International Civil Aviation Organization

WORKING PAPER

ATConf/7-WP/197
21/10/26
(Information Paper)
English only

SEVENTH WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF/7)

Montréal, HQ, 16 to 20 November 2026

Agenda Item 2: Fostering aviation growth and air connectivity through investments in infrastructure, human capital and partnerships
2.2 Investment for the development and modernization of civil aviation infrastructure

BLENDED AND INNOVATIVE FINANCING FOR CIVIL AVIATION INFRASTRUCTURE (FINANCE)

(Presented by India)

EXECUTIVE SUMMARY

The principal obstacle to aviation infrastructure investment in many developing States is the limited bankability of projects, rather than the aggregate availability of long-term capital. Drawing on India's experience with public-private partnerships, airport development, asset monetization and regional connectivity support, this paper proposes practical measures for project preparation, risk mitigation and regulatory predictability. It invites the Conference to consider an International Civil Aviation Organization (ICAO) Aviation Infrastructure Bankability Facility, voluntary reference documentation and cooperation with development finance institutions, subject to ICAO's existing policy framework and available resources.

The world does not lack aviation infrastructure capital. It lacks aviation infrastructure projects that capital can reach. The distance between those two statements is a distance of bankability — of concession terms, currency risk, regulatory certainty and project preparation — and it is a distance that policy can measure and policy can close.

For a State that has done this at scale, the lesson is not that private capital replaces the public sector. It is that the public sector's most valuable contribution is not its balance sheet but its design function: setting the terms that make the asset investable in the first place. The runway is poured in concrete. The investment is poured in structure.

1. INTRODUCTION

1.1 Air traffic is projected to more than double by 2050, reaching 12.4 billion passengers annually. Delivering that volume safely, securely and sustainably requires quality infrastructure commensurate with traffic projections — airports, air navigation systems, digital platforms and the human capital to operate them. The strategic importance of that infrastructure is not in question: air transport

already contributes an estimated USD 4.1 trillion directly to world gross domestic product, supports 86.5 million jobs, and carries 33 per cent of international trade by value.

1.2 What remains in question is how the infrastructure gets paid for. The G20 Global Infrastructure Outlook (GIO) projects airport infrastructure investment requirements of USD 2.6 trillion through 2040. The highly capital-intensive nature of the sector, its long development timelines, and the sovereign balance-sheet constraints facing many States mean that traditional public funding and user charges alone cannot close that requirement.

1.3 This paper does not restate the case for aviation infrastructure. It addresses the practical question of how a developing State with constrained public finances converts a requirement into an investable project — and what ICAO can do to make that conversion repeatable.

1.4 The paper is submitted by India on the basis of direct national experience with Public Private Partnership (PPP) concessioning, greenfield airport development, asset monetisation and viability-gap funding, and offers that experience as a replicable model for other developing States, in particular Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs) and Small Island Developing States (SIDS).

2. THE FINANCING GAP

2.1 The gap between infrastructure capacity and future demand is widening unevenly. Congestion concentrates at major hubs in developed markets while connectivity remains thin across many developing regions, where airport expansion, runway rehabilitation and air navigation upgrading are simultaneously required. The requirement is global in aggregate but overwhelmingly located in States with the least fiscal room to meet it.



Source: ACI World's press release dated 17 March 2026, titled Policymakers Must Support Airport Investment as Global Air Travel Demand Rises.

2.2 The analytical asymmetry is stark. Developing States hold the great majority of the world's population and the majority of its projected traffic growth, and therefore carry the majority of the investment

