an industry without ‘the smoke’. According to the WTO the annual average growth rate of international tourism arrivals in developing countries for the years 1990-2005 was 6.5%, compared to 4.1 % growth worldwide over the same period. Also, the average annual growth rate of international tourism receipts in developing countries for the years 1990-2005 was 9.7% compared to 6.3% worldwide over the same period.

According to the table 1 in the period from 2005 till 2009 IFC invested about \$704,1 millions in tourism sector and the average investment per year was \$176,025 millions. This was the biggest average investment per year since 1956 when IFC started to invest in tourism (see figure 6).

According to the table 2 IFC has invested in Accommodation & Tourism Services in Europe and Central Asia Region from 1997-2009 totally 346.700.000,00 USD. The total project cost for the same period was 1.029.500.000,00 USD, which means that total contribution of IFC funds in investments in Accommodation & Tourism Services in Europe and Central Asia Region was 34 %. Of the total amount invested in projects in Accommodation & Tourism Services in Europe and Central Asia Region from 1997-2009, 140.500.000,00 USD are A-Loans or 41% (loans for IFC-s own account), 95.000.000,00 USD are B- Loans or 27%, 50.000.000,00 USD are pure equity investment or 14% and 61.200.000,00 are senior loans, subordinated loans and quasi equity investment or 18% (see figure 7).

According to the project description from table 2 most of the money has been invested in the expansion, development, modernization of the tourist facilities and renovation of facilities. The biggest investment IFC has made in Accommodation & Tourism Services in Europe and Central Asia Region from 1997-2007 was in Russian Federation, for the amount of 140.000.000,00 USD and the project involved acquisition, renovation or construction of up to 18 hotels and the increase the number the hotels the company manages. That was also the biggest equity investment IFC has made - 27,000,000,00 USD. The second biggest investment IFC has made was in Ukraine, for the amount of 27,000,000,00 USD and that was for the acquisition of a partially-built hotel and the completion and setting into operation of the hotel by Hyatt International under the Hyatt Regency brand. (Vuković, 1999). The third biggest investment IFC has made was in Azerbaijan in the amount of 25.000.000,00 USD and that was for expansion and development of the Park Hyatt and office complex. Significant equity investment IFC has also made in Adriatic Luxury Hotels in Croatia in the amount of 17,000,000,00 USD in the project that involved restructuring and development of ALH Group, a group specialized in the development, acquisition and management of hospitality properties.

3. MIGA – THE MULTILATERAL INVESTMENT GUARANTEE AGENCY

MIGA is a member of the World Bank Group. MIGA’s mission is to promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people’s lives. MIGA guarantees are well-suited to mitigate non-commercial tourism and hospitality investment risks, thereby lowering the cost of capital. They reassure lenders that their investments are protected. They help equity owners overcome hesitations that may loom large prior to deal signing, particularly for costly investments in countries where there is a

perception of high risk. And once a deal is in place, MIGA guarantees, backed by the World Bank Group, bring companies peace of mind, providing that added measure of security that can stabilize an entire project and reinforce positive relations with host governments. MIGA political risk guarantees can reduce the risk profile of companies' tourism and hospitality investment, potentially reducing the cost of capital, lengthening the tenure of the loan or enhancing companies borrowing capacity, while increasing the probability of a better risk weighted return (MIGA, 2009).

Since its inception, MIGA has issued guarantee contracts totaling \$282,15 million for projects in the tourism sector (see table 4 and table 5). The tourism portfolio currently stands at \$56 million, accounting for one percent of MIGA's outstanding gross portfolio.

CONCLUSION

Tourism is an important industry in the global economy, and of growing significance to developing countries. 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.

