

**THIRD TOURISM DEVELOPMENT PROJECT
SECONDARY CITIES REVITALIZATION STUDY**

Madaba

Financial analysis

Annex 7

JOINT VENTURE OF COTECNO WITH ABT ALCHEMIA CDG MGA

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Table of contents

1.	INTRODUCTION.....	4
1.1	Fiscal Impact.....	4
1.1.1	Public administrations' Incomes	4
1.1.2	Public administrations' Expenditures.....	4
2.	MADABA CRP OVERALL COSTS AND FINANCIAL PLAN	5
2.1	FINANCIAL PLAN.....	5

Abbreviations and acronyms

CAS	Country assistance strategy
CH	Cultural heritage
CBO	Community based organisation
CRP	City Revitalization Program
DOS	Department of Statistics
EIA	Environmental Impact Assessment
FIRR	Financial Internal Rate of Return
FNPV	Financial Net Present Value
GMM	Greater Madaba Municipality
GOJ	Government of Jordan
IBRD	International Bank for Reconstruction and Development
ITFCSD	Italian trust fund for culture and sustainable development
JTB	Jordan Tourist Board
MENA	Middle East and North Africa
MOE	Ministry of Environment
MOMA	Ministry of Municipal Affairs
MOPIC	Ministry of Planning and International Cooperation
MOTA	Ministry of Tourism and Antiquities
NEAP	National Environmental Action Plan
NGO	Non-Government Organization
PA	Public Awareness
PPP	Public-private partnership
STDP	Second Tourism Development Project
TOR	Terms of reference
TTDP	Third Tourism Development Project
UNESCO	United Nations Educational, Scientific and Cultural Organization
URP	Urban regeneration program
VEC	Valued Environmental Components
WACC	Weighted average cost of capital
WB	The World Bank
WHL	World heritage List
WTO	World Trade Organization

1. Introduction

The financial analysis of CRP proposal for Madaba is here developed at two levels:

- internal financial analysis of each PPP action (described in the Attachment C of this Report);
- global financial analysis of the entire project.

In the analysis of individual PPP actions, the perspective considered is that of the single operator directly managing the economic activity

In the global financial analysis of the entire project, the perspective is that of the agency promoting, realizing, and managing the project.

Therefore, the investments costs considered are all-inclusive and comprise items shared by the different uses, primary and secondary infrastructure works as well as resettlement.

Given that the operating costs and revenues derives from the same management hypothesis formulated for the individual actions, in the analysis of the whole project only the financial plan has been developed.

1.1 FISCAL IMPACT

The implementation of the Madaba CRP will have effect on the public administrations' budget in terms of both incomes and expenditures. The analysis of the professional capacity and soundness related to the realization and management of the envisaged projects is included in Annex 5 "Municipal organization, management and finance".

1.1.1 PUBLIC ADMINISTRATIONS' INCOMES

The Program will have a positive impact on public administrations' incomes, thanks to the increasing tax levies applied to the additional earnings generated by the Program implementation.

Such earnings will originate mainly from:

- the increase in tourist flows, that will stimulate growth in all economic sectors directly and indirectly related to the tourism one;
- the increase in the overall revenues of the commercial activities located in the city core, that will directly benefit from the interventions foreseen by the physical action n.M.01 "Upgrading of the city core street network".

1.1.2 PUBLIC ADMINISTRATIONS' EXPENDITURES

Over the 5-year implementation period, the Government will have to provide about 539 thousand US\$ in counterpart funds, with a maximum of 372 thousand US\$ in FY03. This level of investment is less than 0.017 percent of the 2003 country's total gross domestic investment (about US\$2.2 billion) thus, it should not cause any fiscal constraint. Moreover, the WB will finance 82% of the project, and the Government 9% (6% central Government and 3% Municipality). Private investors will provide the remaining funds, representing 10% of the total.

The new infrastructures created or rehabilitated by the Project will produce a slight increase in recurrent expenditures, estimated at about 120 thousand US\$ per year.

2. Madaba CRP overall costs and financial plan

The tables at the end of the paragraph show the overall investment costs of Madaba CRP in each of the five years of program implementation, together with their distribution both by item and by action.

