



LEBANON-UK Business & investment Forum

- Queen Alia International Airport (QAIA) – PPP Success Story



Creating Markets, Creating Opportunities

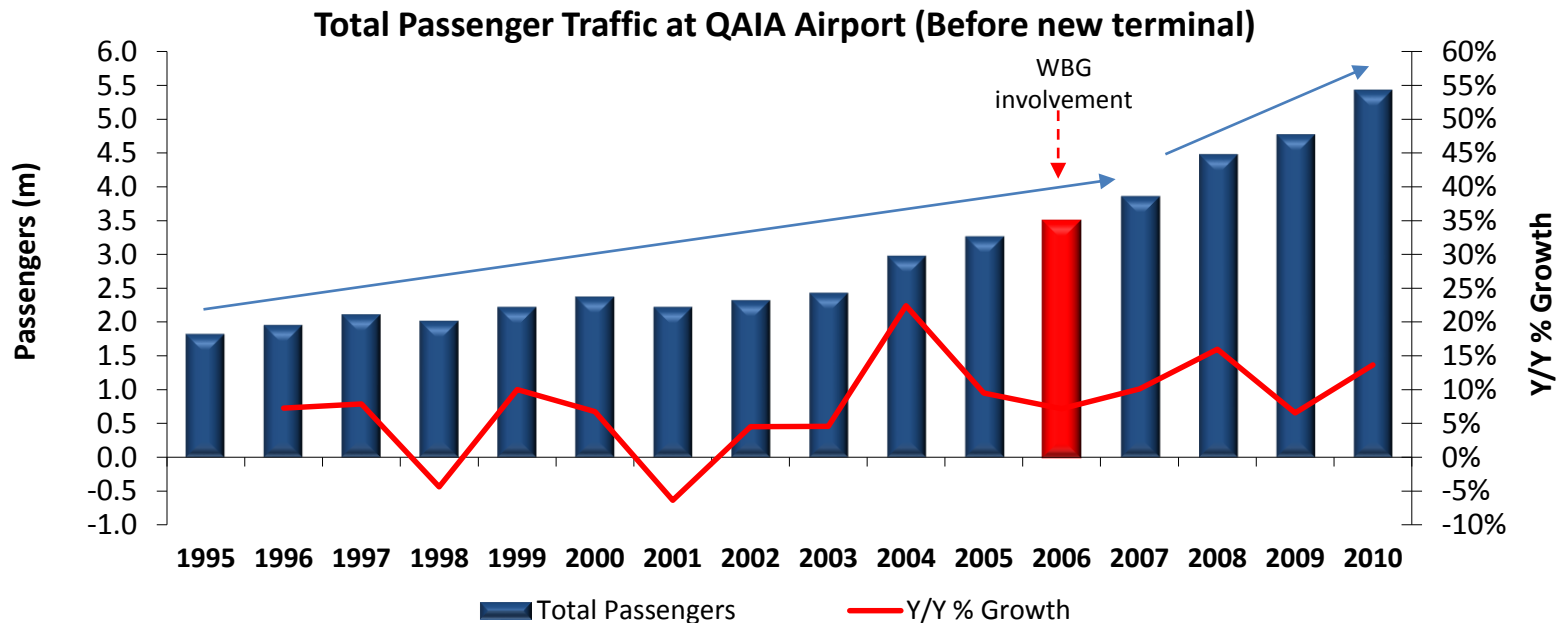
- December 12, 2018

COUNTRY CONTEXT

- In the late 1980s, **Jordan faced major economic downturn resulting in fiscal, monetary, and balance of payment crises** (debt/GDP 174%, Deficit 14%, and reserves < 1 month of imports).
- **An IMF and World Bank supported program** introduced major reforms aiming to promote private sector investments, restructuring of the public sector, and creating better investment climate.
- From 1995-2005, **successful privatizations took place in Telecommunication, Aviation, Mining, and Power sectors**. GoJ sold off the majority of its ownership in these assets to strategic investors.
- GoJ decided to adopt **Public Private Partnerships (PPPs)** as the instrument to promote private sector participation in mega infrastructure projects.

PROJECT RATIONALE

- Developed in 1983, QAIA is Jordan's main airport and accounted for 97% of all traffic (3.9m passengers in 2007) and 7% p.a. traffic growth since 2000.
- **Terminal had reached capacity and was unable to effectively meet future demand or deliver quality services for the rapidly growing traffic**



KEY GOVERNMENT OBJECTIVES

Increase **terminal capacity** with a new facility in a fiscally constrained context

Promote **tourism growth** to increase **revenues** and **employment opportunities**

Increase **service-quality standards** in line with **international best practices**

