



International Civil Aviation Organization

**WORKING PAPER**

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**ASSEMBLY — 39TH SESSION**

**EXECUTIVE COMMITTEE**

**Agenda Item 29: United Nations 2030 Agenda - Sustainable Developments Goals (SDGs)**

**Agenda Item 30: Resource Mobilization**

**SUPPORT FOR THE DEVELOPMENT OF AIR TRANSPORT IN DEVELOPING COUNTRIES**

(Presented by the World Bank Group)

**EXECUTIVE SUMMARY**

Recognizing the catalytic impact of air transport for development, this paper outlines the World Bank Group's support in the air transport sector and its funding mechanisms. This paper aims to facilitate States in accessing financing to enhance their air transport systems and support the achievement of the goals of the 2030 Agenda for Sustainable Development.

**Action:** The Assembly is invited to:

- a) Recognize the importance of elevating the priority of the aviation sector in the national development plans of Member States; and
- b) Urge Member States to consider the inclusion of the air transport sector in their development strategies through their respective Country Partnership Frameworks (CPFs) with the World Bank Group.

<i>Strategic Objectives:</i>	This working paper relates to all Strategic Objectives.
<i>Financial implications:</i>	The activities referred to in this paper will be undertaken subject to the resources available in the 2017-2019 Regular Programme Budget and/or from extra budgetary contributions.
<i>References:</i>	A39-WP/23 A39-WP/25 A39-WP/26 HLSC/15-IP/37

<sup>1</sup> English, Arabic, Chinese, French, Russian and Spanish versions provided by World Bank Group

## 1. **BACKGROUND**

1.1 The World Bank Group (WBG) aims to achieve two major goals by 2030:

- End extreme poverty by decreasing the percentage of people living on less than \$1.90 a day to no more than 3 percent; and
- Promote shared prosperity by fostering the income growth of the bottom 40 percent for every country.

1.2 The World Bank Group (WBG) is a vital source of financial and technical assistance to developing countries around the world through the provision of low-interest loans, grants, credits, and advisory services. The World Bank Group also supports research, cross-sectorial knowledge, and partnerships with relevant public and private sector actors and civil society.

1.3 The WBG's investments span across a number of sectors including education, health, agriculture, environmental and natural resource management, public administration, private sector development, and transport and information and communication technologies (ICT).

1.4 The WBG consists of five organizations: the International Development Association (IDA), the International Bank of Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID).

1.5 IDA provides interest-free loans - called credits - and grants to governments of the poorest countries. IBRD lends to governments of middle-income and creditworthy low-income countries. IFC, focused exclusively on the private sector, helps developing countries achieve sustainable growth by financing investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments. MIGA promotes foreign direct investment into developing countries by offering political risk insurance (guarantees) to investors and lenders. ICSID provides international facilities for conciliation and arbitration of investment disputes.

## 2. **TRANSPORT: A KEY DRIVER FOR DEVELOPMENT**

2.1 Transport is recognized as a key contributor to the achievement of the Sustainable Development Goals (SDGs), particularly as an enabler for progress in other sectors. Connectivity plays a critical role in promoting economic and social development worldwide. Efficient transport systems are essential to moving goods and services, connecting people to markets and economic opportunities, and enabling access to healthcare or education.

2.2 As a multisector institution, the WBG is uniquely positioned to support Member States in the attainment of the SDGs through a holistic approach. The WBG's strategy for the transport sector and accompanying business plan for the next three years (2016-19) aims to facilitate the movement of people, goods and ideas in developing countries by focusing on mobility solutions that provide greater access, efficiency and safety, all in a climate-friendly way.

2.3 The WBG remains the largest provider of development finance for transport globally. The WBG's active portfolio in Fiscal Year 2015 (FY15) totalled \$242 billion and the transport portfolio amounted to \$45 billion, representing approximately 19 percent of the Bank's total portfolio. In FY15, the

World Bank Group's Air Transport Portfolio amounted to US\$1.47 billion, an increase of 2 percent from Fiscal Year 2014 (FY14). The Air Transport segment makes up around 3 percent of the Bank's Transport portfolio. The Air Transport portfolio includes around 26 projects or project components through IBRD and IDA, as well as the IFC's portfolio of lending and investment advisories in the aviation sector.

2.4 IDA highlights in 2015 include the approval of the \$52 million DRC Goma Airport Safety Improvement Project and \$59.2 million IDA credit for the Vanuatu Aviation Investment Project as part of the Pacific Aviation Investment Program (PAIP). PAIP is currently being implemented in Kiribati, Tonga, Tuvalu, and Samoa. Current IBRD projects in air transport include the Cairo Airport Development Project, which is being funded through a US\$280 million loan and the Shangrao Sanquingshan Airport, which is being funded through a US\$50 million loan.

