Maximizing Civil Aviation's Economic Contribution by providing Safe, Secure, and Sustainable Air Transport in African Skies

Funding and Resource Mobilization for Civil Aviation

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The Challenges

- Lesser developed countries (LDC) must <u>meet international standards</u>:
  - No tolerance for poor safety or security (e.g. blacklists, country assessments)
  - Operators are reluctant if infrastructure is deficient (cost for safety, security)
  - Growth constrained if standards are considered poor (limitation of access)
  - Income limited (e.g. ATC services)

The Challenges

- LDC are faced with <u>necessary hard currency investments</u>:
  - Basic infrastructure require large investments (e.g. runways, radar)
  - Air Transport Infrastructure seen as a low priority, competing with more important sectors (e.g. health, education, energy)
  - Difficulties to raise private funds

The Challenges

- LDC have difficulties to recover or retain <u>operational income of the sector</u>:
  - Competing sectors -> funds allocated to the central treasury (e.g. Afghanistan)
  - Air transport only source of hard currency income (e.g. Mongolia’s ATC $40 million)
  - Bad governance (disappearance of funds, corruption, non transparent procurement)

Three Financing Alternatives

1. Low cost solution: meet minimum standards (SARP)
2. Traditional Financing: Government funds and external financing (MDB)
3. New emerging markets trend: Private sector participation (PPI)

Low cost solution

- Meet <u>Standards and Recommended Practices</u> (SARP):
  - Minimum standards do allow low cost solutions (e.g. ATC, Safety & Security)
  - Positive safety and security ratings attract traffic and investments
  - Lack of safety & security compliance is mostly a problem of “lack of discipline” and poor governance not a lack of funding

Low cost solution

Example Air Traffic Control

- Procedural ATC can be sufficient (but has low or limited capacity)
- New technology offer lower cost solutions (e.g. ADS-B, GNSS)
- Industry may contribute or invest (e.g. IATA GNSS procedures)

Low cost solution

Good Example: Air Traffic Control

Mongolia

- 40,000 over-flights per year
- Procedural ATC
- US$ 40 million

Low cost solution

Bad Example: Airport Safety & Security

The Caribbean

West Africa

Bad Airport Surveillance

Traditional Financing

- Three main sources
  - Government funds from operational income and allocated general funds
  - Financing by bilateral partners
  - Financing by Multilateral Development Banks (MDB)

Traditional Financing

- Government funds
  - Operational income must be allocated to the sector (e.g. landing fees, passenger taxes)
  - If insufficient, general funds must be allocated (based on approved Masterplan)

Traditional Financing

- Bilateral partners
  - Financing of airport or air traffic management infrastructure
    - Dar-Es-Salaam airport in Tanzania
    - € 53 million grant / loan by the Dutch Government

Traditional Financing

- Financing by Multilateral Development Banks (MDB)
  - Regional Development Banks (African DB, Asian DB, Inter-American DB)
  - Global Development Institutions (EBRD, The World Bank Group)

The World Bank Portfolio

Fiscal Year 2006 (in millions USD)	IBRD	IDA	IFC	Total
Loans/Credits outstanding	103,004	127,028	21,627	251,659
Transport Sector	15,450	15,243	1,326	32,019
Air Transport	411	303	309	1,023
Percent of rows above	15% 2.7%	12% 2.0%	6.1% 23%	12.7% 3.2%

WB Air Transport Projects

Airport Infrastructure Projects

- ✓ Runways, apron
- ✓ Lighting & navigation systems
- ✓ Power & water System
- ✓ Terminal improvements (for security & safety)
- ➢ Tools: Public-Private Partnerships

Financing of Essential Air Transport Infrastructure

A Challenge for Developing Countries

WB Air Transport Projects

Safety Infrastructure Projects

- ✓Navigation aids (ILS,GNSS)
- ✓Communication & surveillance (ADS-B)
- ✓Fire & crash equipment
- ✓CAA technical library
- ✓Local capacity building
- ➢Tool: Meet SARP & self-sustainable CAA

WB Air Transport Projects

Security Infrastructure Projects

- ✓ Passenger & cargo screening equipment
- ✓ Communication & CCTV
- ✓ Fencing & terminal improvements
- ✓ Local capacity building
- ➢ <u>Objective</u>: Meet SARP & self-sustainable (fees)

Private Participation

- New emerging markets trend
  - Private participation in infrastructure (PPI) have several modes
  - Modern instruments of financing can facilitate foreign funding (e.g. securitization of ATC income)
  - Good governance is essential to attract private investors

Conclusions

- LDC need to meet international agreed minimum standards for infrastructure and regulatory oversight
- Meeting minimum standards is primarily NOT a financial challenge, but a mostly a problem of political will and good governance
- Governments of LDC need to recognize the importance to adequately fund their aviation sector
- Funding is available from bilateral or multilateral partners or development institutions
- Private sector participation in infrastructure is the ultimate objective for LDC