



AN EFFECTIVE RESPONSE TO COVID-19 IMPACTS ON AFRICA'S AVIATION SECTOR

—
Draft Background Paper
November 2020

Disclaimer

This document has been produced with the aim of underpinning and stimulating the debate during the the **High-level Conference** *to build consensus on a coordinated approach to restarting and rebuilding the African Aviation industry.*

The sources consulted at the document production are mostly public and on-line. The document also incorporates a preliminary analysis based on aviation sector databases.

Therefore, the results presented below should be not be considered as definitive but rather as inputs to enrich the discussion among the representative stakeholders of the aviation sector.

The different insights obtained during the High-Level Conference alongside the ongoing complementary analysis will enrich the final version of this document, which will be distributed in due course.

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1 Assessment of the COVID-19 pandemic impact

1.1 Global impact of the Covid-19 in the aviation sector

The coronavirus disease (COVID-19) outbreak has caused far-reaching implications in global society since the beginning, most of which exponentially increased by the time the World Health Organization (WHO) declared COVID-19 a pandemic. Apart from the obvious disease repercussions on health and mortality, the different measures taken by governments to control the spread of the virus caused major disruptions that have affected all aspects of social and economic activity worldwide. The heavy interdependence of the aviation industry on all economic and social issues and on domestic and international mobility has led it to be one of the hardest-hit industries by the COVID-19 crisis.

After the declaration of the pandemic, which was triggered by the uncontrolled outbreak of the virus, most countries went into lockdown. This forced most international airlines to halt their operations due to border closures. Furthermore, the mandatory quarantine established by most governments dragged domestic traffic too. These decisions led to the decrease in seats offered by 79% at a global level during the second quarter of 2020, according to the ICAO.

The different lockdown periods adopted around the world have geared the global economy to an unprecedented decline. The border closures, the economic slowdown and the fear to travel due to the epidemiological situation—slightly relieved by the measures taken—have resulted in enormous financial woes and in worst-case scenarios in bankruptcies accompanied by mass furloughs becoming the new normal in the aviation and tourism sectors.

With thousands of aircraft grounded, airports nearly empty and travel companies struggling to survive due to the situation, the 2020 figures for air transport and tourism are devastating (shown in Figure 1).

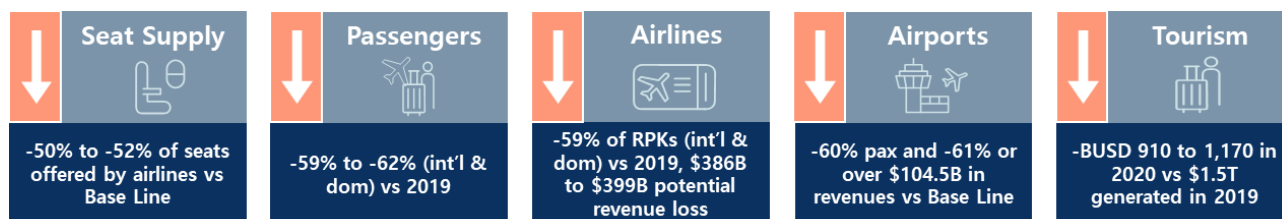


Figure 1. Estimated COVID-19 impact on air transport and tourism for 2020

Source: ICAO: *Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis – October 2020*

When breaking down the global impact of the pandemic on the aviation industry between the different continents, it is clear that although most regions have adopted similar measures to control the outbreak, there are numerous reasons as to why its impact and expected recovery times differ among them. The different lockdown and quarantine timings, low propensity to travel (fear) and border shutdowns, alongside each region’s air connectivity, infrastructure development and regulatory affairs, has resulted in the COVID-19 crisis affecting each one in a different manner (see Figure 2).

It is worth noting that in terms of revenue loss, the continents with the most developed and relevant aviation sectors are the most affected (linked to the fact that those continents also accrue most of the revenues and passengers of the industry). When looking at the relative decrease in traffic by region, all of them show figures in the range of +60-65% in terms of international travel (only Asia-Pacific’s results are inferior, as it was the first region to be hit by the virus). In the case of domestic markets, the expected fall of traffic in Africa is worse than in other regions; reaching almost a 60% drop in passengers vs. 40% in Europe or North America. The size of the South African domestic market—being one of the most affected—as well as the low maturity level of other domestic markets can explain those results.

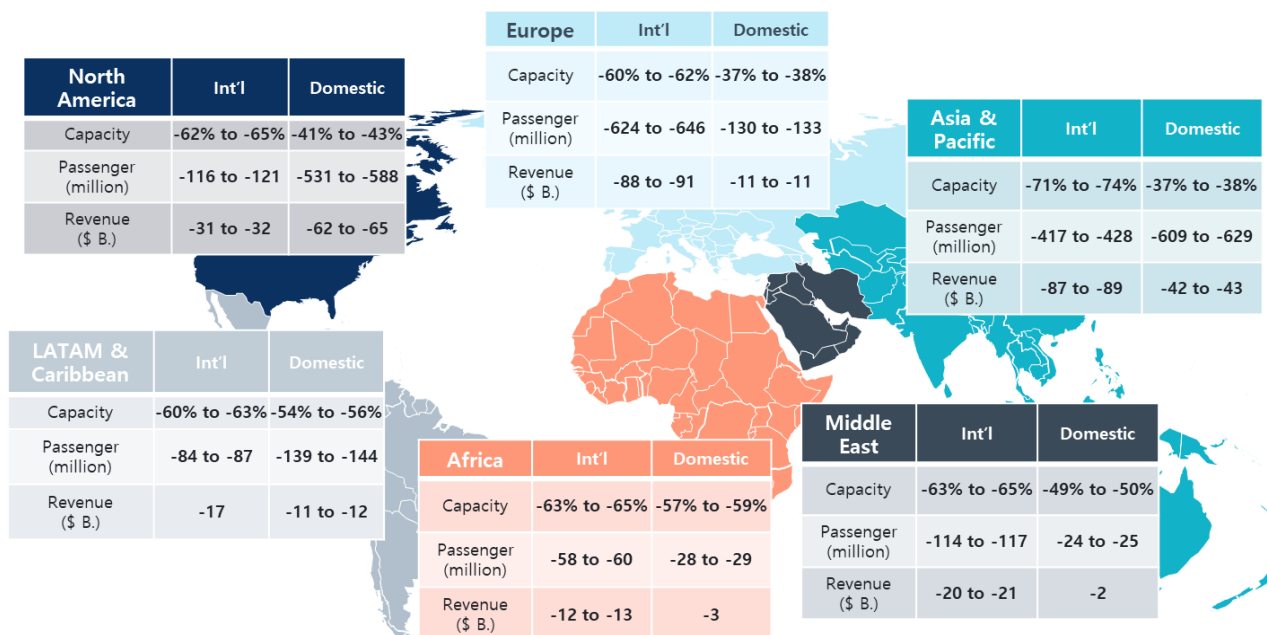


Figure 2. COVID-19 impact on International and Domestic air traffic and revenue between continents

Source: ICAO: Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis (Oct 2020), ALG analysis

Figure 3 shows the variation in seats offered from January to October 2020, in comparison to the same period of 2019. An average 53% decline of seats offered in Europe made it the continent with the largest percentage change during this period. It is followed by the Middle East and Africa with a 52% and a 49% decrease respectively. Finally, the continents with the lowest percentage change up to October 2020 are LatAm & the Caribbean, North America and Asia-Pacific region with an overall reduction of 49%, 42% and 36% on their seating offer respectively.

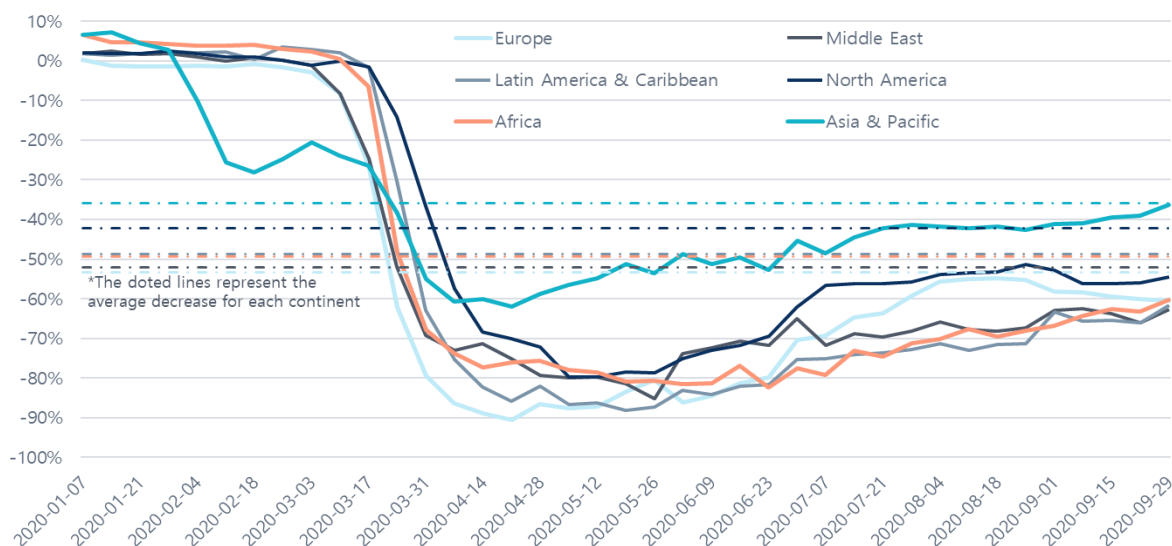


Figure 3. Jan. to Oct. 2019 vs. 2020 weekly seating supply per continent comparison

Source: OAG (Oct 2020), ALG analysis

With the gradual lifting of quarantines and with borders reopening, some early signs of recovery have appeared in the aviation industry—albeit slower than expected. It is important to note that the risk of second waves still stands, which could lead to the re-imposition of lockdowns—a situation already being experienced by several countries.

1.2 The impact of the Covid-19 in Africa

1.2.1 Overall impact of the pandemic in the African aviation industry

Most countries in Africa confirmed their first COVID-19 cases within a similar timeframe as in Europe, and while the first cases were expected to arrive from Asia, these reportedly arrived from Europe and North America, and quickly spread throughout the continent, triggering an unprecedented halt in both international and domestic aviation—and with it most tourism and travel-related activities.

The intercontinental connectivity of some African countries with other regions as well as the intra-continental connectivity patterns, served as drivers for the spread. This explains why Mediterranean countries such as Egypt, Algeria and Morocco—those with a rather significant European connectivity—were among the most affected in the initial stages, as opposed to countries with weaker intercontinental connections such as Mali, Mozambique, Eritrea or Niger, which were initially shielded from the outbreak and did not confirm their first cases until late March 2020. Eventually, however, most countries in Africa had confirmed the presence of the virus in their territories by early April 2020, with local transmission continually increasing, according to the World Health Organization.

From the very beginning, the WHO warned about the particular health risks that Africa was exposed to in the face of the pandemic, including the possible collapse of healthcare systems, as well as the rapid expansion potential of the virus in densely populated (and unsanitary) areas. Other analysts warned about the economic risks that the continent faced if countries went into lockdown and tourism was effectively shut down. For a continent with an emerging (and rapidly growing) middle class, an economic recession of this magnitude is an enormous threat to the socio-economic progress experienced in the last decade.

Airlines capacity for 2020 in Africa is expected to be down between 60% and 63% in comparison to originally planned levels (base line), according to the ICAO (Oct 2020). This, consequently, means that for 2020 the African aviation sector will have lost around \$15B (\$8.6B for African registered airlines) in passenger revenue—without mentioning the devastating ramifications this loss may have in other sectors of the economy.

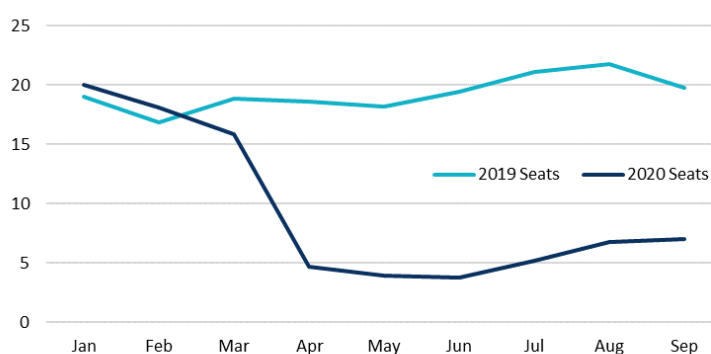


Figure 4. 2020 vs 2019 scheduled seats and freight tons in Africa comparison

Source: OAG 2019-2020

Figure 4 shows the difference between the scheduled seats in 2019 and 2020 in Africa (including Domestic, Regional and Inter-continental markets). This decrease has meant an estimated loss between 86 and 89 million passengers in comparison to what was originally forecasted to 2020, according to ICAO. Up until September 2020, seat availability experienced a 51% year-on-year (YoY) decline while the most affected months of 2020, which were April, May and June, experienced a 75%, 78% and 81% YoY decrease respectively in terms of seat availability. Additionally, while this trend has been relatively similar around

the world, the prospects of recovery on a mainly international, intercontinental market are rather faint. This prospect is a result of the restrictions that are still being imposed on international travel globally, and which are most likely going to be maintained well into 2021.

