To meet the growing demand for air transport services, the government of Jordan wants to refurbish and modernize Marka Airport, the country’s oldest airport. The GIF is providing support to the European Bank for Reconstruction and Development (EBRD) to conduct due diligence to determine the feasibility of executing a public-private partnership transaction for the airport.

EXPECTED PROJECT OUTCOMES

The project will provide information necessary to determine whether modernization of Marka Airport is feasible as a PPP concession. If executed, the PPP project will:

- Enable the government of Jordan to meet the growing demand for international and regional air transport services
- Support creation of greater competition for air transport in Jordan, at the end of the exclusivity period granted to QAIA
- Stimulate development of a low-cost carrier market with lower airfares
- Attract international private sector investment and expertise.

GIF FUNDING & LEVERAGE

GIF Project Definition Support:

$400,000

Anticipated GIF Project Preparation and Structuring Activity:

$1–2 million

Potential Private Investment Mobilized:

$114 million

* Based on World Bank Group classification by income
BACKGROUND

Demand for air transport services in Jordan has been growing rapidly. Queen Alia International Airport (QAIA) currently services 7.6 million passengers annually with six percent annual growth, and regional carriers are forecast to double from 60 flights a week in 2019 to 120 by 2023. To accommodate this demand, the government of Jordan plans to upgrade Marka Airport, the country’s oldest, located only five kilometers from the city center of Amman. QAIA was granted the exclusive rights for all scheduled commercial flights to Amman until a traffic volume of eight million passengers is reached, which is expected to reach in 2018. Hence, Marka would be able to cater to scheduled commercial flights.

The development of Marka Airport into a facility that effectively serves regional and international low-cost carriers and air freight services will require investments in the existing facility and accommodation with other competing uses, such as the Jordanian military.

In 2016, EBRD prepared a pre-feasibility study that included an initial review of the business case for a PPP engagement at Marka. It found that a concession for Marka, with a budget terminal catering to low-cost carriers starting in 2020 would be feasible.

PROJECT FEATURES

The Responding to a request from the Ministry of Transport, EBRD requested a GIF grant to conduct preliminary technical, legal, and financial due-diligence to develop a business case for a viable public-private partnership (PPP) transaction for the refurbishment and development of Marka Airport. The due diligence will include:

- Forecasts for demand, competition and traffic, particularly in relation to QAIA
- A high-level environmental assessment to identify any issues that could impact airport development plans, and any associated investment needs
- Scoping of capital and operational expenditures required over the next 30 years given the current state of existing physical assets, forecast demand, and other factors
- A legal and regulatory review to identify what legal framework would be applicable to a possible concession
- A basic financial model to determine levels of aeronautical and passenger fees and levels of public funding support would be necessary
- Stakeholder analysis to assess the impact on current users of Marka Airport
- Recommendations on next steps to implement a PPP

WHY GIF

The GIF’s participation will complement the support being provided by the EBRD to design a PPP project for Marka Airport. The successful development of the airport will require the involvement of a number of parties including Ministry of Transport, QAIA, the Civil Aviation Regulatory Authority, the Jordanian army, the PPP unit, and others. The number of institutions involved make the project particularly challenging. Support from the GIF will enhance collaboration among these stakeholders and ensure that they have access to global best practices.

Should the potential PPP project prove feasible, the GIF may also provide transaction advisory services to the government to support the transaction.