

# Mattala Rajapaksa International Airport

## Why In News

- **The government of Sri Lanka** has decided to hand over the management of a **Chinese-built Mattala Rajapaksa International Airport** in Hambantota to an Indian and Russian company. This information was given by the Sri Lankan government on 26 April 2024 after a cabinet meeting. **The USD 209 million facility** was once dubbed the "world's emptiest airport" due to a lack of flights.



- The **Sri Lankan Cabinet, which met on January 9**, approved the calling of Expression of Interest by prospective parties, government spokesman and minister Bandula Gunawardena told reporters here.
- Accordingly, five proposals were received, and the Cabinet-appointed consultative committee decided to award a management contract spanning 30 years to **Shaurya Aeronautics (Pvt) Ltd of India and Airports of Regions Management Company of Russia**.
- The Cabinet approved the proposal submitted by the minister of civil aviation and airport services, Gunawardena said.



## Mattala Rajapaksa International Airport

- The **Mattala Rajapaksa International Airport (MRIA)** was built in Hambantota as the second international airport in Sri Lanka. **Sri Lanka's first international airport** is the Bandaranaike International Airport in Colombo.
- The Mattala Rajapaksa International Airport was **funded by the EXIM Bank of China**. It provided **\$209 million for the project**. The loan for the Mattala Rajapaksa International Airport was part of the **\$4.2 billion loan** taken by the Sri Lankan government to fund various infrastructure projects in the country.



- The loan to build the airport was taken during the former Sri Lankan president Mahinda Rajapaksa's rule. Mahinda Rajapaksa followed a pro-China policy and maintained a distance from India.

- The **airport built in Rajapaksa's hometown** was inaugurated by the former president Rajapaksa in 2013. However the controversial airport never took off and it was **plagued by persistent financial loss**, low number of flights. The airport was also opposed by the environment group due to its location in the environmentally sensitive location.

## Why All This Is Done

- The move by the Sri Lanka government to hand over the Hambantota airport is part of the government exercise **to reduce its fiscal deficit**.
- In 2022 **Sri Lanka faced a financial crisis** when its foreign exchange reserves fell to a record low and finally it defaulted on its external debt. The government of India under its **Neighbour First Policy** provided economic aid to Sri Lanka to deal with its financial crisis.



- Sri Lanka, being a member of **the International Monetary Fund(IMF)** took a **\$ 2.9 billion loan** from the IMF to deal with its economic crisis. One of the conditions of the IMF loan was for the Sri Lankan government to reduce its fiscal deficit and reduce losses of its public sector companies.
- The Sri Lankan government is also negotiating with the Chinese government to restructure its outstanding Chinese debt.
- Sri Lanka has almost recovered from its economic crisis, and its economy is expected to grow in 2024 after a two-year gap.



- However, controversy has surrounded the project due to its low flight traffic, environmentally sensitive location, and persistent financial losses. In fact, the **\$210 million facility** has earned the moniker of the "world's emptiest airport" owing to its underutilisation.
- Financed primarily through high-interest Chinese commercial loans, the airport was constructed at a **cost of \$210 million, with \$190 million sourced** from the China Exim Bank.
- In May 2022, Colombo defaulted on its foreign debt following a drastic depletion of foreign exchange reserves, leading to the worst financial crisis in over seven decades.



- Following this, in **October 2023, Sri Lanka reached a preliminary** debt restructuring agreement with the Export-Import Bank of China (China Exim Bank) to cover about \$4.2 billion of the country's outstanding debt, a crucial step for Sri Lanka to get the second tranche of a \$2.9 billion bailout package approved in early December by the International Monetary Fund.
- Notably, the airport loan is part of \$4.2 billion borrowed for other infrastructure projects.