Analysts have warned about the potential of the crisis to hamper Africa’s aviation development. IATA reported in October that job losses in the aviation (and related industries) sector could reach 4.5 million—out of the 7.7 million that served before the pandemic. However, these estimates could fall short of the actual consequences if coordinated efforts by governments do not materialize before it is too late.



Figure 5. Estimated COVID-19 impact on African air transport and tourism for 2020

Source: ICAO, IATA, AFRAA

Impact by traffic segment

Figure 6 shows 2019 vs 2020 capacity levels by segment (Domestic, Intra-African and Intercontinental) for both May—when the pandemic began—and October. It is first of all remarkable that around 73% of the African capacity in 2019 was international, and 54% was intercontinental. That particularity is especially detrimental for the African aviation sector, as intercontinental connectivity is expected to be the traffic segment with the longest recovery period.

As it can be appreciated total capacity fell by 78% during May, while the drop was of 58% in October, thus showing that the industry is gradually recovering. However, it should be noted that this recovery is not the same for all sectors, as intercontinental traffic has been more affected than other sectors—still 62% below last year’s values—due to all the border restrictions imposed by governments; whilst the intra-African and domestic flights contemplate more remarkable recoveries.

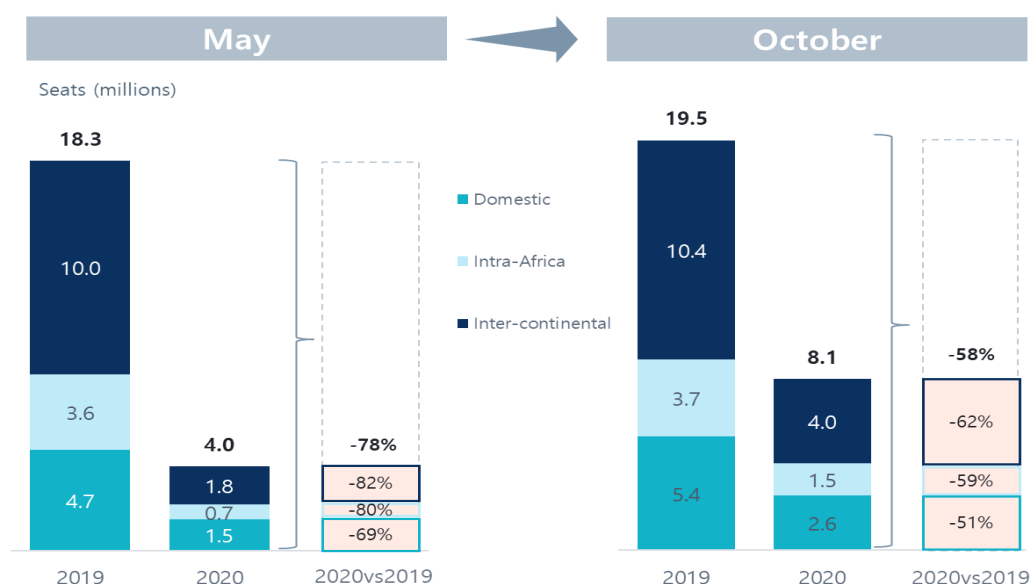


Figure 6. Seats evolution comparison (2019 vs 2020)

Source: OAG, ALG analysis

Impact by region

To assess the impact on air connectivity in Africa, an individual analysis for each of the African regions has been conducted. Figure 7 shows the overall impact (all traffics included) while figure 8 illustrates the impact on inter-regional and regional connectivity.

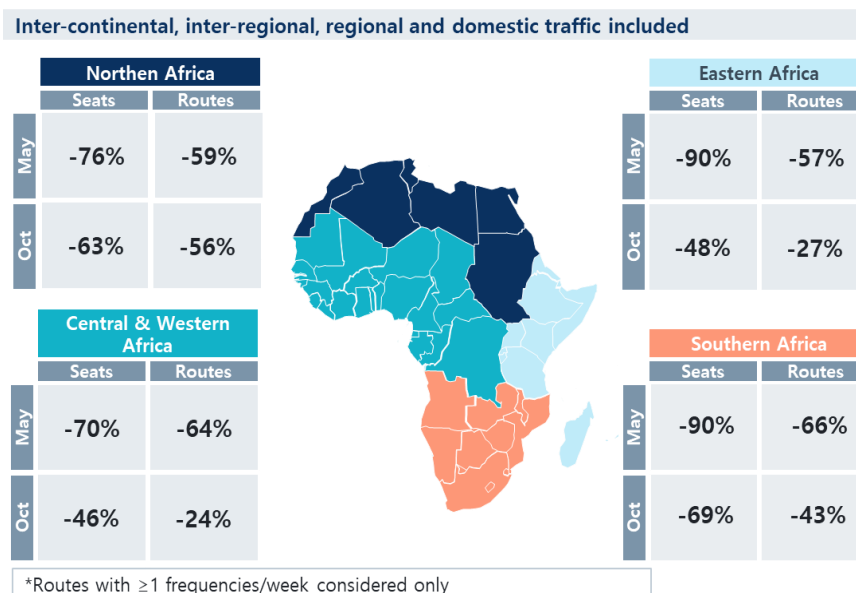


Figure 7. Decrease of seating supply and route offer per African region. May&Oct. 2020 vs. May&Oct. 2019

Source: OAG, ALG analysis

When considering all traffic segments, the most affected regions at the beginning of the pandemic were Eastern Africa and Southern Africa, both facing drops in capacity of 90% in May, compared to 2019 figures. Northern, Central and Western Africa presented lower capacity declines, facing a 76% and 70% drop respectively. Although every region has recovered part of its seating supply during the last 5 months, those more dependent on inter-continental traffic present a slower recovery trend (Northern Africa).

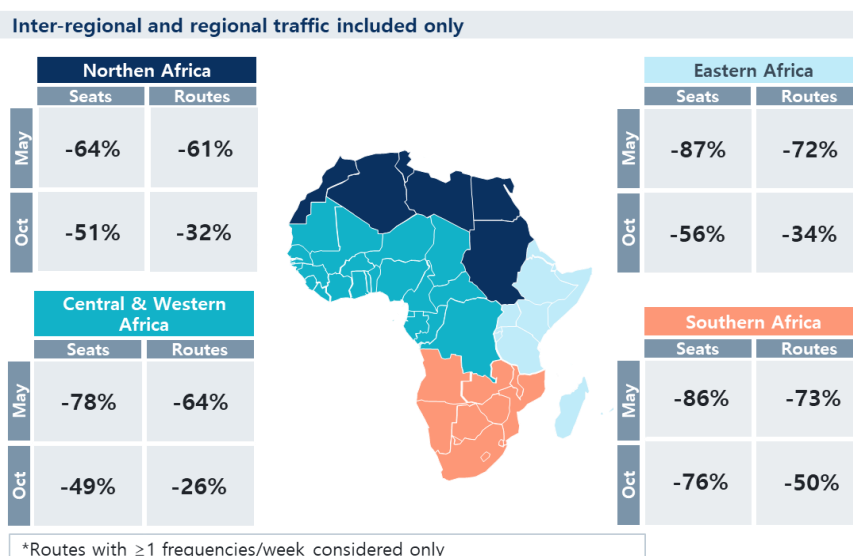


Figure 8. Decrease of seating supply and route offer per African region. May&Oct. 2020 vs. May&Oct. 2019

Source: OAG, ALG analysis

When considering only inter-regional and regional traffic segments, the most affected region was Southern Africa, which during the last 5 months has only been able to recover 10% of the seats, in some way burdened by the collapse of South African Airways—which to this day has its operations suspended. Eastern Africa, on the contrary, was in a worse situation in May, but a notable recovery on its inter-regional segment led it to recover almost 50% of its pre-pandemic capacity (most likely boosted by Ethiopian Airlines). Central and Western Africa stands out, as it has recovered more than 50% of its Oct 2019 capacity due to a faster evolution of its regional and inter-regional traffic.

As it may be expected, each region has been recovering its seat supply in alignment with the reopening of borders, and so, the suspended routes. However, it is important to highlight that routes have not turned back to their previous capacities—as the frequencies of most routes has considerably decreased. This phenomenon would explain the difference in terms of percentage recovered between seats and routes from May to October. Airlines are trying to reestablish as much routes as possible, looking to serve the maximum number of markets. However, the decrease of demand is pushing them to offer just a small portion of their pre-crisis supply on their different routes. In order to recover pre-crisis levels, it is essential to recover passenger trustiness on air transport.

1.2.2 COVID-19 impact on African airports and airlines

Airports

The assessment of COVID-19 impact on African airports was conducted by comparing May and October 2020 capacity vs. 2019 figures.

As Figure 9 reveals, although the African airports faced seating-offer losses ranging from 56% to 96% at the beginning of the outburst, most of them show slight signs of recovery as of October. When breaking the figures down by type of traffic served, the touristic traffic-based airports have presented different recovery profiles depending on their traffic in-flows. Initial impact on Zanzibar (-56%) is the smallest among the airports compared below and its figure for October is one of the best (only beaten by Addis Ababa). Conversely, Sharm-el-Sheikh traffic, heavily dependent on the European market, has been one of the hardest hit airports, and October figures are even worse than those of May (As Europe is already facing a second wave of the virus).

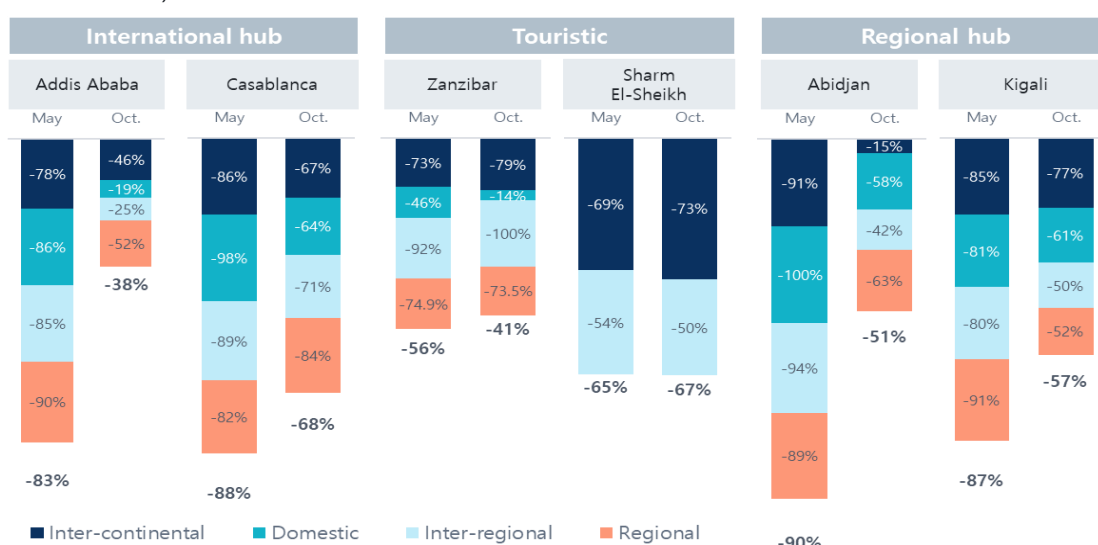


Figure 9. Seating supply decrease of international hubs, touristic airports and regional hubs in Africa. May&Oct. 2020 vs. May&Oct. 2019

Source: OAG, ALG Analysis.

Similarly, to Sharm El-Sheikh, Addis Ababa and Casablanca—as international hubs—saw their offer tremendously affected during the lockdown period. With the easing up of international borders’ restrictions, all have stepped up to a slightly better situation. This especially applies to Addis Ababa, which at the same time partially recovered its regional segment—one that represents a big chunk of its offer.

On the other hand, Abidjan and Kigali—as regional hubs—have made better progress due to the faster recovery of the regional and inter-regional segments.