Generate a **revenue stream for the GoJ** in the form of concession fees

PPP PROJECT RESULTS SNAPSHOT

PPP Type:	25-year BOT concession		
Bid Date:	April 25, 2007		
Construction Starts:	Early 2008		
Project Scope	Bidders		
<ul style="list-style-type: none"> - New 100,000 m² state-of-the-art terminal - Airfield rehabilitation and upgrade works - Capacity uplift from 4m to 9m passengers / annum - Phase 2 targeting 12m passengers (already triggered) - Operator takes over entire operations, including terminal, landside operations and airside 	<ul style="list-style-type: none"> - 5 bids from consortia of international, regional and local investors plus top airport operators - Winning bidder was the ADP consortium 		
Total Initial Project Cost and Proposed Investments:			
<u>Investment (US\$ million)</u>		<u>Capital Structure (US\$ million)</u>	
Government	0	Total Debt	370
Private Sector	<u>675</u>	Sponsor Equity	168
Total Investment	675	Internal Cash Generation	<u>137</u>
		Total Capital	675
Bid Details:			
Selected on the basis of the highest net present value of gross revenue sharing with GoJ. Winning bid was 54.6% .			
Key Dates:			
Concession agreement signed in May 2007, Financial close in November 2007, new terminal opens in March 2013			

TRANSPARENCY OF COMPETITIVE PPP TENDER BRINGING BETTER VALUE FOR MONEY TO GOJ

- 5 bids received;
- Winning bid of ca. 54.6% - highest revenue share ever bid on airport PPP project: driven by transparent tender and fair risk allocation - results in intense competition; and
- Completed in record time: 15m to tender; 6m to financial close.

Demonstrates the advantages of developing a transaction that:

- Instills **competitive tension** to maximize returns to the government;
 - Ensures **full transparency** to attract numerous serious bidders, in particular international players
 - Is **simple enough** to ensure bidders can **model as accurately as possible to make a realistic bid**; and,
 - Benefits from a **robust transaction structure** to provide long-term sustainability and strong PPP
- **Has improved the image of PPPs in Jordan and led to several other successes (Disi Water, Tafila Wind, etc.)**

FINANCIAL PLAN AT SIGNING (NOVEMBER 2007)

Financial Plan	US\$ Mil.	%
IFC A Loan	70	10%
IFC B Loan	160	24%
IFC C Loan	40	6%
IsDB Loan	<u>100</u>	<u>15%</u>
Total Debt	370	55%
Shareholders' Funds	168	25%
Cash Generation	<u>137</u>	<u>20%</u>
Total Equity	305	45%
Total Financing	675	100%

- Construction works while existing terminal continues to operate
- Contingent, additional financing of:
 - US\$30 million from shareholders
 - US\$10 million from IFC as Standby Debt
- GoJ guarantee for termination risk.

- As lead lender, **IFC played an instrumental role in structuring the financing, syndicating the IFC B Loan and helping raise the parallel loan from IsDB**
- Favorable market conditions and project bankability enabled:
 - **a sizeable IFC B Loan of US\$160 million**
 - **syndicated with three French banks (Natixis, Credit Agricole and CIC), two Greek banks (Piraeus Bank and Alpha Bank) and Europe Arab Bank**
- To make the financing sustainable:
 - **IFC and IsDB provided long tenors, unavailable in the market without cover**
- **Financing signed only 6 months from concession signing.**

TRANSFORMATIONAL RESULTS

New US\$1bn state of the art gateway into Jordan

Largest ever PPP project developed in Jordan and 1st airport PPP in MENA

30% increase in airport staff to 400 (395 local);

>US\$200m in commercial lending mobilized by IFC as well as US\$100m IsDB loan

Highest revenue share arrangement under an airport PPP (54.6%)

Precedent setting example for future PPPs in Jordan and in the region

Traffic - 3.9m (2007) to 7.1m (2015); 8% pa growth

Multiple awards brings global recognition, helps raise awareness

AWARDS: INTERNATIONAL RECOGNITION



**Middle East
& Africa
Infra Deal of
the Year**



**2013 Gold Award for Best
Emerging Market
Infrastructure Project –
Europe, Central Asia &
MENA**



**Middle East Airport
Finance Deal of the Year
(2007)**



**2013 Most
Improved
Airport
Middle East
(186th to
30th)**



**2014 +
2015 Best
Airport
Middle
East**



**Airport
Carbon
Accredited
(#2 airport
to achieve
this in
MENA)**

Lessons Learned

PPPs' BENEFITS TO GOVERNMENTS



Construction

Significant reduction in project development risk with transfer of construction risk

Revenues

Potential for new revenue streams

O&M

Transfer of risks related to Operations and Maintenance with clear KPIs

Public Sector Benefits

Financing

Access to private sector financing, freeing government budgets for social sectors

Efficiencies

Introducing operational efficiencies with best in class international practices

KEY LESSONS LEARNED

Description

Government Commitment

Political will, government capacity and commitment for private sector involvement key for PPP projects

Concession Agreement

Fair and balanced concession agreement ensures stability and durability

Tender Process

Adequate preparation, proper advice and transparent tendering process generates international investor interest and provides better value for money

Project Fundamentals

Sound project fundamentals are a basic precondition to success

Sponsors

Sponsors financial strength and commitment is key

Thank you

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