

Success Stories

PUBLIC-PRIVATE PARTNERSHIPS

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

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**Airports**

Maldives: Malé International Airport

In June 2010, IFC advised the government of Maldives on the country's first successful public-private partnership project: the structuring and awarding of a 25-year concession for Malé International Airport. The transaction is a flagship deal for the privatization program of the new democratically elected government and is already being used as a model for launching a full-scale public-private partnership program.

The concession was awarded to a consortium of GMR Infrastructure Limited (GMR, India) and Malaysia Airports Holdings Berhad (MAHB, Malaysia). The consortium will pay \$78 million in upfront fees and offered a percentage of shared revenues that represents over \$1 billion in fiscal benefits for the government over the length of the concession, calculated on a net present value (NPV) basis. The proposed investment of \$400 million represents nearly 40 percent of the country's gross domestic product (GDP).

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INFRASTRUCTURE DEVELOPMENT COLLABORATION PARTNERSHIP FUND

BACKGROUND

Malé International Airport opened for operations in November 1981, replacing a runway that had been built on a strip of cleared land in the middle of Hulhulé Island, about 2.8 km from the capital city of Malé. Since then, nearly 80 percent of air traffic to the Maldives passes through the airport, which provides scheduled services to outlying islands. The airport has a unique intermodal transport system that allows passengers to connect between international and domestic flights—including seaplanes that provide connections with island resorts scattered throughout the Maldivian archipelago—as well as motor boats.

The growth of the airport was constrained due to the lack of available land and financing to increase the capacity of the terminal capacity as well as to ensure compliance with international safety standards, and by the limited access to international best management practices. Consequently, the government sought a private sector partner that would help it expand and rehabilitate the airport. This decision was part of a broader strategy to liberalize air transport policies, improve the competitiveness of Maldives' airports, and provide the necessary boost to the economy, 80 percent of which is dependent on tourism.

IFC'S ROLE

The government appointed IFC as its lead adviser to structure and implement a balanced transaction. Key objectives were to:

- increase the airport's capacity to handle long-term traffic growth while ensuring that the airport met international technical standards;
- position the airport as a world-class facility catering to high-end tourism;
- improve operations and service quality standards in line with international best practices;
- maximize the value of the project for the government in terms of proceeds and quality;
- implement a successful public-private partnership which could serve as model for other infrastructure projects.

TRANSACTION STRUCTURE

The government's prior attempts to privatize the publicly owned airport company (Maldives Airport Company Limited, which also operated the Malé airport) had been unsuccessful, so IFC organized an international bidding process in a way that would ensure the selection of a reputable consortium capable of delivering such a project.

Each bidder was required to demonstrate that it had the requisite experience in developing, designing, constructing, operating, and financing airports of a similar size. The technical solutions proposed by the bidders were also expected to consider the specific conditions on Hulhulé Island, including its physical and environmental constraints, and the coordination required between conventional aviation activities, seaplanes, and motor boats.

The cornerstone of the project was the construction of a new passenger terminal expected to meet LEED silver criteria and to be carbon-neutral—i.e., to minimize energy consumption and carbon emissions through the use of energy-efficiency and renewable-energy technologies, and minimize water consumption. The bidders were also asked to make specific, predefined improvements to the existing airport infrastructure, and to manage all core airport services, including the provision of fuel—a historically established role at Malé airport.

BIDDING

Six bidders were prequalified for the transaction, comprising more than ten international investors. Three bids were ultimately received. Financial bids were evaluated based on the payment of an upfront fee as well as annual concession fees as a percentage of gross revenues to the government. The bidder with the highest financial bid evaluated on an NPV basis would be awarded the concession.

The GMR-MAHB consortium won the bid by offering upfront fees of \$78 million and a concession fee averaging more than \$1 billion in fiscal resources (on an NPV basis) over the lifetime of the concession.

POST-TENDER RESULTS

- The government received a considerable upfront fee for the concession contract.
- The project is expected to generate over \$400 million in foreign investment and lead to the creation of thousands of jobs.
- The new Malé airport will be compliant with international norms, and the facilities will be environment-friendly.
- A better functioning airport will help support the development of the country's tourism industry and lead to economic growth.