The gateway airports also faced daunting traffic declines at the beginning of the pandemic. Figure 10 illustrates a sample of airports, one per Region. The figure reveals drops in capacity of between 64% and 96% in May—in comparison to the same month of 2019. This decrease was directly linked to their connectivity network, and how each traffic segment was affected. Thus, its recovery has been, and will be, conditioned by this fact. By October, they had recovered from between 41% to 64% of their October 2019 capacity figures, depending on the region. Those airports that are more dependent on inter-regional, regional and domestic traffic will recover their past year figures faster—as those are the traffic segments with a faster recovery.

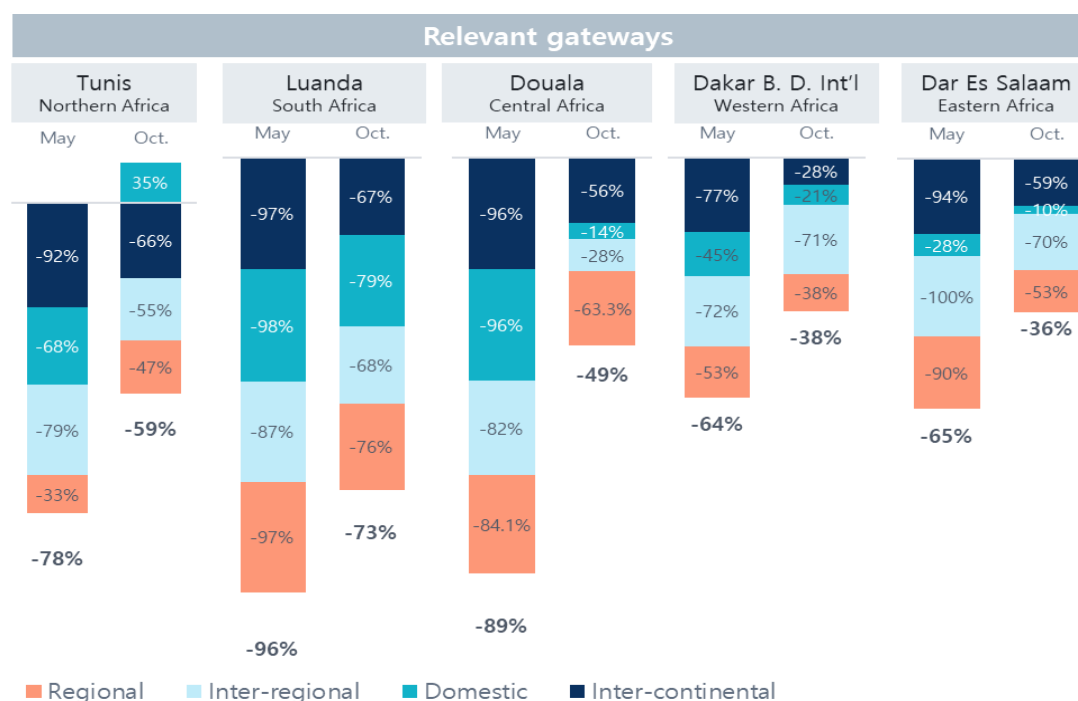


Figure 10. Seating supply decrease of relevant gateways to Africa. May&Oct. 2020 vs. May&Oct. 2019

Source: OAG, ALG Analysis.

It is also worth mentioning that the African gateways will only completely recover their 2019 offer when the inter-continental segment capacity gets back to its previous numbers—something that could take several years to occur.

Airlines

The most affected players during the pandemic in the aviation sector have been airlines, which in Africa’s case, have a history of weak financial performance—albeit experiencing a modest improvement in the past decade. IATA reported that between 2012 and 2019 airlines in the continent accumulated a loss of over US\$3 billion. It should be noted that those facing a weaker financial situation would see this greatly exacerbated by the pandemic. Most of them will require refinancing to ensure their survival, and in worst-scenarios, they will go through M&A processes or bankruptcy.

The seating supply variation from May to October vs. these same months in 2019 is analyzed in Figure 11 taking as an example, two airlines for each of the 3 selected categories: airlines concentrated in an International hub, airlines based in a Regional Hub and Southern Africa LCCs

Among these examples, the least affected were the regional airlines, as the borders' closures were decided later in Africa. These faced drops of between 82% in the case of Rwandair and 74% for ASKY. ASKY—as a pure-regional airline—has notably recovered its seating supply by October (-24% in comparison to October 2019 figures). Rwandair has recovered part of its regional offer too, but it remains below 50% of its October 2019 offer in all markets where it operates.

Conversely, the dependence of international hub carriers on the inter-continental traffic—the first to be halted—geared them to the worst scenario, facing falls of up to 99% in the case of RAM and -83% for Ethiopian. After this huge fall, Ethiopian has outperformed RAM, recovering 45% of its seating supply by October thanks to its pre-pandemic good shape inter alia.

Regarding the LCCs, which were already struggling to keep afloat, they have seen their financial woes exacerbated by the pandemic. Both dropped their seating supply by more than 90% in May with no optimistic previsions of growth as of October, when they offered ~20% of the seats supplied in the same month of 2019. The situation is even worse since the market they operate in (Southern Africa) is recovering rather slowly.

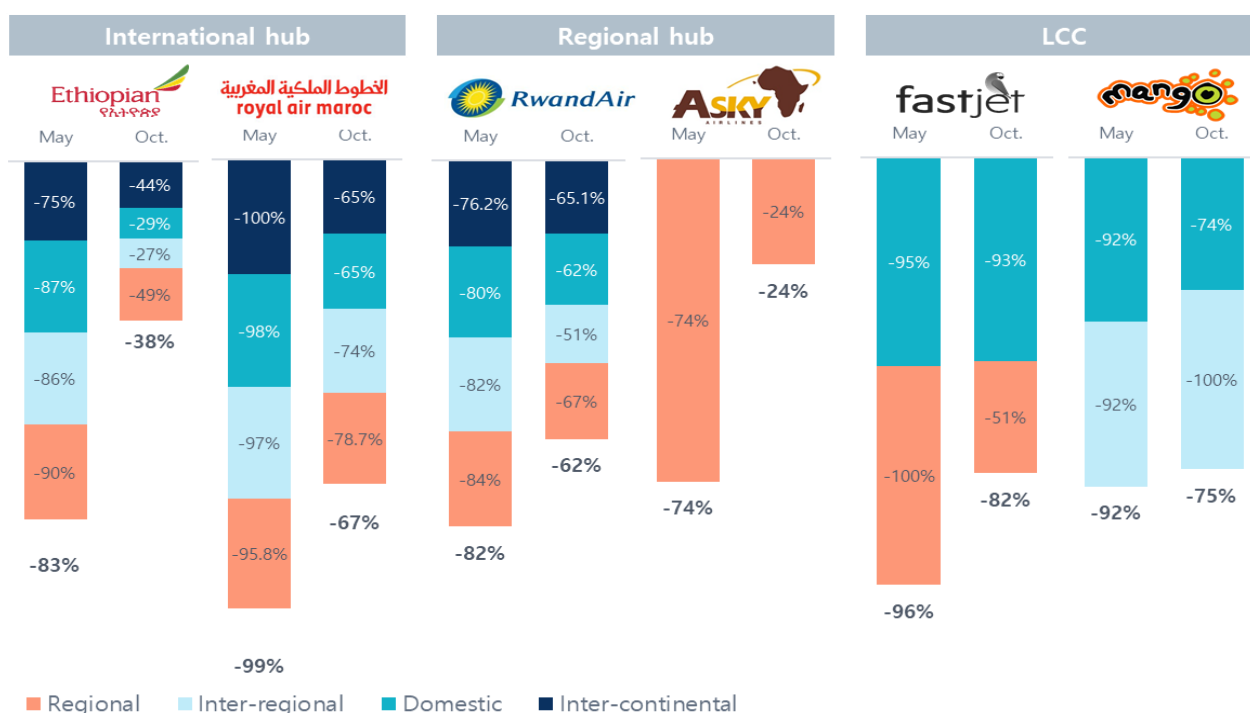


Figure 11. Seating supply evolution within the international, regional and low-cost carriers. May&Oct. 2020 vs. May&Oct. 2019

Source: OAG, ALG Analysis

1.2.3 Short-term expected evolution

Although most African countries have fully—in a few cases—or partially reactivated their air connectivity, there are still migration restrictions in the vast majority of them. However, there are some countries where—despite the fact that it has been 8 months since the start of the pandemic—the halt in air transport operations continues. Algeria, The Gambia and Madagascar among others remain with their airports closed to regular traffic, only serving medical evacuation and repatriation flights.

The migration restrictions imposed by each country have been varying over the course of the pandemic, in most cases depending on the epidemiological status of both the country itself and its connectivity network. Figure 12 shows the status of African countries on October 14, 2020 according to the severity of their restrictions. Regarding the severity of the migration restrictions, those have been broken down as described below:

- **Closed:** those countries with their airports closed and/or flights suspended. (Medevac and repatriation flights permitted)
- **Hard restrictions:** those countries with entry ban to certain countries, mandatory quarantine requirement or compulsory health insurance upon arrival
- **Soft restrictions:** those countries with a required negative PCR test result within X hours before arrival, medical screening or “Traveler’s Health Surveillance” form upon arrival
- **No restrictions:** those countries that reopened with no restrictions



Figure 12. African countries’ restrictive level on October 14, 2020

Source: IATA Travel Centre, governments’ websites, ALG analysis

The severity of the undertaken measures by each African country, together with those implemented by the countries it connects with and the passengers’ motivation (tourism, leisure, business, VFR) on these routes have conditioned demand, causing a direct impact on the seating offer (as airlines struggle to fill aircraft and are re-adapting their networks).

Even though the current situation is rather far from being optimistic, ICAO forecasts on its “Scenario 1” for the African market (Figure 13) a slow recovery path that would go from a total seating supply decrease of 69% in September to -37% in March 2021—in comparison to 2019 figures. In terms of domestic seating supply, the offer decrease has been slightly lower than the international supply since June.

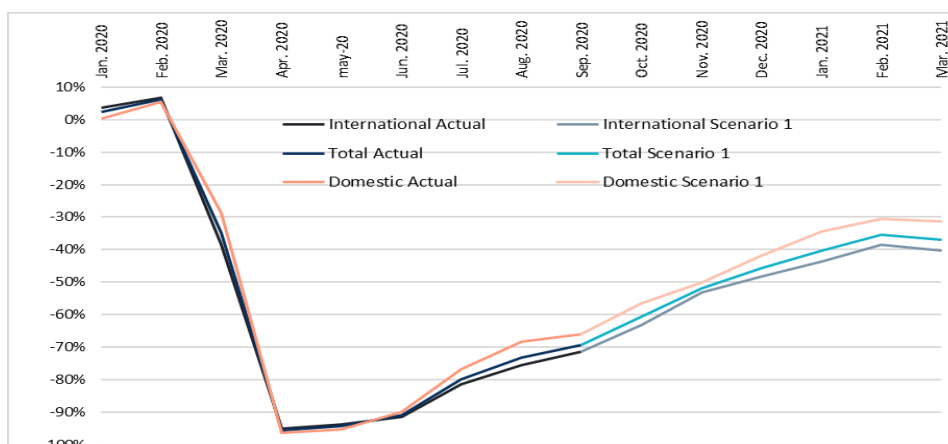


Figure 13. ICAO “Scenario 1 (Nike swoosh)” African market forecast, January 2020 to March 2021 monthly growth of seating supply in comparison to 2019 figures

Source: ICAO. 1 Oct: Effects of novel COVID-19 on Civil Aviation, ALG analysis

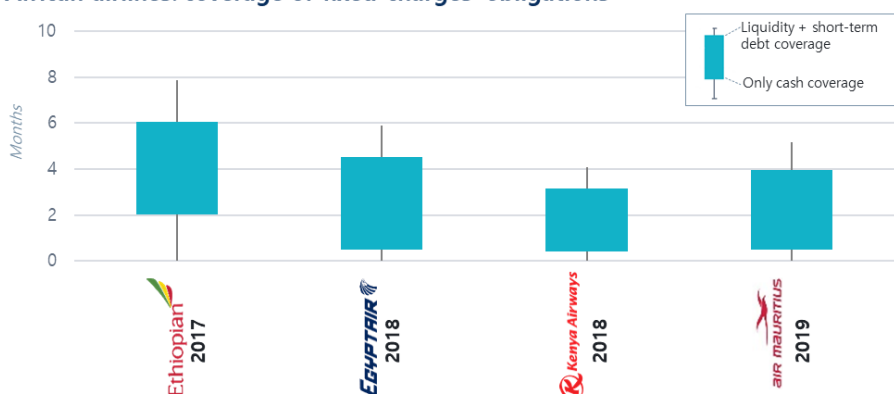
It is important to note that, likewise within the rest of the continents, African aviation industry may likely not recover 2019 figures until 2024/25.