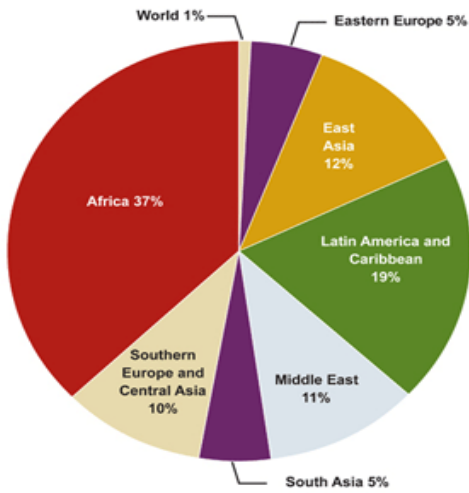
Since 1956, IFC has invested over \$2 billion in 220 hotel projects in more than 80 countries. Hotels play an important role in the development of many IFC client countries, as they catalyze tourism and business infrastructure. Hotels bring great potential for job creation, growth in tax revenues, improvements in foreign exchange earnings, and opportunities for related smaller businesses. This ability to facilitate local, regional, and national economic growth, thus helping reduce poverty, is the reason IFC is deeply committed to the industry.

Tourism is one of three key sectors for which MIGA receives the most requests for assistance from governments, reflecting the increasing focus on tourism as a means to achieve economic development. MIGA has been active since 1991 in tourism through its political risk mitigation instruments and through its promotion of foreign direct investment and marketing of destinations. The tourism portfolio currently stands at \$56 million, accounting for one percent of MIGA's outstanding gross portfolio.

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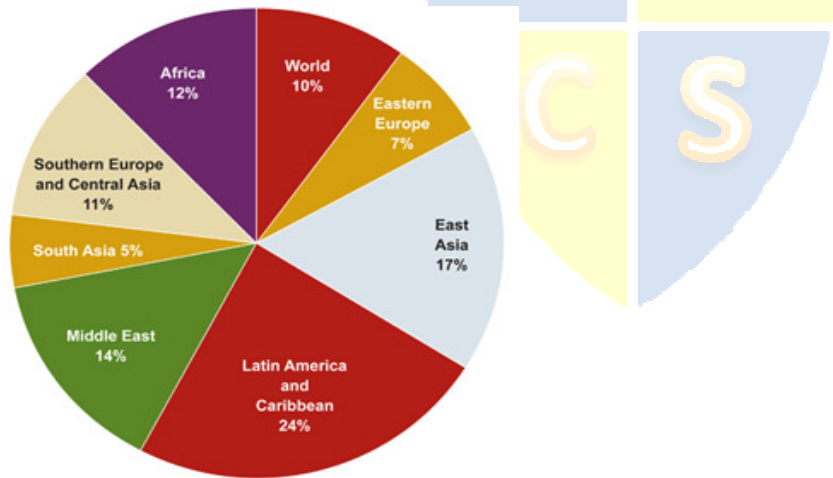
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Figure 1. IFC's Hotel Investments - No. of Projects