The total investment will amount to 6.5 million US\$, with the main investments being concentrated in the third and fourth year of implementation (2.4 million US\$ and 2.1 million US\$ will be invested in those two years respectively).

As for the single actions, action M.01 – “Upgrading of the street network” is far more expensive than the others; in fact it amounts to 3.2 million US\$, accounting for almost a half of the total investment envisaged.

The investment costs of the two PPP actions foreseen will represent 10% of the total, amounting to more than 600.000 US\$.

2.1 FINANCIAL PLAN

The financial plan of the Madaba CRP has been developed considering separately the implementation and the operational periods. This allows to better understand the different financial sources.

During the implementation phase, the World Bank will be the major financing institution, with 5.2 million US\$ (82% of the total), while the Central Government will finance the land acquisition for almost 400.000 US\$ (6% of the total). The Municipality will finance 3% of the investment costs, mainly equipment (50% of the total envisaged for this item) and personnel recruitment (from 0 in the first year to 100% in the fifth year) related ones and private investors will finance the investment costs envisaged for the PPP action, that account for 10% of the overall costs.

During the operational phase, private investors will finance the costs related to the management of the PPP action, the municipality will finance 50% of the equipment costs envisaged in the eight years and the Central Government will finance the rest.

MADABA CRP OVERALL INVESTMENTS COSTS BY ITEM

A) WORKS		Year 1	Year 2	Year 3	Year 4	Year 5	Total
ROAD CONSTRUCTION:							
Type A – King Talal and Church of the Map node- (Total area Sq, Mts 8,513 X JD/sq,mt 22)	USD	79,302	185,039				264,341
Type B (Total area Sq, Mts 24,585 X JD/sq,mt 16)	USD		55,520	277,600	222,080		555,200
Type C (Total area Sq, Mts 21,974 X JD/sq,mt 11)	USD		34,737	173,683	138,946		347,366
Ring Road Type B (Total area Sq, Mts 21,430 X JD/sq,mt 16)	USD		48,395	241,976	193,580		483,951
UTILITIES UPGRADING (see detailed cost estimate)	USD	6,351	70,769	279,745	223,796		580,662
TRAFFIC MANAGEMENT PLAN (lump sum)	USD		3,529	17,643	14,114		35,286
ARTISTIC PAVING AND WORK OF ART (lump sum)	USD	16,937	39,520				56,457
RESTORATION OF THE EXISTING BUILDING (Total area Sq, Mts 550 X JD/sq,mt 260)	USD		111,009	90,826			201,834
PUBLIC PIAZZA AND GARDEN (Total Area Sq, Mts 5432 X JD/sq,mt 20)	USD		13,399	17,411	122,528		153,338
INTERNAL FURNISHING (Total Area Sq, Mts 1403 X JD/sq, mt 120)	USD			93,154	144,474		237,628
STATIC CONSOLIDATION AND STRUCTURAL RECONSTRUCTION	USD				42,343		42,343
REHABILITATION OF EXISITNG BUILDINGS (Total area Sq, Mts 2093 X JD/sq,mt 200)	USD		192,519	157,516	240,790		590,825
BUS PARKING AREAS (Total area Sq, Mts 5200 X JD/sq,mt 17)	USD		68,624	56,147			124,770
GREEN AREAS (Total area Sq, Mts 700 X JD/sq,mt 20)	USD		10,868	8,892			19,760
SPECIAL CANOPY STRUCTURES (Lump sum)	USD		77,629	63,514			141,143
HARD LANDSCAPE AND SPECIAL STRUCTURES (Lump sum)	USD			14,114	268,172		282,286
TOTAL COST OF THE WORKS	USD	102,591	911,555	1,492,221	1,610,824		4,117,191
B) ADDITIONAL PROVISIONS							
b1) TECHNICAL EXPENSES							
Detailed design consultancy (8% of A)	USD	8,207	72,924	111,925	113,921		306,978
Construction supervision and management (8% of A)	USD	8,207	72,924	111,925	113,921		306,978
Topographical & archaeological surveys/specialistic investigations (5% of A)	USD	5,130	45,578	69,953	66,385		187,045
b2) CONTINGENCIES (15% of A)	USD	15,389	136,733	209,860	213,601		575,583
TOTAL COST OF THE ADDITIONAL PROVISION	USD	36,933	328,160	503,664	507,827		1,376,583
C) LAND ACQUISITION (Lump sum developed from local market analysis)	USD			359,915			359,915
D) CAPACITY BUILDING							
RECRUITMENT OF PERSONNEL	USD	26,880	26,880	26,880	26,880	26,880	134,400
TRAINING	USD	13,500	6,750				20,250
MUNICIPAL INFORMATION SYSTEM	USD	10,000	20,000	10,000			40,000
TECHNICAL ASSISTANCE	USD	20,000	20,000				40,000
IN-KIND ASSISTANCE	USD	115,000				108,000	223,000
TOTAL COST OF THE CAPACITY BUILDING	USD	185,380	73,630	36,880	26,880	134,880	457,650
FINAL ACTION PROJECT COST (A+B+C+D)	USD	324,904	1,313,345	2,392,680	2,145,530	134,880	6,311,339