How long the full recovery of aviation industry takes will depend on governments’ progress in controlling the pandemic, the launch date of an efficient and affordable vaccine for the entire world population and the measures taken by governments to keep the aviation and tourism industries afloat among others.

The extent of the recovery process will modulate the impact on the different aviation stakeholders, each being affected in its own manner as follows:

- **Airlines:** Airlines have been the most impacted stakeholders during the initial phase, as they lost most of their revenues. As shown in Figure 14, several of them, only had cash to survive for a few months, (depending on their capacity to cut their operational expenses and obtain new sources of cash).

African airlines: coverage of fixed-charges’ obligations



Note: The coverage of fixed-charges’ obligations represents the monthly average fixed costs that can be covered with assets (cash and other liquidities) and short-term financial debts, according to airlines’ financial statements

Figure 14. Number of months that African Airlines could cover fixed-charges’ obligations

Source: Airlines’ financial statements, ALG analysis

Based on this situation, the short-term measures were focused on the provision of new sources of funding while helping them to cut their cash-burn (reduction of operational expenses and postponement of payments). Mid/long-term measures should ensure the long term sustainability and resilience of the sector and without replicating the pre-crisis situation.

- **Airports:** The case of airports is slightly different as they have not experienced the same initial liquidity shortages (their usual operations provide a much higher operational margin). Given that, the main actions taken by airports are related to the postponement of investment in infrastructure (especially on those for expansion, as they will not be required for a long period). Financial measures on airports will be most likely addressed to allow them to refinance existing loans (requested to develop current infrastructures) and to face the new costs induced by health measures to fight the pandemic.
- **ANSPs:** The ANSPs are experiencing a double hit from the pandemic: on the one side, they saw their revenues fall linked to the decrease on flights; on the other side, they have been very active on providing financial aid to airlines by waiving or deferring their taxes. This is why they are also requesting financial support to sustain their operations, which has been already the case for some of them. This support is particularly relevant, as ANSPs need to work with full capabilities to ensure the safe operation of flights.
- **Aviation Regulators:** The aviation regulators may have been also hit by the pandemic, particularly those whose principal funding stream comes straightforward from charges to the aviation activity. In those cases, governments shall undertake the necessary actions to ensure its financial sustainability, as they are an indispensable element concerning the oversight of aviation safety and security.

2 Global and regional support actions taken to overcome the Covid-19

2.1 General economic actions

From the onset of the COVID-19 pandemic, governments, economic unions, and central entities were quick to act on what was thought to be a significant, but rather short-lived economic crisis. In most cases, however, as lockdowns across the globe were extended with uncertainty, it became evident that the initial stimulus packages provided would not cope with the depth of the crisis. Under these circumstances, governments and entities were forced to re-think their strategies and find mechanisms to deal with an unprecedented social and economic downturn.

The most prominent example of an aid package provided by a single government is the United States' CARES Act (Coronavirus Aid, Relief, and Economic Security), which is described in Figure 15. In Europe, packages of such magnitude did not materialize mainly because governments managed the situation according to their own needs, although the European Central Bank backed many of the economic aid measures and launched the EU Next Generation plan, which is also shown below. Additionally, many European countries' social security systems absorbed the unemployment costs through special unemployment schemes, which indirectly relieved businesses from having to support their entire payroll. In other regions of the world, aid packages have been diverse, with grants, subsidies, loans, tax rebates, and stimulus spending being amongst the most common ones.

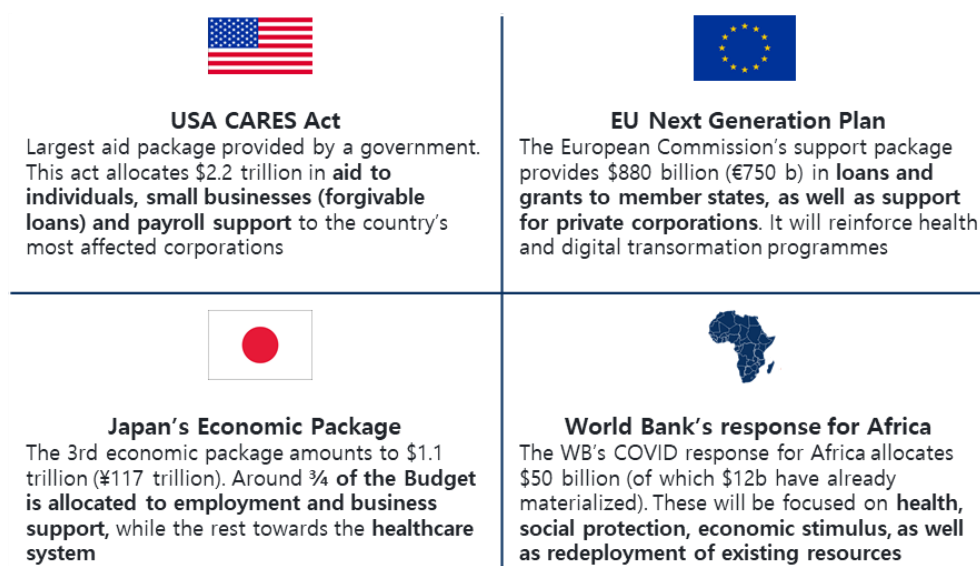


Figure 15. Examples of global economic support measures to face the COVID-19 crisis

Source: US treasury, Reuters, WBG

In several regions of Africa, the initial economic response focused on avoiding potential food shortages and maintaining the flow of sanitary equipment and essential goods. In terms of economic and sanitary responses, however, African governments along with entities such as the United Nations, have learnt from past virus outbreaks and have been able to respond relatively fast to the most urgent needs brought by the outbreak. The subsequent aid packages have had the purpose of avoiding long-term threats such as hunger crises that could result from weak economic environments. The World Bank, for example, will be deploying \$50 billion in support to African countries. It is evident, however, that the measures taken by governments from this point on will have to continue evolving depending on the course of the situation.

2.2 Concrete actions already undertaken to support the aviation related industries

Most of the aforementioned entities (governments, banks and other institutions) have had their share in contributing to the aviation industry, after being one of the hardest-hit in light of the pandemic. Measures planned and implemented differ depending on a wide range of factors, including the region’s connectivity, the volume of operations, and passenger segmentation, among others. While some governments or institutions specify the aid according to the recipient, others publish packages of measures that encompass all stakeholders under the objective of restarting and recovering the aviation industry. The main global and African aviation stakeholders have also put in place initiatives with measures to support the industry to overcome the crisis. Among the most prominent examples, the following can be cited:

- The ICAO Council Aviation Recovery Taskforce (CART)
- The African Union Commission and AFCAC with the High-Level Task Force (HLTF) coordination
- The IATA multiple analysis, reports and guidelines and its support to the other stakeholders
- The AFRAA Recovery Plan for the survival and rebound of African airlines
- The ACI Guidance for African Airports Restart

Figure 16 shows the different approaches to support the aviation industry. In the following sections, these aids will be summarized for each of the industry sectors, starting with airlines, followed by airports, ANSPs and other stakeholders. A section has also been included specifically dedicated to development banks and institutions, which actively contribute to different sectors, including aviation. The detailed list of all the measures analyzed is presented as an Annex to the document. Finally, regardless of the type of aid and the sector, many of the aids are subject to conditions that the interested parties must meet in order to qualify for the aid, some examples are also included in the figure.

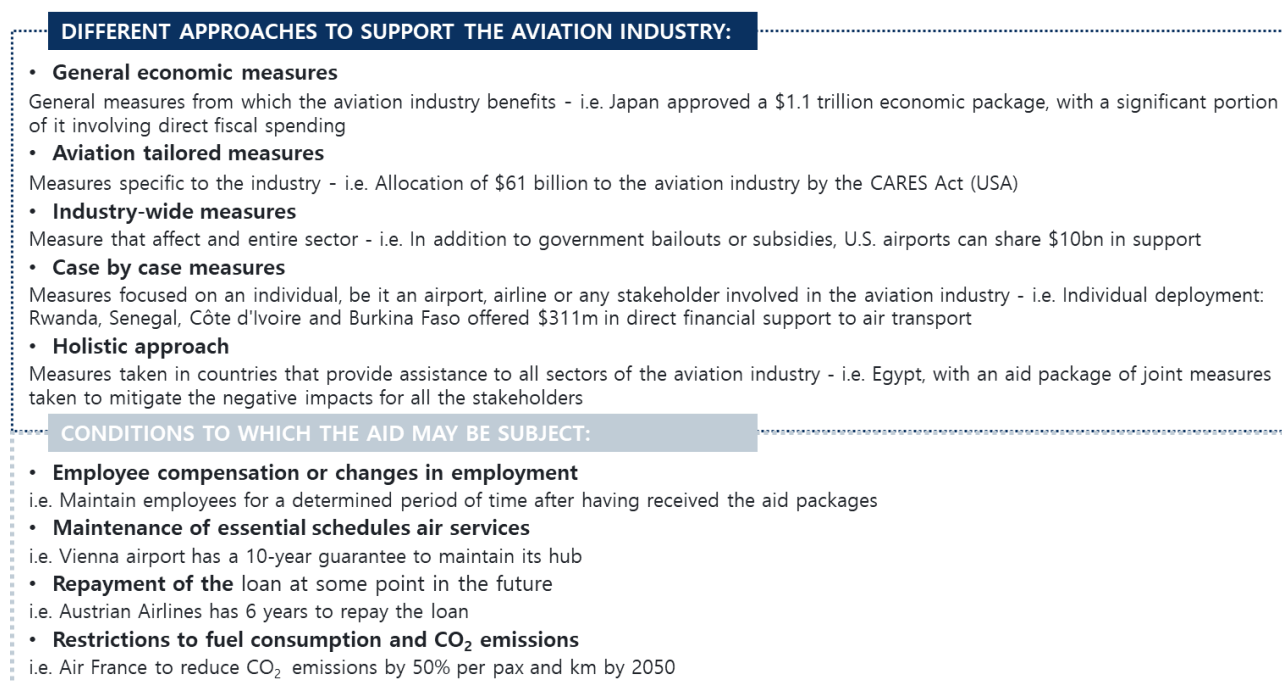


Figure 16. Concrete measures already undertaken to support the aviation industry

Source: ALG analysis

It is worth mentioning that until now most institutions have allocated the largest portion of aviation-dedicated aid to air carriers because of their importance in terms of connectivity and economic development, as well as their higher risk of collapsing in the short-term due to a crisis of this sort. Nevertheless, not only airlines require active support, but also airports; air navigation services providers, or other stakeholders such as the tourism industry. Notwithstanding the latter, all subsidies regardless of the country are usually subject to various conditions that must be met by the recipient in order to be eligible.

The case of Egypt (shown in Figure 17) serves as a great example of an interesting approach to the crisis, including measures oriented to help all the above-mentioned stakeholders) by structuring an aid package with an holistic approach to the industry of the air transport. This approach reflects the complexity of the air transport sector and shows the necessity to contribute to the different players, as all of them are an essential part of the value chain of the business.