Source: IFC

Figure 2. IFC's Hotel Investments - US\$ Millions



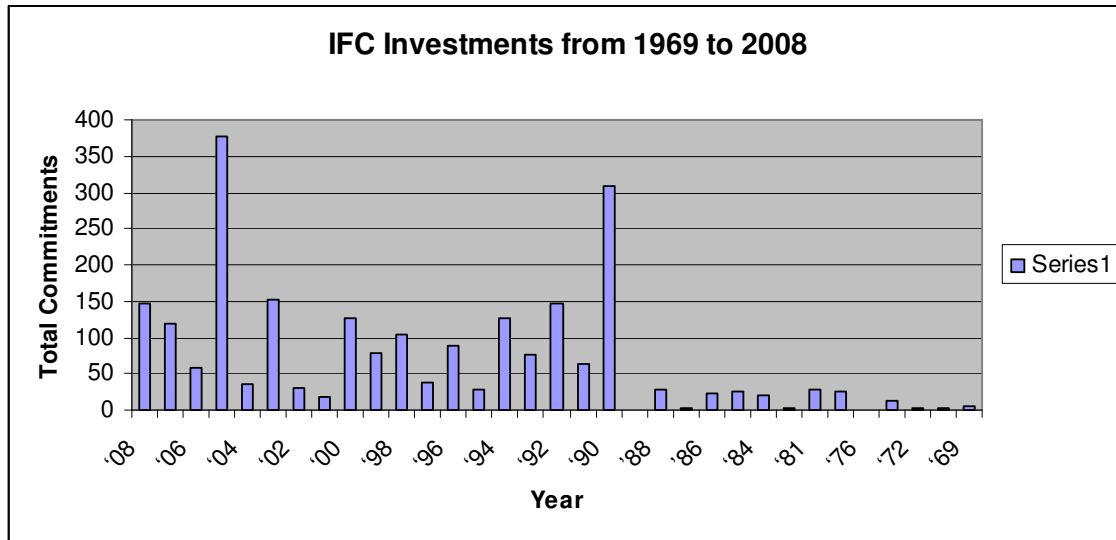
Source: IFC

Table 1. Summary of IFC Investments in Tourism by Regions (All Regions)

Fiscal Year	Africa	Central and Eastern Europe	East Asia and Pacific	Latin America and Caribbean	Middle East and North Africa	South Asia	Southern Europe and Central Asia	Global Regional	Total
'08	27,50			4,90	40,00	75,00			147,40
'07	4,30			20,50	16,00		51,40	28,00	120,20
'06	29,60	29,50							59,10
'05	2,40	65,00		80,00		30,00		200,00	377,40
'04		5,10		3,80	7,00	18,50			34,40
'03	11,00			80,00			60,50		151,50
'02		9,31	1,20			15,00	5,00		30,51
'01	1,36		1,15	16,00					18,51
'00	23,37			100,00			2,50		125,87
'99	2,79	15,50			39,36	2,70	17,50		77,85
'98	9,53	10,36	5,68	45,99	27,70	4,00			103,26
'97	6,87				5,00		27,30		39,17
'96	0,75		5,50	50,00	19,29	13,00			88,54
'95	5,70		14,20	7,00					26,90
'94	34,98		61,60	20,50	8,51				125,59
'93	15,26		28,90	13,75	15,00	3,90			76,81
'92	29,60		86,00	22,20	8,70				146,50
'91	25,84		26,58	9,70					62,12
'90	8,29	10,49	72,46	1,00	142,00		75,06		309,30
'89				0,70					0,70
'88	11,60				2,94		13,89		28,43
'87				2,65					2,65
'86	5,00		8,39	10,50					23,89
'85	18,65		6,90						25,55
'84			19,50						19,50
'82							2,21		2,21
'81	1,77			7,01		19,10			27,88
'80	5,08						21,00		26,08
'76				0,90					0,90
'73	11,07						0,60		11,67
'72	3,60								3,60
'70				2,49					2,49
'69				4,80					4,80
Total:	295,91	145,26	338,06	504,39	331,50	181,20	276,96	228,00	2.301,28

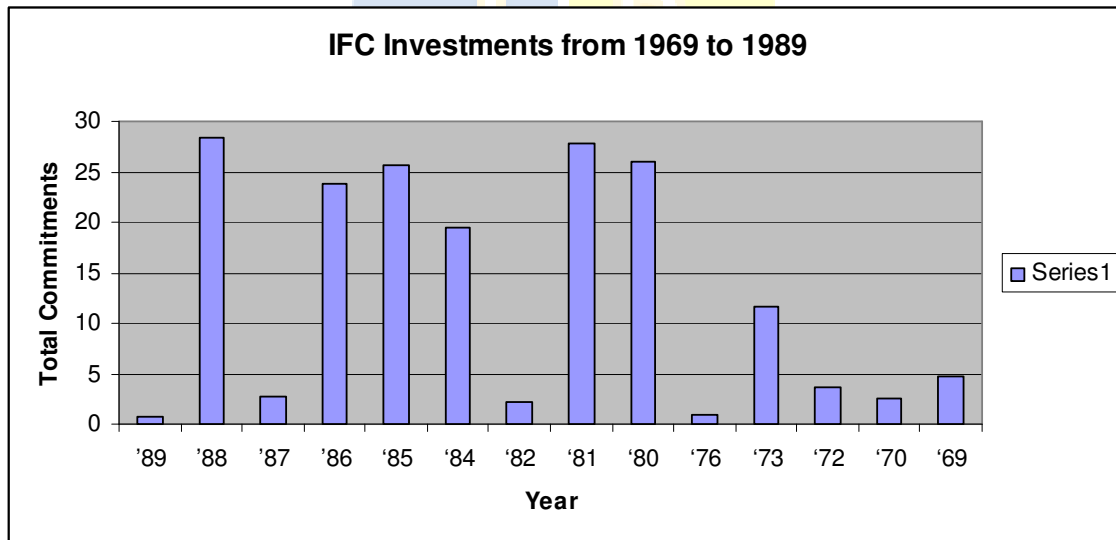
Source: IFC, Washington 2008.

