



AFRICAN DEVELOPMENT BANK GROUP

# High Level Ministerial Meeting on Enhancing Air Transport Connectivity and Growth in West Africa

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17th March 2021

# In this Presentation.....

- Ongoing Challenges of African Aviation prior to Covid-19
- Experience of the Bank in supporting Aviation in Africa
- The Bank's financial instruments
- AfDB's Short-term Action Plan
- AfDB's Mid/Long-term Action Plan



# Ongoing Challenges of African Aviation prior to Covid-19

Several challenges were hindering the development of African Aviation prior to the Covid-19 crisis: Five (5) main challenges identified



## Policy - Constrained Market Access/High fares and costs

The **intra-African air transport ... lowest connectivity levels** (a restricted air transport market liberalization).

Air transport in Africa is **unaffordable** for the average African population



## Infrastructure capacity and oper. limitations

Infrastructure limitations, both at Airports and Air Navigation Services,



## Low levels of aviation safety and security

Low levels of safety and security have led to **high accident and incident rates**, (regulatory oversight issues, deficient infrastructures, flight crew errors and aircraft)



## Limited access to finance

Limited access to finance for the African aviation stakeholders (low profitability results, weak business plans, governance and strategies)

# The role of the Bank in boosting aviation Sector

## Aviation... a socio-economic development enabler

- Included in our policy dialogue with RMCs
- Airport/ANSP infrastructure financing
- Aircraft financing
- Air safety, security and regulatory programs



### Bankable projects

Proper Request channel – through the Bank's Governor for SOE



Senegal: Blaise Diagne Airport has been financed by the private sector windows of the Bank (USD 92M, in 2010)



The Ethiopian Airlines Fleet modernization program have been supported in 2011 and 2016



Air safety programs have been launched in ECOWAS, WAEMU, ECCA, COMESA regions, as well as in Congo DRC.

# AfDB Financial Instruments

1



## LENDING INSTRUMENTS

Providing long-term debt to public and private sectors

- ADF Loan
- Fully Flexible Loan
  - Policy-Based Operations (PBO)
  - Results-Based Financing (RBF)
- Fixed Spread Loan (FSL)

3



## EQUITY

Bringing scarce risk capital to transformative projects

- Direct Equity
- Subordinated Debt
- Mezzanine Debt
- Other quasi-equity

5



## TRADE FINANCE

Bridging the gap in trade financing in Africa

- Risk Participation Agreements (RPAs)
- Trade Finance Lines Of Credit (TFLOC)
- Soft Commodity Finance Facility (SCFF)

2



## GUARANTEES

Mitigating the risks attached to investments in Africa

- Partial Risk Guarantee
- Partial Credit Guarantee
- Portfolio Guarantee

4



## RISK MANAGEMENT PRODUCTS

Allowing our borrowers to hedge and manage their debt responsibly

- Interest Rate Swaps including caps and collars
- Cross Currency Swaps
- Commodity Swaps

6



## TECHNICAL ASSISTANCE FUNDS

Financing the completion of feasibility studies, training and project preparation

- Grants
- Concessional Loans
- Equity in select cases
- Reimbursable grants

7



## AFFILIATED PARTNERS

Leveraging partnerships with catalytic financial intermediaries

- Africa 50
- Africa Guarantee Fund
- African Export-Import Bank

## Menu of Existing Financial Instruments

# AfDB - Lending instruments

## ADB Loans

### Sovereign Guaranteed

#### \*Fully Flexible Loan (FFL)

- ✓ Bank's non-concessional lending window
- ✓ Priced 80bps – 25yrs
- ✓ Eligible Regional Member Countries (middle-income + blend)
- ✓ Sovereign Owned Entities that meet the Bank's due diligence criteria for loans.

### Non-Sovereign Guaranteed

#### Fixed Spread Loan

- ✓ All borrowers without sovereign guarantee irrespective of whether the RMC (the sovereign) itself is eligible for public sector financing from the ADB window
- ✓ Private sector project sponsors that meet the Bank's due diligence criteria.

## ADF Loans

### Sovereign Guaranteed

#### ADF Standard Loans

- ✓ Bank's concessional lending window
- ✓ Priced at 75bps – longer maturity of 30-40 yrs
- ✓ Eligible Regional Member Countries
- ✓ Sovereign Owned Entities that meet the Bank's due diligence criteria for loans.

## AfDB Non-Statutory resources – Trust Funds and Special funds

### A supplement to financial products with grants to fund technical assistance

- Raise the effectiveness of project preparation
- Support RMCs in creating an enabling business environment to promote **private sector investment and growth**



# AfDB COVID-19 Response Facility – Short Term

April 2020 - AfDB's \$10 billion COVID-19 Response Facility to support Governments and the private sector



Bank's support to the **Aviation sector**, within the framework of the Covid-19 Response Facility (CRF):

- ❑ **Indirect assistance** to the aviation industry **through national governments**
- ❑ **Direct assistance** to aviation **private sector** companies (existing clients)
- ❑ **Technical assistance** to help the aviation industry **recover** from the impact of COVID-19, with special focus on **health and safety measures**

Examples of **Governments aid packages** for **airlines**:



- ❑ Nationalization with a \$650 million equity injection. **Grounded until the injection materializes**



- ❑ Exceptional allocation of **\$624.8 million** as a **state-guaranteed loan**



- ❑ Nationalization approved. Request for \$500 million equity injection – still pending



- ❑ \$191 million Gvt as a long-term financing loan as part of an **air transport & tourism stimulus package**



- ❑ \$152 million Gvt rescue plan (\$17 million up from the original budget)



- ❑ **\$24 million injection** as a Gvt grant to help the airline stay afloat amid the crisis

# AfDB's Framework and guidelines to support the Aviation sector

The framework approved in 2018 includes 4 main intervention areas

Why a framework and guidelines document for Air Transport ?



**Increasing demands from airlines**

*e.g. Air Cote d'Ivoire aircraft acquisition transaction*



**Aviation Market failure situation in Africa**

*Collapsing of most of the Airlines in West and Central Africa*



## Development of the Bank's Framework and Guidelines through a collaborative approach - 4 intervention areas:

**1** Airlines



Easing African airlines' access to finance and leasing options for fleet expansion and renewal.

**2** Airports



Mobilizing funds for airport infrastructure development, attracting **private sector participation** and encouraging PPPs, covering the project viability gap.

**3** ANSPs



Support capital-intensive investments.

**4**

**Policies and Institutional Framework**



- Support to the implementation of SAATM
- Master Plan projects
- Regulatory safety, security and Environmental protection projects

# AfDB December high level Conference recommendations - AfDB support measures

## 1 Airlines

- Support for the implementation of health measures - **Transversal**
- Easing African airlines' access to finance and leasing options – **AfDB Leasing platform project**

## 2 Airports

- Support airports to solve their non-compliance and operational restrictions to **become attractive investment opportunities**
- Mobilize funds for airport infrastructure development, attracting private sector participation **encouraging PPPs**
- Finance and promote **development** of national, regional **airport master plans**

## 3 ANSPs

- Support of new equipment acquisition, **more PPPs, coverage of project viability gap ... aiming at reducing costs to airlines**
- Support ANSPs for capital-intensive investments

## 4 Policies and Institutional Framework

- Accelerate the **implementation of SAATM – ON GOING**
- Promote the liberalization and modernization of other **airport services**
- Encourage **private investment** in airlines and other stakeholders



Support the establishment of a **Continental Fund and Recovery Task Force** for the short/mid and long-term, together with other financial institutions



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# Thank you

Infrastructure and Urban Development Department