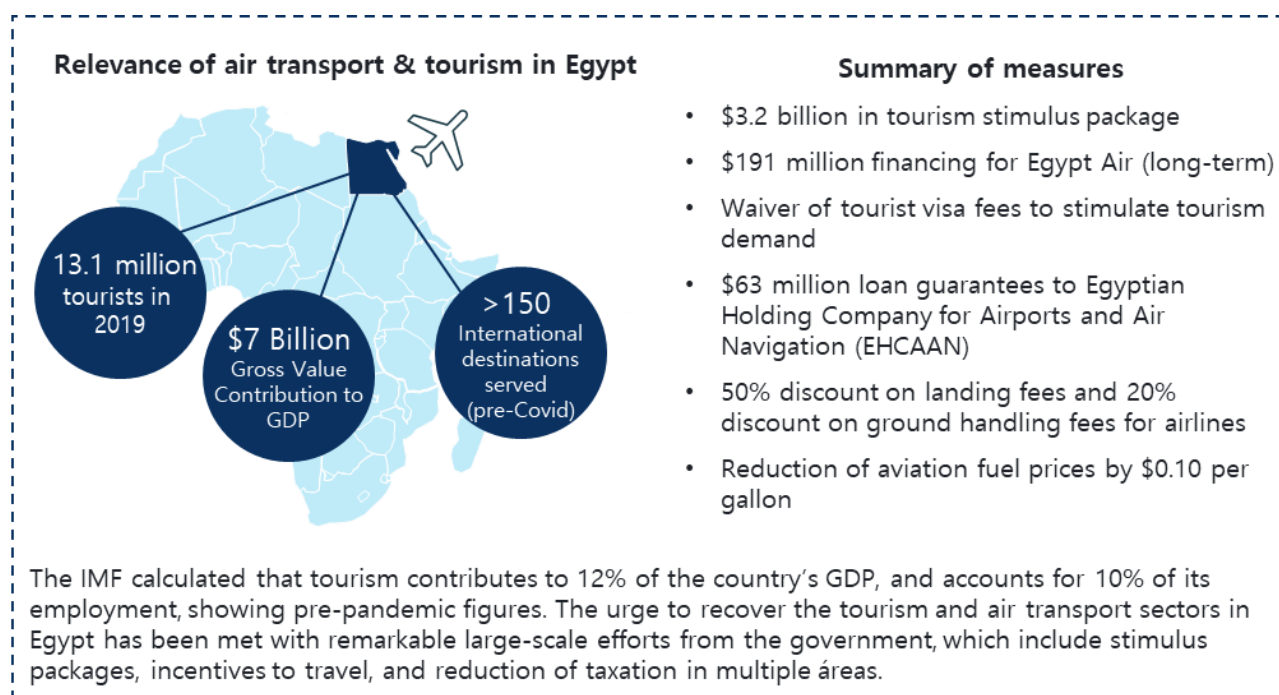


Figure 17. Case Study: Egypt's support for its aviation and tourism sectors

Source: ALG Analysis, IATA, Oxford Economics, IMF

2.2.1 Measures to support airlines

Airlines have traditionally operated under financial strain due to the nature of their business models, which rely on high capital costs and high fixed costs. It therefore came as no surprise that airlines were the first stakeholders to urgently ask for government support on the onset of the crisis, since according to IATA, the average airline has cash to survive for two months with little or no revenue. At this point, in fact, most airlines worldwide have had to deal with over six months of drastic declines in revenue, without mentioning the uncertainty and unpredictability of the months to come.

As previously stated, the urgency and type of government support that has been provided (or is planned to be provided) to airlines highly depends on the aviation environment in which the airline operates. These factors include the importance of aviation in terms of both geographical connectivity and as a percentage of the country's GDP, the ratio of domestic to international traffic (and at a regional level the ratio to inter-regional traffic), size of the market, and type of traffic, amongst others. In terms of GDP, this may also

include both the direct and indirect contribution of aviation—for instance, indirect contribution may be even more important in countries that heavily rely on tourism. Additionally, in the context of domestic vs international traffic, local African carriers with very narrow or inexistent domestic markets are most likely having difficulties in the re-deployment their networks, and thus will continue to be under financial strain for the coming months.

Measures taken globally

The analysis of the different types of support that airlines around the globe have received is shown in Figure 18. A detailed list of all the proposed/deployed aid packages provided to airlines, along with their specific values and conditions, may be found under the Annex to this document. Those measures that involve financial injections of any kind, whether in the form of loans, grants, or equity buyouts—among others—are usually aimed at maintaining an airline’s cash flow (shown on the left of Figure 18). Many of these materialized during the onset of the crisis due to its consequent urgency, but more will continue to be seen through the course of the next months to ensure the survival of airlines in the medium and long-terms.

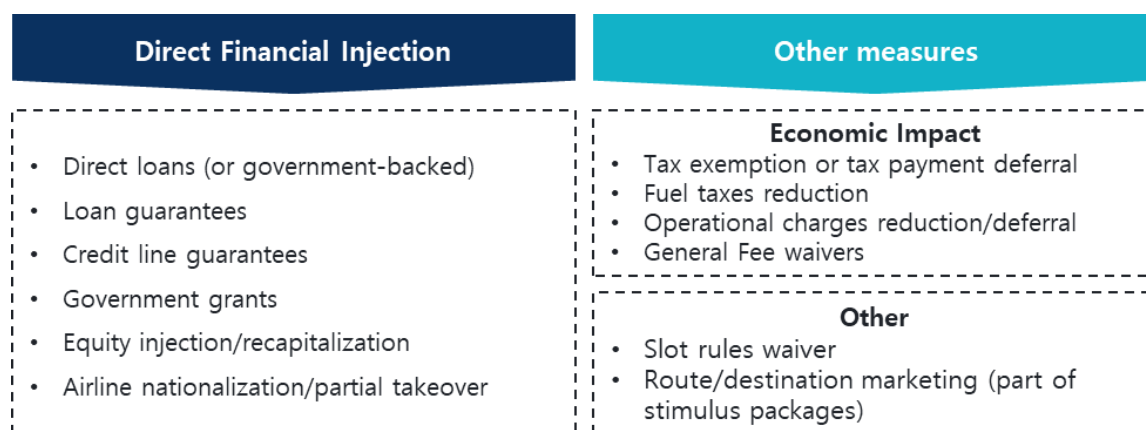


Figure 18. Most common types of support received by airlines globally

Source: IATA

As an example, the US CARES Act contemplates \$25 billion in direct aid to airlines by using different financial mechanisms (loans, grants, payroll support, etc., although the limit per carrier is \$7.5 billion).

Other measures that do not include financial injections, but that do have economic impact (shown on the upper right of Figure 18) have allowed airlines to save on costs that otherwise would have been incurred. Some governments granted tax exemptions, while others simply allowed the deferral of payments. These measures also involved most operational charges, with the short-term aim of saving immediate costs for airlines, while stimulating travel demand in the medium-term. Finally, there were measures that while not having a direct economic impact, allowed airlines to adapt to the new environment (shown on lower right of Figure 18). Such are the cases of the slot rules waiver that allowed airlines to adapt to a lower demand without losing airport slots, as well as the indirect benefits that route marketing (at the expense of other stakeholders such as governments, private sector highly-dependant on aviation, airports, etc.) have brought.

Most countries in Europe, for example, provided packages that included multiple types of aid for airlines, as shown in Figure 19. The most noticeable of these mainly involved direct financial injections in the form of loans and equity buyouts, as countries strive to save their main carriers. Tourism aid packages provided to increase demand to certain European destinations.

Airline	Government Support (financial) Measures
	The US carrier negotiated a \$5.5 billion treasury loan , authorized under the CARES Act. This is in addition to the payroll support received during the previous months
	The German government will take a 20-25% ownership in the airline. A total \$10.6 billion will be provided in the form of equity injection and convertible bonds
	The Franco-Dutch group will receive \$8 billion in government-backed loans from the French Govt. and \$4 billion in loans and equity from the Dutch Govt.
	The Italian government is set to takeover Alitalia through a \$3.5 billion injection of fresh capital . This will be the largest airline takeover in Europe
	Qatar Airways will receive \$2 billion as an equity injection from the Qatari government. The capitalization will involve a notes conversion
	The Korean Government will grant \$1 billion to Korean Air as loans and grants extended by the Korean Development Bank and the Exim Bank of Korea
	The Hong Kong government will inject \$5 billion in fresh capital (preference shares) and bridge loan facilities to maintain the carrier afloat

Figure 19. Examples of government support to airlines worldwide

Source: Reuters, FlightGlobal

Europe’s case is depicted in the case study below (Figure 20), as it shows the importance that flag-carriers still have for their respective countries. It is also a prominent example of transnational support for airlines. Nevertheless, these financial injection packages were accompanied by other—both economic and non-economic—measures taken. The most common among these were:

- Payment deferral of certain aeronautical taxes (most notable example being France)
- Tax advantages scheme including tax base reductions for the future (notable example in Germany)
- Payment deferral of navigation charges to Eurocontrol (up to €1.1 billion)
- Slot rules waiver in European airports during the summer season

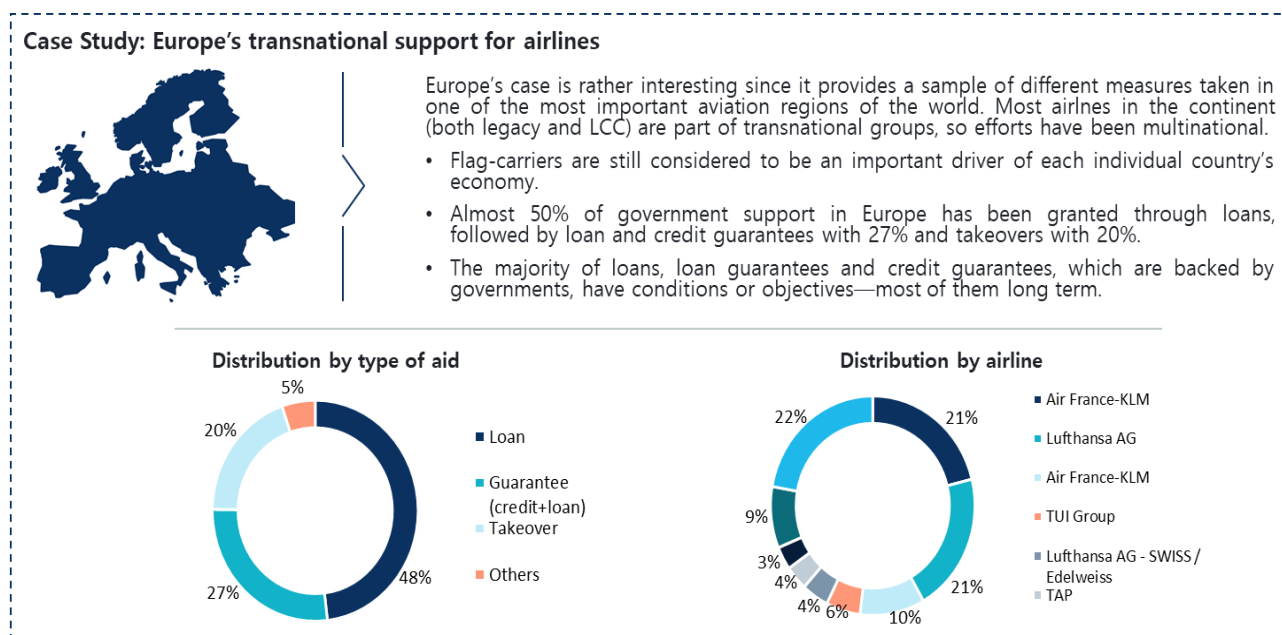


Figure 20. Europe's Financial Support Case Study

Source: ALG Analysis

Countries in other regions of the world have been either slow in realizing the urgency to support their airlines, or too fast, which inhibited governments to realize the depth of the crisis. The aforementioned US CARES act, for example, while being a survival tool for the first months of the pandemic, expired on the 30th of September 2020, forcing American carriers to begin involuntary furloughs.

Aid has been distributed differently in other regions of the world. For example, Chinese and Russian carriers have not been given vast amounts of cash like their European counterparts. The main carriers of these regions, however, are mostly state-owned, and have been able to resume a high degree of their operations because of their extensive domestic networks. The most common type of aid that provided to these carriers, aside from cash injections, was in the form of tax deferrals and the waiver of navigation/airport fees, which relieved them during the toughest moments of the pandemic. On the other hand, the Hong Kong government provided \$3.8 billion to an already troubled Cathay Pacific, which has been one of the most affected in the world because of its international nature. Similar cases are evident in Singapore, Qatar and the UAE.

Specific financial measures taken in Africa

Organizations like AFRAA and IATA have called African governments for action, and while Senegal’s \$128 million provision to air transport & tourism, and Rwanda’s increase to \$152 million of national budget to RwandAir have become a reality, the provision of financial aid to airlines has been more moderated than in other regions of the world. However, the cases of South African Airways, Royal Air Maroc and Kenya Airways have been more relevant and account for important amounts of funding. As of mid-October 2020, SAA remains grounded, with indefinite suspended operations until the government materializes its promises of airline nationalization and support. The South African government was warned by the IMF to use caution in providing aid to consistently loss-making airlines. On the other hand, Kenya Airways’ nationalization plan, which had been initially approved by the country’s parliament, is yet to materialize, with an on-going public debate about the government’s future involvement in the airline.





Airline	Government Support (financial) Measures
	The South African government has assured it will nationalize SAA with a \$650 million equity injection . The carrier is grounded until the injection materializes
	The Moroccan government granted an exceptional allocation of \$624.8 million as a state-guaranteed loan
	The Kenyan parliament approved the nationalization of Kenya Airways. The carrier asked for \$500 million equity injection , but the injection has yet to materialize
	The Egyptian government provided \$191 million as a long-term financing loan to Egyptair, as part of an air transport & tourism stimulus package
	The Ivory Coast government provided a \$24 million injection in the form of grant to help the airline stay afloat amid the crisis
	The Rwandan government allocated a \$152 million rescue plan for national carrier Rwandair, up by \$17 million from the original budget in the form of injection

Figure 21. African examples of direct government support for airlines

Source: Reuters, IATA, Bloomberg

The case of Egypt Air, as mentioned earlier, has been a fast-paced one, with the Egyptian government providing long-term financing to the carrier as a recovery tool after the pandemic. A smaller-scale example of government support for an airline was seen when a financial injection was announced from the government of Ivory Coast to its flag-carrier Air Cote d’Ivoire in a move to keep it afloat. Similarly,

Moroccan Government granted an exceptional budget to support Morocco’s national carrier, Royal Air Maroc. Finally, a remarkable case is that of Ethiopian Airlines, which, as mentioned before, has managed to stay afloat without any government help or involuntary furloughs. This does not mean that if the crisis recovery takes longer than expected—not unlikely at this point—additional measures will not be needed. A summary of the main financial measures in Africa may be seen above in Figure 21.

