Public-Private Partnership Stories

Jordan: Queen Alia International Airport

In 2007 IFC successfully advised the government of Jordan on structuring and awarding a 25-year concession for the Queen Alia International Airport in Amman following a competitive bidding process. The project includes rehabilitating existing facilities, constructing a new terminal with a capacity of 12 million passengers per year, and operating the airport.

The concession was awarded to the Airport International Group with a bid of 54.58 percent of gross revenues to the government, the highest revenue-sharing percentage achieved for similar projects anywhere in the world. This was the first successful airport public-private partnership project in Jordan and the Middle East and the largest private sector investment in Jordan to date.

This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.

IFC Advisory Services in Public-Private Partnerships
2121 Pennsylvania Ave. NW
Washington D.C. 20433
ifc.org/ppp

The transaction was supported by funds from the governments of Canada, France, Japan, Kuwait, the Netherlands, the United Kingdom, and the United States; as well as the Islamic Development Bank and USAID.

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BACKGROUND

Queen Alia has been Jordan's principal domestic and international airport since it was built in 1983, accounting for more than 97 percent of the country's air traffic. The airport has been unable to meet the sustained growth in air traffic of 7 percent per year since 2000 because of capacity constraints.

As a result, the government sought to invite private sector participation for expanding and rehabilitating the airport, including the construction of a new 900,000-square foot terminal. This decision was part of a broader strategy by the government to liberalize air transport policies, restructure the civil aviation sector, and improve the competitiveness of Jordan's airports.

IFC'S ROLE

The government appointed IFC as its lead adviser for structuring and implementing a balanced transaction. The key objectives for this project were to:

- Increase the airport's capacity to handle long-term traffic growth.
- Develop and enhance Queen Alia's position as a regional hub airport.
- Improve operations and service quality standards in line with international best practices.
- Maximize the value of the project for the government, both in terms of financial proceeds and the quality.
- Eliminate government budgetary support to the airport.

TRANSACTION STRUCTURE

Given the inherently complex nature of airport projects, IFC organized an international bidding process to select a reputable consortium capable of delivering such a project. Each consortium was required to demonstrate that it had the requisite experience in developing, designing, constructing, operating, and financing airports of a similar size. Through the prequalification process, six bidding consortiums comprising a total of more than 25 international investors were qualified. Financial bids were evaluated based on the payment of annual concession fees as a percentage of gross revenues to the government. The bidder with the highest financial bid would be declared the winner.

All bidders knew they would have to raise their own financing within six months of the bid award. The centerpiece of the project was to be the construction of a new 900,000 square foot terminal based on preliminary designs by Foster + Partners. The bidders were also asked to undertake certain predefined improvements to existing airport infrastructure, demolish the existing terminal once the new one is built, and manage all airport services.

BIDDING

Five bids were ultimately received. The Airport International Group—composed of Aéroports de Paris Management (France), the Abu Dhabi Investment Company (United Arab Emirates), the Noor Financial Investment Company (Kuwait), EDGO Investment Holdings (Jordan), J&P-AVAX (Greece), and Joannou & Paraskevaides Overseas (United Kingdom and Cyprus)—won the bid by offering a concession fee averaging more than 50 percent of revenues over the life of the concession. The rehabilitation, expansion, and operating agreement was signed in May 2007.

EXPECTED POST-TENDER RESULTS

- The competitive process led to a winning bid that was nearly double that made by the party the government had previously been considering for a sole source award.
- Of the total project cost of $675 million IFC committed $120 million for its own account and helped mobilize up to $160 million in funds from commercial banks.
- Euromoney Project Finance Magazine gave QAIA its Deal of the Year 2007 award and Jane's gave the airport its Airport Finance Deal of the Year 2007 (Middle East) award.
- The government will accrue significant concession fees and benefit from considerable fiscal savings by no longer having to subsidize airport operations.
- With tourism accounting for more than 10 percent of Jordan's gross national product and nearly 45,000 jobs, a larger terminal will help promote the country as a regional economic and tourist destination.
- The project is expected to generate more than $1 billion in foreign direct investment and lead to the creation of 23,000 new jobs over its lifespan.

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