MADABA CRP OVERALL INVESTMENTS COSTS BY ACTION

		Year 1	Year 2	Year 3	Year 4	Year 5	Total
M,01: Upgrading of the street network	USD	139,524	595,011	1,347,280	1,077,824		3,159,638
M,02: The Creation of a new Cultural Center in the Saraya building	USD		169,194	138,432			307,626
M,03: The re-design of the existing bus station	USD		475,510	389,053			864,563
M,04: Realization of New park and structure for Leisure facilities	USD			387,880	531,351		919,232
M,02 private component	USD			93,154			93,154
M,04 private component	USD				509,475		509,475
Capacity building	USD	185,380	73,630	36,880	26,880	134,880	457,650
Total	USD	324,904	1,313,345	2,392,680	2,145,530	134,880	6,311,339

MADABA CRP FINANCIAL PLAN

	IMPLEMENTATION PERIOD (amounts in US\$)									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Financing Required										
Project costs:										
Investments costs	298,024	1,286,465	2,365,800	2,118,650	108,000	0	0	0	0	0
Recurrent costs	26,880	26,880	26,880	26,880	26,880					
Total project costs	324,904	1,313,345	2,392,680	2,145,530	134,880	0	0	0	0	0
Interest during construction	0	0	0	0	0	0	0	0	0	0
Total Financing	324,904	1,313,345	2,392,680	2,145,530	134,880	0	0	0	0	0
Financing										
WB	267,404	1,306,625	1,926,171	1,615,895	54,000	0	0	0	0	0
Government:										
Central	0	0	359,915	0	0	0	0	0	0	0
Municipalities	57,500	6,720	13,440	20,160	80,880	0	0	0	0	0
Privates	0	0	93,154	509,475	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Total Project Financing	324,904	1,313,345	2,392,680	2,145,530	134,880	0	0	0	0	0
	OPERATIONAL PERIOD									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Financing Required										
Project costs:										
Investments costs	0	0	0	0	0	0	0	108,000	0	0
Recurrent costs	0	0	11,458	30,287	59,217	78,146	118,526	118,526	118,526	118,526
Total project costs	0	0	11,458	30,287	59,217	78,146	118,526	226,526	118,526	118,526
Interest during construction	0	0	0	0	0	0	0	0	0	0
Total Financing	0	0	11,458	30,287	59,217	78,146	118,526	226,526	118,526	118,526
Financing										
WB	0	0	0	0	0	0	0	0	0	0
Government:										
Central	0	0	11,458	22,187	31,917	15,766	50,646	104,646	50,646	50,646
Municipalities	0	0	0	0	0	26,880	26,880	80,880	26,880	26,880
Privates	0	0	0	8,100	27,300	35,500	41,000	41,000	41,000	41,000
Other	0	0	0	0	0	0	0	0	0	0
Total Project Financing	0	0	11,458	30,287	59,217	78,146	118,526	226,526	118,526	118,526