2.2.2 Measures to support airports

While airlines around the world urged governments for their immediate support at the onset of the crisis, airports and airport groups worldwide also did highlight their support needs and their impact on each country’s economy. Airports contribute to local economies not only because they are important connectivity centres, but also because they provide thousands of jobs to surrounding areas. Thus, it becomes clear that governments should take action and impose the necessary measures to cope with the situation. The measures that governments have taken, however, are not as linked to their “survival” as in the case of the airlines, but on a longer-term vision regarding the new scenarios. This includes adapting infrastructure, personnel needs, and contracts.

At the beginning of the pandemic, some airports closed temporarily, but others remained partially open to maintain connection between communities, repatriate citizens, and allow for the continuity of vital services. This dramatic decrease in the number of air passenger had a severe impact on the industry revenues. According to ACI forecasts, there is an estimated loss of more than \$97 billion in projected revenue by 2020. In addition, despite receiving virtually no revenue, airports have high fixed costs, such as security, maintenance of airfields and terminals, and pre-existing contracts that must be paid regardless of the situation.

Measures taken globally

Some countries have adopted packages of specific measures only for airports, whilst others have implemented industry-wide measures in addition to government bailouts or subsidies. Most countries have considered applying a combination of these measures to cover airport costs—both CapEx and OpEx—in addition to safeguarding airport revenues.

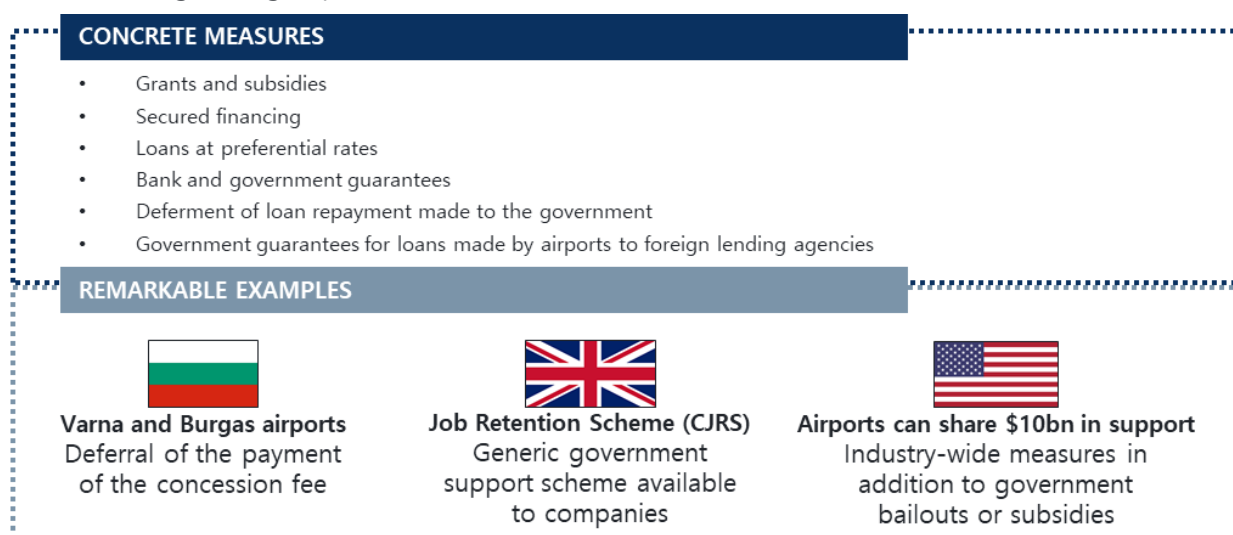


Figure 22. Concrete measures and examples to support airports worldwide

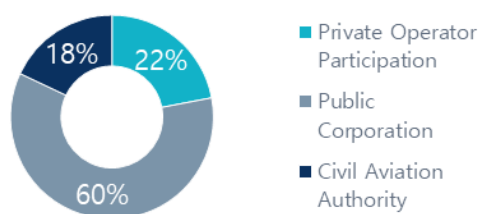
Source: ALG Analysis, IATA, Oxford Economics, IMF

Measures taken in Africa

The current situation concerning airports in Africa is quite different from the examples mentioned above because the private sector is not yet as developed as in other regions (see Figure 23). In this context, with most airports being directly or indirectly managed by the government or by public corporations, the measures taken will be normally deployed in the form of direct capital injections or the granting of loans via the general government budget.

Some relevant examples in Africa include the above-mentioned example the Egyptian airports, which received a 63\$ million loan guarantee and the case of ONDA (Moroccan airport operator) which received a sovereign guaranteed loan of 150\$ million from the European Bank for Reconstruction and Development. Victoria Falls airports is also benefitting of funds allocated by the IFC to conduct studies on an incentive scheme for airlines and the set-up of a routes committee. Both cases are further detailed in the section dealing with IFIs and DFIs. In addition, Figure 24 also includes a case worth mentioning, that of ACSA, due to its mixed ownership.

Current operators in Africa



Case Study: ACSA



A relevant example is found with the **Airports Company South Africa (ACSA)** which is majority owned by the South African Government (74.6%). The company has so far received a **\$174 million loan** from domestic banks, while halting future investments in the airports and disinvesting in assets it had worldwide in order to recover from the crisis.

Figure 23. Current situation relating to African airports

Source: ALG Analysis, IATA, Oxford Economics, IMF

2.2.3 Measures to support the ANSPs

In the wake of the pandemic, and as government support tools for airlines, measures have been implemented worldwide in regards to the elimination or deferral of operating fees and taxes. Many of the fees being waived by governments are however, the major source of revenue for air navigation service providers (ANSPs). Therefore, the Civil Air Navigation Services Organisation (CANSO) has consistently stated that airlines postponing payments or not paying at all for air navigation services should not be the solution to the problem (or then, in the case these measures are implemented, the ANSPs should receive equivalent funding to support their operations). Unlike airlines, ANSPs have not been able to drastically reduce or fully suspend operations since airspaces have remained open throughout the pandemic.

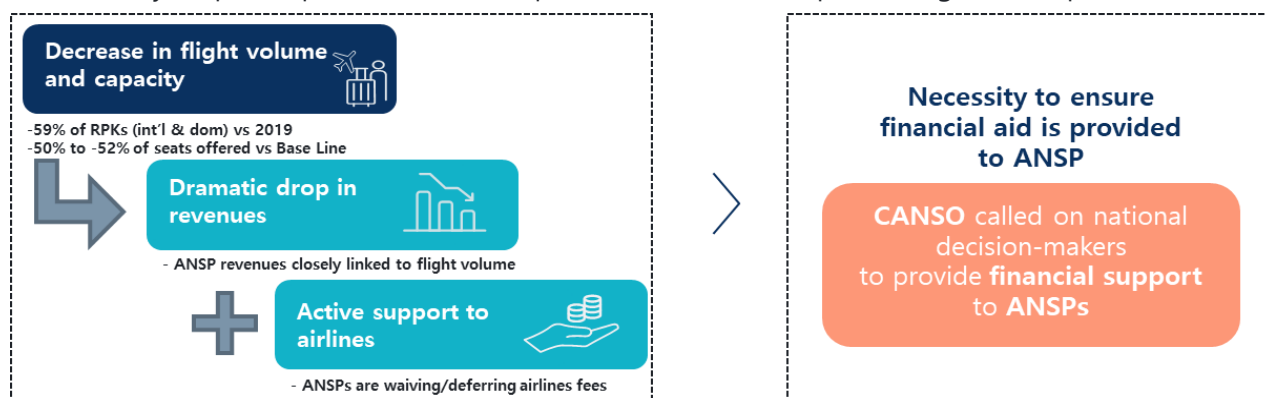


Figure 24. Covid-19 impact on ANSPs

ANSP's revenues have been doubly affected since, on the one hand, the drop in traffic has meant a drastic decrease in their own revenues and, on the other hand, they are still actively supporting airlines. Therefore, CANSO is asking governments to help. Nonetheless, little is known about aid to this sector since, unlike airlines or even airports, they have closer ties with their governments, which makes it seem like these do not need support. However, a safe and efficient operation can only be achieved with the collaboration of all parties involved. In this context, Figure 25 shows some of the measures to support ANSPs that have been taken worldwide.

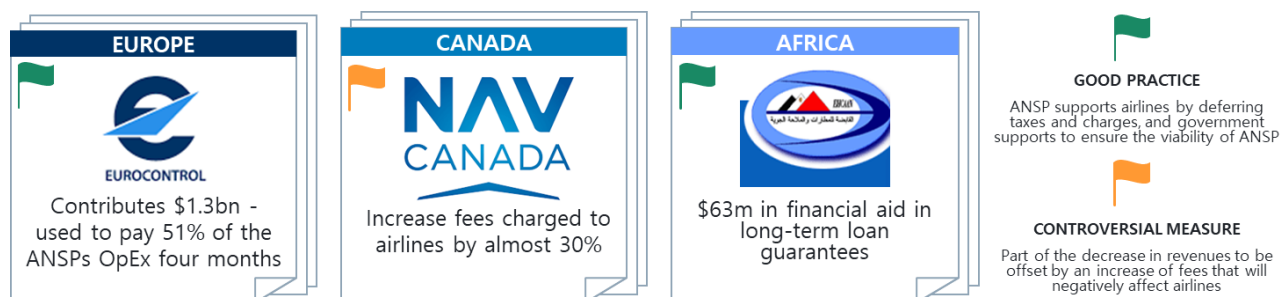


Figure 25. Examples of measures applied to ANSPs worldwide

Source: ALG Analysis, IATA, OAG

On another note, NATS, the UK's ANSP, also received \$120 million in support from the government following the announcement that UK airlines could temporarily defer en-route charges for up to 14 months. Finally, in addition to the measures, organizations and governments have issued guidelines to ensure the safety, efficiency and coordination of the recovery phase of ANSPs. The set of measures implemented includes Eurocontrol's NOP 2020, which is a special version of the Network Operations Plan supporting the aviation response to the COVID-19 crisis. Other incentives refer to IATA's simplified Air Traffic Management Procedure, which allows for collective decision-making and information sharing.

2.2.4 Measures to support regulators and other aviation stakeholders

The halt of most air operations put in place to curb the spread of the pandemic has not only affected airlines, airports and navigation service providers; it also has had direct repercussions upon other highly aviation-dependent industries. In addition to aviation regulators, all businesses involved in the tourism industry, aircraft manufacturers, as well as maintenance facilities and ground services providers are among the most affected stakeholders during this shutdown. The ripple effects of border closures—that essentially brought most tourism to a halt worldwide—along with airlines delaying or cancelling their aircraft orders due to their own financial constraints, and the bulk of aircraft parked that have decreased the need of maintenance services, are the most prominent examples of how these aviation-dependent businesses have been harmed.

Aviation regulators

Aviation regulators, both at a country level and at a regional level have played a significant role in terms of defining the aviation framework to cope with the effects of the pandemic. However, it is important to note that regulators themselves have financial needs, and it would not come as a surprise that some aviation regulators and authorities found themselves under financial constraints because of unstable aviation environments.

The degree at which the pandemic has affected the financial situation of regulators depends on the structure of each regulator and its particular ties to the government, among other factors. Several of these authorities have national or regional budgets allocated each year for their effective operation, and these should not be affected under normal circumstances. However, regulators in some particular countries

whose funding comes primarily from charges to the aviation activity will suffer most from the pandemic. In that cases actions are necessary to ensure the financial sustainability of the regulators, thus mitigating important risks related to the performance of their mandates (for instance, with regards to safety oversight).

Up to this point, however, there are no publicly known/concrete examples of direct government aid or support to civil aviation regulators in light of the pandemic.

Tourism industry

Of the above industries mentioned, the travel and tourism would be the hardest-hit by the domino effect of the aviation crisis. The World Travel & Tourism Council (WTTC) foresees that job loss figures could reach 197 million globally in 2020, of which 17 million jobs would be lost in Africa. In economic terms, the WTTC forecasts that the decline in GDP due to the fall of the tourism sector could reach a loss of -\$5,543B globally, -\$120B in Africa.