2.5 No new commitments were made in the air transport sector by IFC in FY15. New commitments made last year include ASECNA in Africa, Queen Alia II in Jordan, and Zagreb Airport in Croatia. IFC Advisory Services were also initiated in Brazil (Galeão and Confins Airports) and in Saudi Arabia (Jeddah Airport and Taif Airport) in FY14. MIGA has been involved in the air transport sector in the past through the issuance of guarantees for two airport projects in Ecuador and Peru.

### 3. FUNDING MECHANISMS

3.1 Given the prioritization of other transport modes and sectors by Countries, air transport investments represent only a small part of the WBG's overall portfolio. The WBG continues to fund selective air transport projects prioritized by Countries which have a strong developmental focus and link to the twin goals.

3.2 The WBG's investments in air transport are typically implemented in three formats: (i) as a large standalone air infrastructure project (for example, the Cairo Airport Development Project); (ii) as smaller components of a larger project in the country in transport (for example, the Kenya Transport Sector Support Project) or another sector area; or (iii) as a regional project covering multiple countries (for example, the Pacific Aviation Investment Program currently being implemented in Tonga, Tuvalu, Samoa, Kiribati, and Vanuatu). The latter two approaches have become more common.

3.3 In terms of country eligibility for financing, IBRD is catered for middle-income countries and provides low-interest loans, while IDA is catered for the poorest countries and provides grants and credits. Eligibility for IDA support depends primarily on a country's relative poverty (defined as income per capita below \$1,215 in FY16). IDA also supports some countries that have a higher income per capita but still qualify as they lack the creditworthiness to borrow from IBRD. Some countries are also defined as "blend" countries if they are IDA-eligible based on capita income levels and are also creditworthy for some IBRD borrowing.

3.4 The dialogue between a country and the WBG is typically initiated through the Country Management Unit (CMU), led by the WBG Country Director (CD) and a team of Sector and Country Specialists. Together with their government counterparts (including various Ministries such as Finance, Transport, Health) priorities for engagement with the country are determined.

3.5 As of July 2014, the WBG uses the Country Partnership Framework (CPF) to define country engagements. This approach aims to make the Bank's country-driven model more systematic, evidence-based, selective, and focused on the goals of ending extreme poverty and increasing shared

prosperity in a sustainable manner. The CPF defines the WBG's engagement with the country and the development objectives of interventions. It is intended to lay out the development objectives that interventions expect to help the country achieve and is done every 4 to 6 years.

3.6 The CPF is based on a Systematic Country Diagnostic (SCD). The SCD identifies key challenges and critical constraints to reducing poverty and building shared prosperity. This is carried out through consultation with a country's national authorities, civil sector, private sector, and other stakeholders. In order to receive funding for air transport initiatives, the air transport sector needs to be identified in the country diagnostic as important and included in the CPF.

#### **4. COOPERATION WITH PARTNERS**

4.1 Capacity in developing countries can be significantly improved and strengthened when donors coordinate their activities and harmonize their policies and procedures. The WBG continues to work with a number of partners to promote the development of air transport.

4.2 The WBG and the International Civil Aviation Organization (ICAO) have a long history of cooperation. The field of cooperation includes air transport policy, safety and security, facilitation, airport and air traffic control infrastructure, and the environment.

4.3 While the WBG cannot directly finance the activities of ICAO, it is able to include technical staff of the Secretariat in project work and missions. In addition, the WBG can fund support services provided by ICAO through the Secretariat, including the Technical Cooperation Bureau (TCB), if these are procured in accordance with the credit or grant agreement between the WBG and the client country.

4.4 The WBG continues to seek cooperation with other international partners such as the Multilateral Development Banks (for example, the Inter-American Development Bank, African Development Bank, and Asian Development Bank) as well as Regional Economic Communities (for example the European Union, African Union, and Association of Southeast Asian Nations), and other stakeholder organizations to support air transport development and the attainment of the Sustainable Development Goals (SDGs).

#### **5. CONCLUSION**

5.1 The World Bank Group encourages Member States to elevate the priority of the aviation sector in their national development plans, with the achievement of the SDGs as a driving force. It is important to recognize that funding requests and project proposals to the WBG need to be supported at a high level within the client country's government, and need to be communicated as a development priority.

5.2 To support the prioritization of aviation, the WBG urges Member States to consider the inclusion of the air transport sector in their respective WBG's Country Partnership Frameworks (CPFs), recognizing that each country's approach to meeting the global SDGs should be country-specific and tailored.