Figure 3. IFC Investments from 1969 to 2008



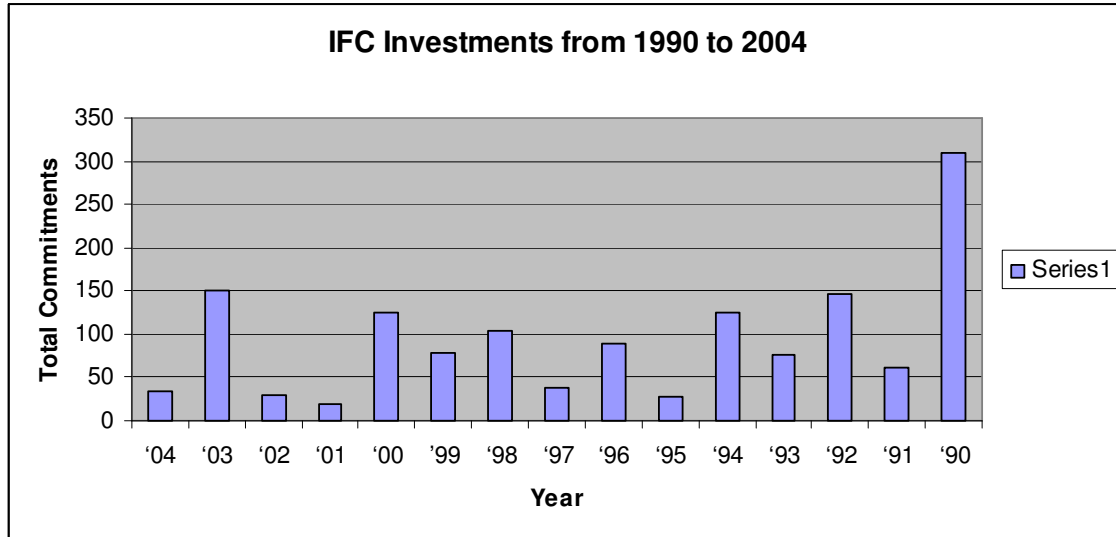
Source: Table 1.

Figure 4. IFC Investments from 1969 to 1989



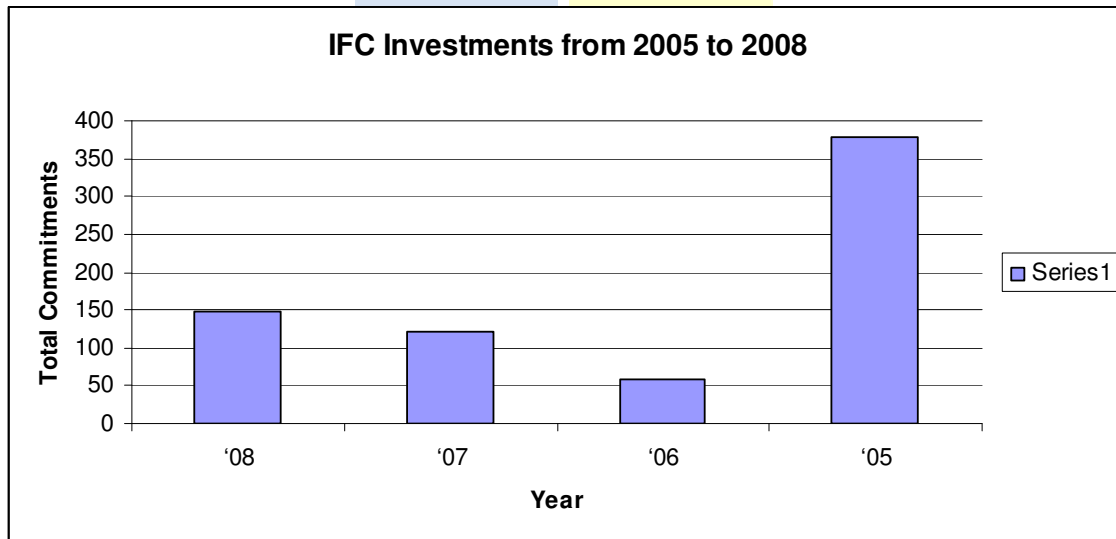
Source: Table 1.