To alleviate this immense losses, several governments have allocated specific budget lines from their COVID-19 aid plans to refloat the travel and tourism industry. On the other hand, others have found it more convenient to exempt and/or reduce tourism related taxes instead of directly influx fresh money to the affected companies.

Country	Government Support (financial) Measures
	<p>Measures taken globally</p> <ul style="list-style-type: none"> The Portuguese government issued a €3 billion guarantee scheme for SMEs and midcaps related to tourism, travel and catering among others China has exempted hotels and leisure business of tourism tax for 6 months <p>Measures taken in Africa</p> <ul style="list-style-type: none"> Kenyan government has set aside \$4.7M to help the tourism sector, of which part of the funds will be used to restore destination confidence to ensure that Kenya remains a preferred travel destination globally. Burkina Faso has applied a reduction of 25% on prices of hotels by reducing by 25% the license fee for passenger transport, hotel and tourism companies Ethiopia have allowed banks to rescheduled loan payments for highly affected sectors like hotels among others

Figure 26. Government financial support to the tourism industry

Source: World Bank

Aircraft manufacturers

As for the aircraft manufacturers, companies like Boeing and Airbus among others have seen their aircraft orders sharply reduced and forced to go through restructuring processes and massive lay-offs. To alleviate the impact and thus minimize job cuts Spain has agreed with Airbus to invest €185M (in the purchase of 47 aircraft) to boost its aerospace sector. France has also rescued its aerospace industry with a €15B aid package, of which €7B are allocated to Air France. This bailout will help push through Air France orders of new Airbus planes, moreover, France has already agreed with Airbus—main airspace manufacturer of France—the purchase of new defense and military products. Meanwhile in Africa, Aerosud, which is the South African aircraft components supplier to both Airbus and Boeing, remains optimistic about its future as it was able to negotiate a very fair and reasonable cut-over plan with Boeing.

Other aviation services providers (MRO, handling, fueling, catering...)

As previously stated, aircraft service providers have seen the demand for their services highly affected due to the bulk of the global aircraft fleet being grounded for months. The MRO providers have had their demand and supply patterns extensively shifted, with some airlines taking advantage of this time to

perform heavy checks on aircraft, while others simply paying for storage space for their aircraft. Providers will also have to efficiently deal with peaks in demand that may result from the industry restart, something that is never easy for an industry that has traditionally had consistent and relatively predictable demand. Nevertheless, with traffic levels not set to recover within the next three to four years, the service provider sector is facing a period of overcapacity, which among many other uncertain factors will lead to job losses and potential bankruptcies.

Providers that operate in countries with furlough schemes have benefited from indirect payroll support, just as many other players have. They have also potentially benefited from aid in countries that have rolled out general support to the aviation industry, since these aid packages are aimed at supporting all businesses within an industry.

2.2.5 Measures considered by IFIs and DFIs

As countries around the world work to contain the spread and impact of COVID-19, the World Bank Group (WBG) has organized the largest and fastest response to the crisis in its history to help developing countries strengthen their anti-pandemic measures and health care systems. They will be providing up to \$160 billion through June 2021 in financing tailored to the health, economic, and social shocks countries are facing, including more than \$50 billion in IDA (International Development Association) resources on grant and concessional terms. Figure 27 shows how Africa is the continent the most in need in terms of IDA resources allocation, since so far 26 African countries (53% of the total) have received this type of grant (see the chart on the left), accounting for 48% of the total given aid (right chart). However, it is worth noting that until now, those measures have a generic approach and have not been particularized to

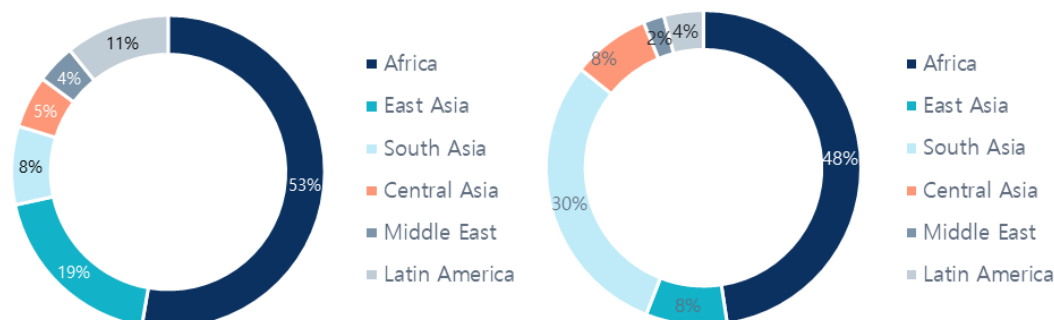


Figure 27. Number of countries that have received IDA resources and allocated amount (\$ million) specifically support the aviation sector.

Source: World Bank

As stated, almost all the measures applied are usually of a generic nature and are directly addressed to help government with their budgets, but not directly contributing to specific sectors. For example, the AfDB allocated \$3 billion to the Fight Covid-19 Social Bond, or CAF allocated \$700 million to the Social Bond Program, both aiming to help countries respond efficiently to the current health and economic emergency.

Some of the banks highlight “the most affected sectors” when they detail the type of support they offer, but do not specify which sectors they refer to. However, it is true that in this context, these impacted sectors could be referring to air transport, as it is well known that it is one of the most affected. For example, IFC has provided \$2 billion from the Real Sector Crisis Response Facility to assist clients in the infrastructure, manufacturing, agriculture and services sectors vulnerable to the pandemic through loans and equity investments. In addition, the China Development Bank provided \$1.6 billion in loans, guarantees

and equity investment assistance to microenterprises, SMEs, national and regional trade and directly affected enterprises in non-sovereign operations. In other words, both banks may, or may not, include the air sector in these measures, as they concern support for the most affected business.

Consequently, there are few cases of development banks with specific programs directly supporting aviation. One case is that of the development bank Bancóldex, which specifies a special line of credit of almost \$12 million for the aviation and tourism sector of Colombia. Furthermore, a syndicated financing of the KfW – a German state-owned development bank – will finance three out of the €9 billion to be granted to the Lufthansa Group. Also noteworthy is the Development Bank of Japan (DBJ), which offered large companies, such as airlines, low-interest loans with no ceiling, in addition to allocating nearly \$16 billion to stimulate consumption and help tourism-related industries recover after the spread of the virus is finally contained.

In the case of Africa, two relevant examples are found to have been applied to date (shown in Figure 28). Those examples show two very different approaches to the support that the multilateral institutions can provide to the sector. The Moroccan case shows the granting of funds to sustain the short-term cash necessities of the airports operator, via a guaranteed loan. In the case of the IFC support to Victoria Falls airport, there is not a direct financial contribution to the airport. Funds are oriented to cover the cost of the studies required to set-up the incentives schemes and the operation of the routes committee.

Airline	Institutional Support (financial) Measures
 European Bank for Reconstruction and Development	<p>The EBRD granted a \$354 million loan to Morocco in order to finance its state companies amid the COVID-19 crisis. Among these is Morocco's National Airports Office, the national airport operator</p>
 IFC International Finance Corporation WORLD BANK GROUP	<p>The IFC allocated \$300K to be invested in a strategic study for the Victoria Falls Airport (Zimbabwe) in its post-COVID recovery, and its potential to become a Gateway airport for that region of Africa</p>

Figure 28. Example of IFI/DFIs support to the aviation sector

Source: EBRD, IFC

3 Compendium of measures to be explored to support the sector

The measures to be explored that are proposed in this section have the aim of supporting the aviation industry in Africa. These are distributed into four different pillars.

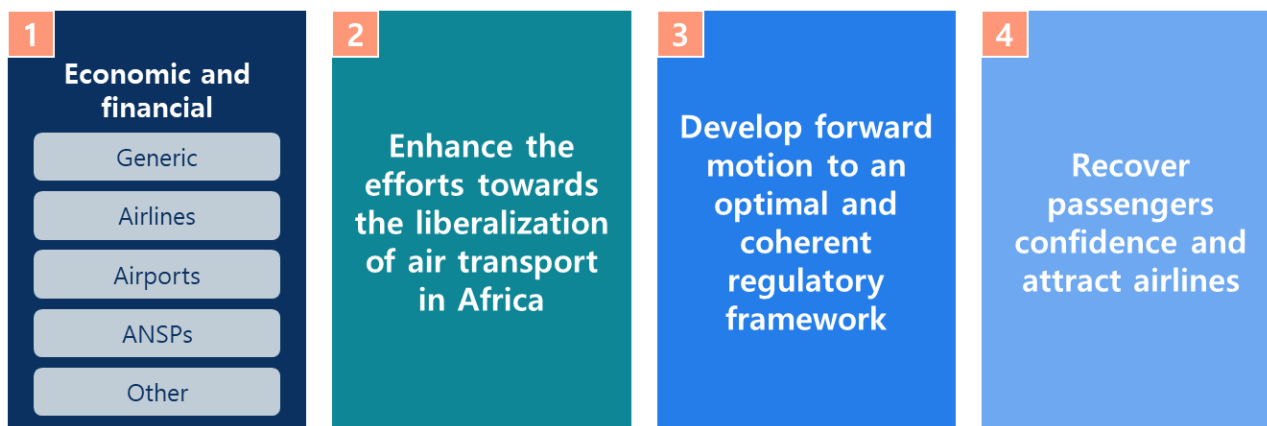


Figure 29. Pillars of the measures to be explored

3.1 Economic and financial measures to overcome crisis

The initial measures implemented by most governments and institutions were focused on maintaining the industry “alive” by ensuring that the sudden halt in global passenger traffic—and consequent low levels of demand—did not derive on a lack of liquidity for airlines; something that could lead to their bankruptcy. Because of that, most of these measures have involved the injection of cash to the different businesses, following a variety of financial schemes. Governments have also contributed in reducing some of the businesses’ expenses, either by waiving taxes, deferring their payments or creating schemes to temporarily subsidize personnel costs.

General measures to be explored in Africa:

- **General economic stimulus and subsidies to keep employment:** Despite not being specifically designed for the aviation industry, different stimuli designed to maintain and subsidize employment have allowed various players of the industry to reduce their operational expenses, contributing to their short-term financial sustainability.
- **Direct provisions of loans at reduced rates:** If either airlines, airports or other stakeholders cannot access private funding, or are required to pay high interest rates, governments may offer loans at reduced rates.
- **State guarantees on loans:** Providing guarantees on loans issued by private banks should allow companies to request financing that would not be otherwise granted, or that would rather be granted at much higher interest rates. In this case, the advantage for the government is that, in principle, it would not need to disburse any funds (since some government may also be having financial issues). This option might be difficult to implement by countries with low credit ratings although development banks could actively contribute to support the government in those cases.
- **Tax waivers or payment deferrals:** Governments may implement a wide range of measures looking to waive the payment of some types of taxes (corporate taxes, VAT, specific aviation taxes, etc.) or defer their payment for specific periods, aiming to preserve the liquidity of airlines or airports.
- **Deferment of loan repayments to the government:** In case a government has already financed an entity with loans, they can agree on repayment deferrals during the period that the company experiences cash shortages.
- **Withhold dividend payments (public entities):** Companies should avoid distributing any dividends (even if previous year’s results were positive) looking to preserve as much cash as possible in light of the crisis. This is particularly important for companies where the government is a relevant shareholder.

Specific measure for airlines:

- **Short-term reduction of operational expenses:** Reducing expenses during the crisis period is still one of the main concerns for airlines. Tailored measures regarding subsidies for employees, taxes waivers or deferrals (corporate taxes, fuel, social security, etc.) allow airlines to reduce their cost bases, and thus ensure they can preserve cash to support the loss of revenues for longer periods.
- **Support and finance health measures required from airlines:** Despite airlines trying to cut most of their operational expenses, they are also required to face new costs directly related to the health measures inherent to the pandemic. In this sense, they have requested that governments be responsible for the direct costs related to these health measures (it could include buying personnel protection equipment, adapting airports or aircraft, testing, etc.).

- **Structural measures to reduce exogenous operational expenses:** cooperation within the African aviation industry should be promoted towards the reduction of African airlines' exogenous costs (examples of cost streams that are particularly high in African include but are not limited to ground handling, maintenance, catering, fuel, airports taxes, etc.). This critical issue is developed in sub-chapter 3.3.
- **Access to finance for both aircraft direct purchasing and leasing operations:** Specific support is needed to ensure African airlines can undertake fleet enlargement (not expected in the short-term) and renewal projects. African airlines' access to finance must be enhanced for both aircraft direct purchasing and leasing operations, allowing cross border investments and foreign investment in local airlines.
- **Provide support to African airlines in order to strengthen their strategy:** airlines could be supported in the definition of sound commercial management and strategies, in coordination with African government strategies, as the basis for their fleet and route network development plans. Robust business strategies, newer aircraft assets and qualified airline management will enhance African airlines' prestige and improve their brand image abroad.

