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MULTILATERAL DEVELOPMENT BANKS' COLLABORATION:
INFRASTRUCTURE INVESTMENT PROJECT BRIEFS

Saudi Arabia: Hajj Terminal at King Abdulaziz International Airport



Overview

The millions of religious pilgrims who visit the Saudi holy cities of Makkah and Madinah every year are experiencing better quality services at the Hajj Terminal at Jeddah's King Abdulaziz International Airport as a result of a concession awarded by the General Authority of Civil Aviation of Saudi Arabia (GACA) in December 2006 to expand and modernize the terminal facilities. The new terminal, completed in 2011, served 8.3 million passengers in 2012. The Islamic Development Bank (IsDB) provided up to US\$100 million in financing while the International Finance Corporation (IFC) served as lead transaction advisor to GACA. The Hajj Terminal was the first Public-Private Partnership (PPP) project undertaken by GACA, which has since been replicated to other airport projects by GACA.

This series showcases how the Multilateral Development Banks' collaboration supports the development and implementation of infrastructure investment. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

Background

Every year, during the 12th month of the Islamic calendar, Muslims from around the world embark on the journey to Makkah for pilgrimage (Hajj). Since 1981, the Hajj Terminal at King Abdulaziz International Airport in Jeddah has been the main facility for processing pilgrims visiting Makkah and Madinah for the Hajj and Umrah. The airport has three terminals: one for Saudi Arabian Airlines, another for foreign operators, and a third exclusively for Hajj and Umrah.

The original Hajj terminal was a prestigious building, winning the Agha Khan Award for Architecture in 1983. However, since the late 1990s, the number of pilgrims attending the Hajj had more than doubled. By 2005, despite being one of the largest airport buildings in the world, the Hajj terminal had reached capacity. The increasing number of Hajj pilgrims every year, overburdened the capacity of the facilities, resulting in poor service and long processing and waiting times. GACA recognized that the existing terminal was inadequate to handle the growth in the number of Hajj and Umrah pilgrims and appointed IFC as the lead advisor for structuring and implementing a public-private partnership with an international airport operator that had the experience to build and operate modern terminal facilities.

Project Description

The project tripled the terminal surface area to 90,000 m² and included lounges, prayer halls, retail areas, food courts and 10 contact gates with additional remote gates. A consortium led by the Saudi Binladin Group in association with Aéroports de Paris Management won the 20-year build-transfer-operate (BTO) concession for the Hajj Terminal.

The consortium has invested US\$249 million in a new terminal that is unique because it can be converted from an arrivals-only to a departures-only facility to cope with peak demand during the Hajj season, when passenger numbers hit a high of 80,000 per day. The BTO concession was financed through an Islamic Loan with participation from the Islamic Development Bank, Bank Al-Jazira and Credit Suisse.

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Front: Jean Laprevotte/IFC

Multilateral Development Banks' Role

The Islamic Development Bank provided \$100 million in financing for the project with a 10-year repayment period. The Hajj Terminal Redevelopment is the first aviation PPP and the first Shariah-compliant financing for a BTO concession in Saudi Arabia. The IFC, member of the World Bank Group, provided advisory services, organizing a transparent international bidding process to ensure selection of a reputable consortium capable of handling such a complex airport infrastructure project. The IFC engagement also focused upon establishing a successful PPP model with replicability.

Outcomes

The fully modernized Hajj Terminal was completed in 2011 making it safer and more pleasant for pilgrims traveling to Makkah for the Hajj. The terminal has the capacity to process 3,800 arriving passengers and 3,500 departing passengers per hour meeting the level "C" service standard from the International Air Transport Association (IATA) for peak operations. In 2015 the new Hajj terminal served 8.8 million pilgrims. GACA expects an increase of approximately 17 percent in the total amount of Hajj and Umrah traffic by 2019, once the expansion projects of the Holy Mosques are completed.

The Hajj and Umrah traffic contributes substantially to the Saudi economy and the government is keen in increasing religious tourism. King Abdulaziz International Airport is expected to annually contribute US\$10 billion to Saudi Arabia's economy.

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