Figure 5. IFC Investments from 1990 to 2004



Source: Table 1.

Figure 6. IFC Investments from 2005 to 2008



Source: Table 1.

Table 2. IFC Investments in Accommodation & Tourism Services in Europe and Central Asia Region from 1997-2009.

Project Name	Country	Year	Total Project Cost (USD)	IFC Financing (USD)	Type of Financing
Tourism Promotion Services Limited	Tajikistan	2008	37,800,000	7,000,000	A Loan
Brief project description: The project involves the construction of a greenfield nine story 85 room five-star hotel in Dushanbe, Tajikistan to help address the shortage of high quality accommodation in the country, which is part of the essential business infrastructure required to support economic development.					
Eurasia Hotel Ltd	Kazakhstan	2008	50,000,000	7,000,000 10,000,000 15,000,000	Senior Loan Income participating loan Syndicated financing
Brief project description: The proposed project aims to address the need for additional capacity in this underserved sector by developing a nationwide chain of economy class hotels in the major cities across Kazakhstan.					
Heliopark Hotels	Russian Federation	2008	200,000,000	27,000,000 50,000,000 63,000,000	Equity investment A Loan Syndicated B Loan
Brief project description: The project comprises an expansion plan, which will be implemented in 2008-10 and involves the acquisition, renovation or construction of up to 18 hotels and the increase the number the hotels the company manages.					
ALH (Adriatic Luxury Hotels)	Croatia	2007	470,000,000	39,000,000 17,000,000	A Loan Equity Investment
Brief project description: The project involves the restructuring and the development of ALH Group (ALH Group), a group specialized in the development, acquisition and management of hospitality properties in the Region, focusing on, but not limited to, Croatia and other countries of the former Yugoslavia.					
Sofia Kiev Hyatt	Ukraine	2005	50,000,000	14,500,000 13,000,000	A Loan Syndicated B Loan
Brief project description: Acquisition of a partially-built hotel and the completion and setting into operation of the hotel by Hyatt International under the Hyatt Regency brand.					
CONRAD	Turkey	2002	8,800,000	3,500,000	A Loan
Brief project description: Modernization – Conference center/room renovation - the proposed investment includes a mid-size conference center and a room/accommodation refurbishment program.					
Hotel Lietuva	Lithuania	2002	36,500,000	9,000,000 9,000,000	A Loan B Loan
Brief project description: The proposed project consists of the refurbishment and repositioning of Hotel Lietuva. The hotel, which targets the conference market currently underdeveloped and underserved in Vilnius, will be operated by Reval Hotel Group, a leading mid-market hotel operator in the Baltics.					
SEF CASPI Limited	Kazakhstan	2000	5,700,000	2,500,000	A Loan
Brief project description: The proposed project consists of the expansion and development of the Chagala Hotel, a three-star hotel in Atyrau in Western Kazakhstan and of a small guesthouse in Bautino very close to the Caspian oilfields.					
Hotel Armenia	Armenia	1999	36,500,000	4,000,000	up to a 25% equity interest