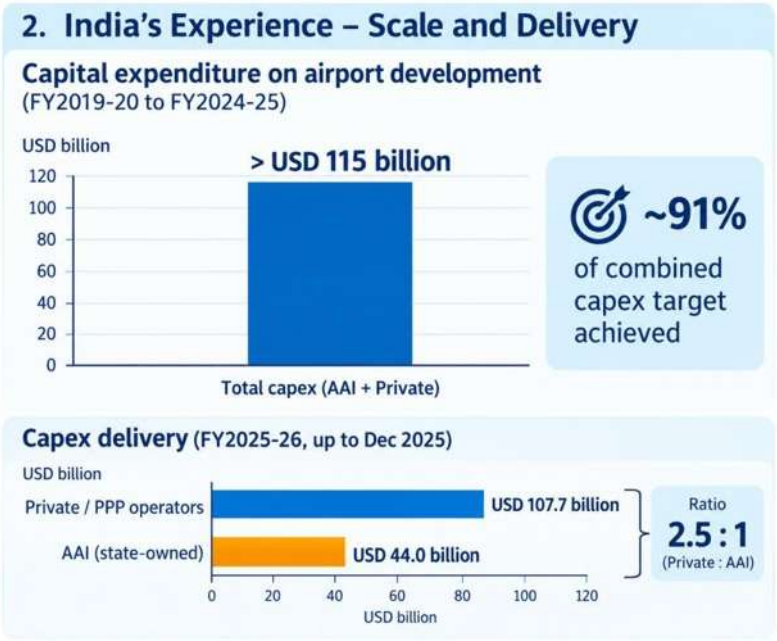
requirement — yet they access a disproportionately small share of the long-term institutional capital that is actually seeking infrastructure assets.

2.3 Public financing remains critical in developing States and SIDS, where the risks to private sector investment are higher than in developed States. This is not a market failure to be wished away; it is a structural condition that financing architecture must be designed around. Blended finance — public or concessional capital deployed to absorb the specific risks that make a project uninvestable — is the instrument that resolves it.

3. INDIA'S EXPERIENCE

3.1 Scale and delivery

3.1.1 Between FY2019-20 and FY2024-25, the Airports Authority of India and private airport operators incurred capital expenditure of more than ₹ 96,000 crore equivalent to USD 115 billion on airport development, upgradation and modernisation — terminals, runways, aprons and air navigation services. India achieved approximately 91 per cent of its combined capex target for that period.



3.1.2 The delivery split is the analytically important part. In FY2025-26 to December 2025, PPP and other private airport operators delivered approximately ₹ 8,940 crore equivalent to USD 1.071 billion of capex against approximately ₹ 3,652 crore equivalent to USD 0.437 by the state-owned Airports Authority of India — a ratio of roughly 2.5 to 1. Private capital, once the regulatory compact was credible, out-built the public balance sheet by a wide margin.

3.2 Network expansion

3.2.1 India's operational airports increased from 74 in 2014 to 165 in July 2026, with 25 greenfield airports approved after 2014. National vision targets 350 to 400 airports and more than one billion passengers by 2047. The Ude Desh ka Aam Nagrik (UDAN) regional connectivity framework has connected 95 airports, heliports and water aerodromes through 679 routes, carrying over 1.68 crore

passengers, and a modified UDAN programme approved in March 2026 commits INR 28,840 crore over FY2026-27 to FY2035-36 to 100 new airports and 200 modern helipads.

3.3 Instruments that worked

3.3.1 Four instruments carried the Indian programme, and each maps directly onto a recommendation for other developing States:

a) **Long-tenure concessions**. Thirty-to-forty-year concession agreements create the stable investment horizon that long-dated institutional capital requires; without that horizon, no amount of concessional money fixes the mismatch between a fifteen-year private fund and a fifty-year asset.

b) **Asset monetisation as a recurring capital source**. Leasing mature, operational airports releases capital that is redeployed into new greenfield capacity, converting a static public asset into a revolving infrastructure fund. Twenty-five airports were earmarked for leasing under the National Monetisation Pipeline, and a further 11 airports are in the pipeline for 2025-2030.

c) **Viability-gap funding for thin routes**. The UDAN framework pays the gap between a route's cost of operation and its revenue for a defined period, deliberately creating demand where none yet exists. This is blended finance applied to connectivity rather than to concrete — and it converts unserved city pairs into bankable routes.

d) **Diversified non-aeronautical revenue**. Commercial development, real estate and retail income inside the concession perimeter materially improve debt-service coverage ratios, which is precisely what determines whether a lender will price the project at all.

