

## PROJECT ABSTRACT

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| <b>Project name:</b>        | Privatization of four international airports: <i>Toncontín</i> in Tegucigalpa, <i>Ramón Villeda Morales</i> in San Pedro Sula, <i>Golosón</i> in La Ceiba and <i>Juan Manuel Gálvez</i> in Roatán. |
| <b>Country:</b>             | Honduras   |
| <b>Borrower:</b>            | InterAirports S.A.   |
| <b>Project cost:</b>        | Approximately US\$59.5 million   |
| <b>IDB A-Loan proposed:</b> | US\$23.8 million   |
| <b>IDB B-Loan proposed:</b> | US\$11.2 million   |
| <b>Department:</b>          | Private Sector Department (PRI)  |
| <b>Status:</b>              | Due Diligence  |
| <b>Date:</b>                | May 10, 2004   |

### I. PROJECT DESCRIPTION

InterAirports (the “Project Company”) was created and incorporated in Honduras to develop and manage a twenty-year concession (with a 10-year extension option) for the upgrade, operation, maintenance, expansion and provision of services to four international airports in Honduras: *Toncontín* in Tegucigalpa, *Ramón Villeda Morales* in San Pedro Sula, *Golosón* in La Ceiba, and *Juan Manuel Galvez* in Roatán. InterAirports was awarded the Concession on March 9, 2000, and has been operating it since October 1, 2000.

Under the Concession Contract, InterAirports is responsible for: (i) improvement of the current infrastructure and operation of the airports with respect to operational capacity, safety, technology and reliability, in accordance to international standards; (ii) ensuring the execution of the necessary investments; (iii) increasing the quality of the provision of airport services; (iv) handling traffic levels predicted over the next twenty years; and (v) anticipating the possibility of new construction and/or expansion of the air infrastructure.

### II. PROJECT BENEFITS

New Investment. InterAirports will invest in upgrading and improving airport infrastructure and services in a period of 20 years. These investments will bring the airports to the highest levels of operational capacity, safety, technology, and reliability and will allow Honduras to maintain and increase commercial activities with countries in the region and to compete more effectively with the world market.

Public sector relieved of infrastructure investments. The development of the Project will enable the public sector to reduce future investment in the sector, especially in the face of increased passenger and air-cargo traffic.

Employment generation. The Project is expected to create local jobs directly for employment by the Project Company and indirectly by providing additional work to local subcontractors, advisors, hotels and other facilities.

Increased tourism and cargo activities. In line with the Ministry of Tourism strategy, the Project is expected to foster the tourism sector and increase its passengers' and air cargo traffic in the four airports.

Generation of foreign currency. Investment in airport infrastructure is essential for the generation of foreign currency revenues from tourism (tourism contributed approximately US\$350 million in 2002). In addition, the Project's tax payments (including concession canon) and mobilization of foreign investments and financing will have a positive effect on Honduras' balance of payments.

### **III. IDB PARTICIPATGION**

Honduras' access to long term project financing is very limited. While a number of banks provide limited recourse financing to the energy sector, few banks have teams devoted to airports, which further limits financing possibilities. As such, the Bank's long-term financing through the A-Loan and mobilization of long-term funding from commercial banks through the B-Loan is critical to bring this type of infrastructure project to fruition.