Brief project description: The project sponsors plan to renovate the hotel to create a 223 room western-standard facility managed by Marriott to be the first international-standard hotel in the Country.					
Baltic Hotels	Estonia	1999	15,500,000	5,500,000	senior loan and quasi equity
Brief project description: The project will support development of a regional hotel group which will own and operate small 4-5 star 'town house' hotels in old properties restored with emphasis on cultural heritage and historic preservation. Hotels will be managed by Consul Hotels International Ltd., an experienced hotel management company.					
Reval Hotel Group JSC	Estonia	1999	30,700,000	8,000,000 2,000,000	senior loan equity investment
Brief project description: Expansion, strategic development and financial re-structuring of Reval Hotel Group.					
Park Hyatt Baku	Azerbaijan	1999	39,000,000	15,000,000 10,000,000	A Loan B Loan
Brief project description: Expansion and development of the Park Hyatt and office complex.					
Global Hotels Development Group Poland, S.A.	Poland	1998	39,000,000	10,700,000	including senior loan, subordinated loan and equity
Brief project description: Development and operation of a chain of three-star hotels in major regional cities of Poland, under a 'Preferred Terms' franchise agreement with Holiday Inn Worldwide.					
Makedonija Turist A.D. Grand Hotel	Macedonia	1997	10,000,000	5,000,000	senior loan for IFC's own account
Brief project description: Modernize the existing Grand Hotel to a high level of international standard (around four-star) in terms of management, service and quality of rooms and facilities.					

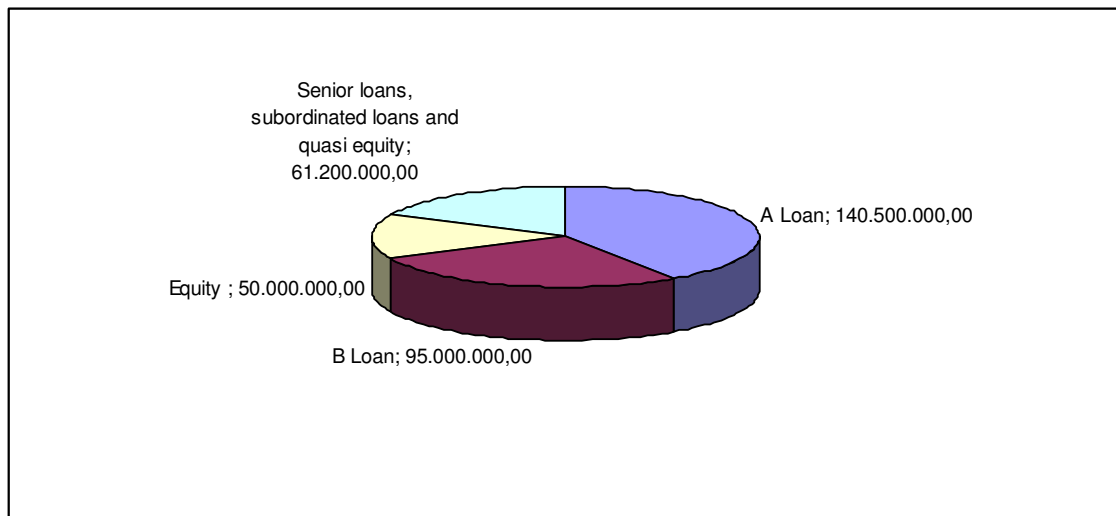
Source: IFC projects. Retrieved August 15, 2009, from IFC website:
<http://www.ifc.org/projects>

Table 3. Type of investment from IFC in Accommodation & Tourism Services in Europe and Central Asia Region from 1997-2009

Type of investment	Amount invested	% of total investment
A Loan	140.500.000,00	41%
B Loan	95.000.000,00	27%
Equity	50.000.000,00	14%
Senior loans, subordinated loans and quasi equity	61.200.000,00	18%
Totally	346.700.000,00	100%

Source: Table 2

Figure 7. Type of IFC Investments in Accommodation & Tourism Services in Europe and Central Asia Region from 1997-2009.



