



International Civil Aviation Organization

South American Regional Office

Second Virtual Meeting of General Directors of Civil Aviation of the South American Region on the Response to COVID-19

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Agenda Item 3: Review of the agreements of the First Virtual and Synchronic Meeting of the South American Civil Aviation Directors and Industry Associations

VITAL ROLE OF MULTILATERAL BANKS IN THE STRATEGIC FRAMEWORK FOR THE RECOVERY OF INTERNATIONAL AIR TRANSPORT IN THE SAM REGION IN RESPONSE TO COVID-19

(Presented by AEROCIVIL Colombia)

SUMMARY

This working paper highlights the vital role of multilateral banks in the strategic framework for the recovery of international air transport in the SAM Region in response to COVID-19 and requests the regional directors participating in the virtual meeting to support a meeting coordinated by ICAO in the context of the financial sustainability focus area.

1. INTRODUCTION

1.1 Multilateral banks and international cooperation are instruments that have provided funding to aviation and have been part of its development, and which have been invoked because of the assistance and monitoring benefits they offer, including the following:

1.2 The World Bank supports the sector through advisory service agreements to modernise the civil aviation sector of the States, assisting authorities in the drafting of national aviation policies and development strategies for various segments of the aviation sector. There might be interest in serving the same objective at a more regional or hemispheric level to address this crisis.

1.3 The International Finance Corporation (IFC), the financial arm of the World Bank, with extensive experience in funding the aviation sector, mainly through long-term loans to refinance existing short- and medium-term loans previously assumed by the airlines, to finance the purchase and renewal of aircraft, increase working capital or expand their route network.

1.4 The Inter-American Development Bank (IDB), which has been supporting the countries of the region over the last few years for the development of a more efficient, safe, and resilient air transport sector through various instruments, from technical support and advice in aviation policy, to investment loans and extensive regulatory reforms, all under a conceptual framework, which identified the main lines of action to achieve its main goal: improve efficiency, safety, sustainability, quality and coverage of air services in Latin America and the Caribbean.

1.5 The Development Bank of Latin America (CAF), which supports the strengthening of air transport, seeks to identify and prioritise a set of short- and medium-term institutional, regulatory and planning activities to reinforce the policy and institutional capacity of civil aviation and, in general, of the air transport system, with a view to increasing sector capacity and defining a long-term strategic agenda for the region to promote its productivity.

1.6 The French Development Agency (AFD), which, as a public and solidary bank of the government of France, is committed to projects seeking to improve the quality of life of the peoples in developing countries, and has shown interest in aspects associated with different modes of transport.

1.7 The Japanese International Cooperation Agency, known as JICA, which has provided official international public assistance to our sector. It is focused on supporting economic and social development of developing countries and promoting international cooperation.

1.8 And other banks like the Caribbean Development Bank (CDB), which is an international financial institution, whose purpose is to promote cooperation and regional integration and to finance economic, social and institutional development projects in the area of the Caribbean; or the Central American Bank for Economic Integration (BCIE), which seeks to promote integration and the development of its founding States: Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica.

1.9 Similarly, the banks of the States of the Region themselves that promote services and are now supporting the aviation sector, mainly in view of its effects on the tourism sector as an export service, and other financial agencies in each State.

2. **DISCUSSION**

2.1 In an expectant and timid manner, multilateral banks and other credit institutions are currently monitoring regional activities in the field of aviation. There is an urgent need to incorporate them into our efforts in order to know their vision and policy towards the aviation sector in the post-COVID 19 setting that may contribute to a joint regional scenario for air transport reactivation.

2.2 Any process of credit structuring or innovative funding with multilateral banks starts with an initial contact between the representatives of the lender and the borrower to discuss their respective visions.

2.3 Based on that first meeting, a regional programme or project for air transport could be defined, taking into account the needs of the sector, as an economic or financial deliverable of the Reactivation Plan proposed by ICAO, under the concept that air transport is hemispheric and fundamental for Latin American connectivity.

2.4 With this deliverable, new conversations could be held with multilateral banks, through identification, preparation, analysis and negotiation missions to improve the initial document and develop a concrete proposal for the recovery of the sector.

2.5 Subsequently, authorisations could be processed as needed, since they will depend on the model and requirements of each State.

2.6 Accordingly, we make an appeal to creativity in the discussions with multilateral banks in search for new ways of funding. A noteworthy example is that of ROSCOs in the UK, which permitted the development of the English railway system following serious economic crises, creating rolling stock leasing companies (ROSCO). ROSCOs own most of the assets (trains and wagons) that are rented to operating and

cargo companies, in accordance with the requirements of the services to be provided by the latter, giving investment banks or funds control over the appropriate assets and profits, and the transport service is given to the railway system, with the endorsement of the United Kingdom, within the framework of a public policy.

2.7 These activities must be led by ICAO, through a mandate of the directors of the civil aviation authorities of the region, so that multilateral banks and all the stakeholders in the chain may be convened to discuss creative solutions.

3. **SUGGESTED ACTION**

3.1 The Virtual Meeting of General Directors of Civil Aviation of the SAM States is invited to:

- a) take note of the information presented in this working paper; and
- b) request ICAO to convene an initial meeting with funding authorities in order to know their concerns, and then convene all the stakeholders of the chain to develop a creative proposal to be shared with multilateral banks.

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