4. COMPARATIVE FINANCING CONDITIONS

4.1 The table below sets out the structural asymmetry between developed and developing States across the dimensions that determine access to capital. The pattern is consistent: developing States carry the larger share of need, face the higher cost of capital and the greater risk premium, and therefore require the larger share of de-risking support.

Dimension	Developed States	Developing States (incl. LDCs/LLDCs/SIDS)
Share of projected investment requirement to 2040 (airports)	Lower share — replacement and capacity upgrade	Majority share — new capacity, connectivity and rehabilitation
Traffic growth trajectory	Mature, low single-digit growth	High growth; projected global traffic doubles to 2050
Dominant financing model	Capital markets, airport bonds, retained earnings	Public budget, PPP concession, blended/multilateral finance
Cost of capital	Low; investment-grade sovereign and corporate access	Elevated; risk premium inflates project cost materially
Currency risk exposure	Largely revenues and debt in the same currency	Revenue in local currency, debt in hard currency — structural mismatch

Dimension	Developed States	Developing States (incl. LDCs/LLDCs/SIDS)
Private sector risk appetite	High; deep pool of institutional infrastructure capital	Conditional; requires guarantees, first-loss cover or regulatory certainty
Regulatory maturity	Established independent economic regulation	Variable; regulatory uncertainty a primary investment deterrent
Role of blended finance	Marginal — occasionally at project edges	Decisive — the instrument that converts need into bankability

The comparative picture yields three findings that should shape conference outcomes.

4.2 First, the constraint is bankability, not capital availability. Global institutional investors are structurally under-allocated to aviation infrastructure; the shortage is of projects that clear an investment committee, not of money seeking a home. Every hour of the Conference spent debating the volume of capital is an hour not spent on the instruments that convert a requirement into a financeable project.

4.3 Second, the risk premium is the tax that developing States pay for being developing. A project that clears a lender's hurdle rate in a low-risk jurisdiction can be several percentage points more expensive in a higher-risk one, on identical physical assets. De-risking instruments exist precisely to remove that differential, and they are cheaper than the sovereign guarantees that would otherwise be required.

4.4 Third, sequencing matters more than instrument selection. Regulatory credibility precedes private capital, not the reverse. India's own experience is instructive: the PPP model delivered at scale only once long-tenure concessions, tariff certainty and an appeals mechanism were in place. No financing instrument compensates for an uncertain regulatory horizon.

5. PRACTICAL BLENDED-FINANCE ARCHITECTURE

5.1 Blended finance works by identifying the specific risk that makes a project uninvestable and absorbing exactly that risk — no more, because over-subsidising crowds out private capital, and no less, because under-subsidising achieves nothing. The evidence from comparable infrastructure sectors points consistently to a hierarchy of effectiveness.

5.2 Structural and guarantee instruments outperform direct sovereign subsidy, because they address the lender's actual concern rather than substituting for it: a concessional first-loss tranche, a currency-risk guarantee and regulatory certainty each move a project materially toward financeability, while uncollateralised sovereign support alone barely shifts the calculus.

5.3 Applied to aviation infrastructure, the architecture comprises five components:

a) **A bankable pipeline**. States should maintain a published, prioritised national aviation infrastructure programme with completed feasibility studies, demand forecasts and cost-benefit analysis, so that capital can respond to a ready queue rather than to an idea.

b) **Concessional first-loss tranche**s. Multilateral development banks and development funds take the first loss on a defined layer of the capital structure, which lifts the project to investment grade for senior private lenders.

c) **Currency-risk mitigation**. Local-currency guarantees or partial credit guarantees that hedge the mismatch between local revenue and hard-currency debt — the single most under-served risk in developing-State aviation projects.

d) **Regulatory stabilisation**. Long-tenure concessions with defined tariff mechanisms, independent economic regulation and access to arbitration convert political risk into a priced, managed risk.

e) **Pipeline aggregation**. Regional groupings can bundle several smaller national projects into a single financing programme, achieving the ticket size institutional investors require — a mechanism ICAO is uniquely positioned to facilitate.



India is opening up for multi-currency Transactions instead of single currency Dollar to diversify its global outreach in an equitable manner.

6. ACTION BY THE CONFERENCE

6.1 The Conference is invited to take note of this information paper.

— END —