Source: Author's own research

Table 4. MIGA guarantees issued in tourism

Project Name	Guarantee Holder	Investor Country	Host Country	Fiscal Year	Gross Exposure (\$ mil.)
Compagnie Hôtelière du Golfe	Société Malienne de Promotion Hôtelière	Mali	Benin	2009	1.4
Tamboho Hotel	Tamboho International Ltd.	Mauritius	Madagascar	2009	0.65
Société Burkinabé de Promotion Hôtelière	Société Malienne de Promotion Hôtelière	Mali	Burkina Faso	2007	2.86
Société Guinéenne de Promotion Hôtelière	Société Malienne de Promotion Hôtelière	Mali	Guinea-Bissau	2007	0.60
Grand Hotel du Louvre S.A.	Louvre International Ltd.	Mauritius	Madagascar	2006	2.27
Leogrant SRL	Leon Construction International B.V.	Netherlands	Moldova	2004	0.90
Caribe	Scotiabank	Cayman Islands	Dominican	2003	7.44

Hospitality de la Republica Dominicana	(Cayman Islands) Limited	Panama	Republic		
Grupo del Istmo de Papagayo, S.A.	Scotiabank (Cayman Islands) Limited	United States Cayman Islands	Costa Rica	2003	81
Syrian-Saudi Company for Touristic Investment	Kingdom 5 KR 71 Ltd.	Saudi Arabia	Syrian Arab Republic	2003	22.80
Caribe Hospitality De Costa Rica, S.A. (CHDCR)	Marriott International, Inc.	United States Canada	Costa Rica	2002	5.90
Gruopo del Istmo de Papagayo, S.A.	The Marvin M. Schwan Charitable Foundation	United States	Costa Rica	2002	38.30
Grupo del Istmo de Papagayo, S.A.	The Marvin M. Schwan Charitable Foundation	United States	Costa Rica	2001	16.40
Giorgi Alfo Sh.p.k.	Ge.Por.Tur. s.a.s.	Italy	Albania	2000	1.60
Salvorhoteis Mocambique - Investimentos Turisticos, S.A.	Salvintur-Sociedade de Investimentos Turisticos, S.A.	Portugal	Mozambique	1999	2.90
Solomon Pools Company	Phoenix International Ltd.	United Kingdom	West Bank and Gaza	1999	5
Inversiones La Rioja S.A.	Marriott International	United States Canada	Peru	1998	34.20
Europa Zurqui	Radisson Hotels International, Latin America, Inc.	Cayman Islands United States	Costa Rica	1997	9.60
Marina de Herradura S.A.	Scotia Mercantile Bank	United States Cayman Islands	Costa Rica	1997	21.60
Dosel SA	Bank of Nova Scotia	Virgin Islands (British) Canada	Costa Rica	1995	0.73
Hotelera Cali S.A.	Bank of Nova Scotia	United States Canada	Costa Rica	1995	21.50
Nosy Hotels, S.A.	Holding Savana S.A.	France	Madagascar	1991	3.60
			TOTAL		282,15

Source: Multilateral Investment Guarantee Agency, Washington, 2009. Retrieved July 05, 2009, from MIGA website: http://www.miga.org/projects/index_sv.cfm

Table 5. Selected MIGA Projects in tourism

Project Name	Guarantee Holder	Investor Country	Host Country	Fiscal Year	Gross Exposure (\$ mil.)
Compagnie Hôtelière du Golfe	Société Malienne de Promotion Hôtelière	Mali	Benin	2009	1.4
MIGA has issued a guarantee of \$1.4 million to Société Malienne de Promotion Hôtelière (SMPH), covering its \$6.8 million equity investment in Compagnie Hôtelière du Golfe in Benin. The coverage is for a period of up to ten years against the risks of transfer restriction, expropriation, and war and civil disturbance.					
Project description: The project involves the acquisition of the Hotel de la Plage in Cotonou, following a competitively bid privatization process. The existing facility will be demolished and a new 100-room, four-star hotel of international standing will be built in its place. For the implementation of the project, SMPH will establish a local company—Compagnie Hôtelière du Golfe S.A.					
Tamboho Hotel	Tamboho International Ltd.	Mauritius	Madagascar	2009	0.65
MIGA has issued a guarantee of Euro 0.46 million (\$0.65 million) to Tamboho International Ltd., covering its \$0.52 million shareholder loan to Tamboho S.A. in Madagascar. The coverage is for up to six years against the risks of transfer restriction, expropriation, and war and civil disturbance.					
Project description: The hotel will be located in the Tana Water Front neighborhood in the capital city Antananarivo and offer amenities for both tourists and business travelers, including conference and leisure facilities. It will meet international standards and accommodate a steady growth in the number of business and leisure travelers to Madagascar.					
Société Burkinabé de Promotion Hôtelière	Société Malienne de Promotion Hôtelière	Mali	Burkina Faso	2007	2.86
MIGA has issued two guarantees totaling \$2.86 million to Société Malienne de Promotion Hôtelière of Mali to cover its equity investment in Société Burkinabé de Promotion Hôtelière of Burkina Faso, as well as its loan guarantee to IFC. The guarantees are for a period of eight years against the risks of transfer restriction, expropriation, and war and civil disturbance.					
Project description: The project involves leasing the existing Hôtel Indépendance in the capital city of Ouagadougou from the government, as well as renovating, equipping and expanding it into a three-star international business hotel.					
Société Guinéenne de Promotion Hôtelière	Société Malienne de Promotion Hôtelière	Mali	Guinea-Bissau	2007	0.60
MIGA has issued a guarantee of \$0.6 million to Société Malienne de Promotion Hôtelière (SMPH) for its equity investment in Société Guinéenne de Promotion Hôtelière. The guarantee is for a period of up to ten years, against the risks of transfer restriction,					

expropriation, and war and civil disturbance.					
Project description: SMPH has acquired the Hotel 24 Setempro in Bissau, the capital of Guinea Bissau, following a competitively bid privatization. The hotel will be renovated into a four-star business hotel of international standing. The renovation of this centrally-located hotel in the capital city will support Guinea Bissau's efforts to attract foreign direct investment and to develop its potential as a "nature and adventure" destination for tourists.					
Grand Hotel du Louvre S.A.	Louvre International Ltd.	Mauritius	Madagascar	2006	2.27
MIGA has issued a €1.8 million guarantee to Louvre International Ltd. of Mauritius to cover its equity investment in Grand Hotel du Louvre of Madagascar. MIGA's guarantee is for a period of up to five years and covers against the risks of currency transfer restriction, expropriation, and war and civil disturbance.					
Project description: Louvre International's project in Madagascar involves the acquisition of Grand Hotel du Louvre, which operates the Hotel du Louvre, and Société Immobilière d'Antaninarenina S.A., which owns the building and land where the hotel is located. Hotel du Louvre is an existing 3-star hotel situated in the heart of the Malagasy capital, within 100 meters of the Presidential Palace and the Ministry of Finance. The acquisition has brought the hotel operating company and the building under the same ownership, which will give the new owners further incentive to modernize and upgrade the hotel.					
Leogrant SRL	Leon Construction International B.V.	Netherlands	Moldova	2004	0.90
MIGA issued a guarantee of \$900,000 to Leon Construction International B.V. of the Netherlands for its \$1 million equity investment in Leogrant SRL of Moldova. The guarantee is for a period of 15 years and provides coverage against the risks of transfer restriction, expropriation, and war and civil disturbance.					
Project description: The SME project will finance the expansion of an existing hotel located in the center of Chisinau, which caters primarily to a business clientele. Upgraded business facilities and hotel accommodations are needed to attract potential investors. The project will also support the growth of upstream industries and services such as transportation, food processing, furniture-making and tour operators. The hotel construction will draw primarily on local supplies. The project will generate foreign exchange for the country, tax revenues to the government, and will create jobs.					

Source: Multilateral Investment Guarantee Agency, Washington, 2009.