Specific measure for airports:

- **Debt refinancing:** Given the loss of revenues provoked by the crisis, airports might be on a difficult position to repay their debts. It is therefore important to refinance those amounts or postpone the payments.
- **Support and finance health measures at airports:** Similar to the case of airlines, airports are also facing additional expenses linked to the covid-19 pandemic. Those measures include the adjustment of airports to the new health protocols and social distancing requirements, the procurement of protective equipment for personnel, testing facilities, and of new biometric equipment. In this sense, airports are requesting governments to cover these expenses that arise from measures taken to curb the spread of the virus.
- **Rationalization of short-term investments on expansions (Re-evaluate CapEx):** Airport expansion works are one of the most significant investments for airport operators and governments, and their opportunity during the current crisis should be re-evaluated (as most expansions will not be required for a long period). By doing so, airports should be able to use their cash to sustain their current operations and thus reconsider expansion plans in the future. Technical assistance provision should be conducted on African airports to increase their revenue generation alternatives, to comply with international standards and reduce current safety accidents and incidents records.
- **Revise airport concessions:** In the case of airports already under concessions, governments can evaluate measures to review the terms. These can include waiving the concession fees, the extension of concession periods or the postponement of those investments required by contract. However, the incentives should be linked to future commitments aimed at coping with pre-crisis levels of traffic and revenues (when these recover). This could include future investments on expansion plans. It is also an opportunity to decrease airport taxes in the mid-term, as part of the concession renegotiation (balancing it with a reduction on the concession fees).
- **Promotion private investment – PPPs:** The encouragement of private investment via PPPs will be needed in order to finance the required expansions in the medium-term. That initiative is not envisaged to face the short-term challenges of the pandemic, but rather to finance the future needs of airport infrastructure, as well as allowing the refinancing of debts, and providing government with additional sources of funding.

- **Adequate planning of infrastructure enhancement projects** must be developed, following international best practices: all airport infrastructure projects for implementation in Africa should be supported by robust business plans, which duly justify the investment and proves the project's economic feasibility. Airport development should be promoted to the travelling public under minimal cost, prioritising brownfield investments over greenfield investments in expansion projects.

Specific measure for ANSPs:

- **Support financial efforts that ANSPs are conducting:** ANSPs are promoting charges reductions or payments deferrals in order to help airlines to reduce their costs during the traffic recovery period. Those measures, together with the natural fall of revenues linked to the drop of flights, are having a critical impact on the finances of most ANSPs. Consequently, those measures should be accompanied by financial support actions (via direct grants, loans, guarantees, etc.) to ensure that ANSPs are able to sustain their operations with the adequate safety standards.
- **ANSPs long term:** The proposed measures should not look only at the short-term necessities of the ANSPs but also at their long-term operation and financial sustainability. Support must be provided to African ANSPs for resolving their ANS infrastructure deficiencies and the shortcomings in qualified personnel for ANSPs and aerodrome operators in Africa. Moreover, the acquisition of new equipment, or the introduction of new technologies (i.e. SBAS), would also contribute to the reduction of expenses for airlines. The cooperation with private investors (possibly via PPPs) could also help to fund the new investments.
- **African ANSPs integration:** The integration of African ANSPs has been widely discussed. It is regarded as one of the measures that should help boost the regional cooperation and provide a more efficient navigation system.. A regional and finally a continental approach would enable optimization of ANS costs which will strategically sustain the transformation of air navigation obstacles to traffic growth, into air transport development enablers.

Specific measure for Aviation Authorities and Regulators

- **Support to Aviation Authorities and Regulators:** Ensure the adequate financing—via government grants or loans if required—to those civil aviation authorities and regulators that could be affected by the drop of traffic volumes (in case they are directly financed through specific charges).
- **Develop institutional frameworks that promote private participation:** Aviation operators (airports and ANSP) function should be clearly separated from the regulatory function. Aviation partners should support African States in the implementation of the optimal institutional frameworks adapted to their particular national environments. Clear strategies should be designed to guarantee the financial sustainability and economic oversight of all institutional entities when separating functions. Regulatory initiatives aimed at easing private investments and at establishing a framework in which air transport investors are willing to invest, will be key for developing a Public-Private Partnership at African airports and for transforming African ANSPs into public autonomous companies, thus ensuring the adequate financing to regulators.

3.2 Enhance the efforts towards the liberalization of air transport in Africa

The global impact of the Covid-19 pandemic has highlighted the importance of international cooperation in the current global economy, and has shown that states running by themselves will not succeed neither in the fight of the pandemic, nor in the post-crisis recovery. In this context, the need to progress on the implementation of SAATM has acquired even more relevance, and African states still reluctant to liberalize their skies should become aware of the importance of accelerating this process.

- **Granting interim traffic rights:** The collapse of some airlines—or their downsizing—will undoubtedly impact the resumption of flights in particular routes, specifically those with the lowest traffic volumes and lack of competition (narrow domestic or regional markets). Granting interim traffic rights to airlines willing to operate specific routes—even if not included in the BASAs—should allow countries to maintain domestic or regional connectivity. Typically, countries could grant 5/7/8th and even 9th air freedom rights to foreign airlines willing to operate specific services that have been interrupted.
- **Enforce SAATM measures and guarantee market openness:** An effort to boost the implementation of the SAATM, as an African Union flagship project part of its Agenda 2063, will be required and individual initiatives of states trying to adopt regressive protectionist measure should be avoided. Advocacy will be key in this situation, but specific financing should also be provided to support the institutions pursuing the SAATM (particularly the AFCAC). Financial and technical support will also be key to help states properly address the liberalization of air transport and thus guarantee the correct implementation of the Yamoussoukro Decision.
- **Relaxation of Visas requirements:** Another hinder to the smooth recovery of intra-African air traffic and the subsequent growth are restrictive visa policies that various African countries continue to impose to the counterparties. In this sense, it is of particular importance to maintain progress with initiatives such as the African passport and the Protocol of Free Movement of Persons in Africa (an AUC flagship project), as it could mean a major boost in the post-COVID traffic recovery. This initiative should also be one of the pillars to set up the new African aviation industry.

3.3 Develop forward motion to an optimal and coherent regulatory framework

Initial efforts have been focused on the survival of the industry by injecting cash into the different stakeholders, in order for them to cope with the fall on revenues. However, measures should also address regulatory burdens (i.e multiple AOC requests at different countries, pilots and other personnel re-certification, maintenance and training regulation heterogeneity...) that are hindering the smooth recovery of air operations. Moreover, regulators will need to look at the future by setting the bases of the new African aviation industry; one that will require an effort to progress with the harmonization of the regulation at a continent level, towards a more efficient aviation ecosystem and the reduction of exogenous costs on airlines. African States should implement a robust regulative framework for their airlines, pursuant to international conventions' requirements, promoting effective safety levels and allowing cross-border investments and foreign investment in local airlines—with no restriction on ownership and control as long as the principal place of business is an African country. The implementation of smarter taxation regulations on African airlines will also contribute to their survival and reinforcement. All those changes will contribute to boost the recovery of traffic in the medium-term and will make the sector more resilient to future crisis.

- **Extension of certificates expiry and training certificates:** Airlines are requesting regulatory flexibility in the extension of expiry dates and the validity of corporate and staff certificates/licences. This measure should reduce operational and financial burdens to airlines during periods where the renewal of those permits is hampered.

- **Slot restriction waivers:** Waiving slot rules has been one of the main requests of airlines, especially those operating in congested airports where slots have a very high value. That measure should allow airlines to maintain their airports slots despite not operating an enough number of flights during an IATA season (historical rules). Nevertheless, the impact of the measure in Africa would be only relevant in airports where slots shortage was already problematic (i.e. Casablanca or airports with a high concentration of operations in a determined peak hour).
- Take the **opportunity** to boost the **harmonization of regulations at a regional level:** The measures need to complement the SAATM (which is focused on market openness and access to traffic rights) by launching pan-African regulations that different states and civil aviation authorities should adopt. These regulations should include aspects such as safety and its oversight (aligned with ICAO SARPs), mutual recognition of AOCs, staff licences, maintenance organizations, etc. This measure would contribute in setting the bases of the new African aviation industry, by contributing to the reduction of airlines costs and bureaucratic burdens. Regional harmonization could also be a step towards a continental harmonization.
- **Ownership rules:** In the context of liberalization, Airlines need to levy more equity so that to sustain their growth. It becomes a challenge to source funds only on domestic financial markets with ownership restrictions. Easing ownerships rules, especially in terms of airlines, is key to allow the inflow of private investment in the industry and managerial capabilities. States are reluctant to leave the control of national airlines to international private investors, but rules need to be relaxed to allow for greater levels of private and foreign investment.
- **Reduction of (airport and ANSP) fees and charges:** African aviation stakeholders should cooperate at a continental level to reduce airport and air navigation fees and charges levels imposed on African airlines. Governments and service providers (airports and ANSPs) need a balanced taxation level, setting a trade-off between infrastructure investment recovery and service providers' financial sustainability and a reduction on the airlines' operating expenses. The adoption of competitive taxations' levels in airport and air navigation taxes and charges will enable airlines to reduce the airfares. To this end, Airports and ANSPs should obtain new sources of financing for their infrastructure development projects, reducing their dependency on the aeronautical revenues.
- **Review of the taxation framework on Aviation:** African States should implement smarter taxation regulations on International aviation based on ICAO's policies on taxes and charges. In addition to the air navigation and airport charges, Civil Aviation Authorities impose several additional charges. These taxes are commonly high and many times are not perceived to effectively support the provision of any service or added value for airlines or passengers.. In this sense, governments shall take efforts to deliver smarter taxation regulation, finding a reasonable level of taxations that both enables a reduction on the airlines' operating expenses and thus on the airfares while are used to finance the civil aviation regulative and administrative bodies. In particular, taxations non-related to the aviation industry should be revised.
- **Liberalise the entrance of more service providers into African airports, strengthen the aeronautical industry and promote capacity building:** African airlines' operating expenses are heavily impacted by the costs for auxiliary services, which are higher than in other regions. Fuel unit costs or higher costs for ground handling services at airports may be common examples of that. On top of that, African airlines also experience insurance premiums and maintenance costs that are higher than the world average. The main reasons behind these costs are diverse but in short, it could be concluded that they are caused by the limited offer of services and low levels of competition.

3.4 Recover passengers confidence and attract airlines

As countries continue to ease the lockdown measures and lift restrictions to international travellers, recovering the confidence of passengers will be key for a smooth resumption of travel. Passengers should feel confident in regard to aviation safety and should be assured that the rules to access other countries are clear and will not cause any disruption. In the case of tourists, they should also need to feel comfortable with flying to determined destinations, and these should consequently be regarded as safe places. Another important issue to be addressed is the need to attract airlines back to airports, as they will be very conservative with the redeployment of their networks.

- **Coordinated approach to open borders - Implement testing and avoid quarantines:** As countries are progressively lifting border closures, the main industry players (mainly IATA and ACI) are advocating for coordinated approaches towards restrictions for international travel. Both associations argue that passengers need certainty and confidence during their international travels without experiencing any unexpected problems. Viewed this way, they propose to establish standard testing procedures at origin airports to assure all countries that passengers arriving in international flights may be accepted without assuming any risks. The measure will also assure passengers that they will not experience any problems at their destinations.

Several airlines and airports are already offering travellers the possibility to be tested at discount prices, but they also call for public entities to contribute to the costs associated to the measure. As an example, Heathrow is offering passengers quick tests at a cost of £80.

- **Promotional campaigns - Aviation:** Recovering the confidence of passengers is currently one of the main efforts of airlines and industry stakeholders (including IATA) are undertaking. Those campaigns aim at presenting aviation as a safe environment if adequate measures are in place (wearing masks, ventilation, social distancing, etc.). In Africa's case, showing that airlines and airports have adopted sanitary measures that guarantee the control of the virus is of the utmost importance. It is also important to launch actions that show the continent tourism spots as safe destinations, boosting the recovery of this traffic segment.
- **Economic incentives for traffic recovery:** One of the main challenges that countries and airports will face in the recovery stages will be to re-attract airlines, since these will need to reassess their entire network and adapt them to a new reality. In this regard, the role of airports and their route development committees will be particularly crucial to smooth out the resumption of flights. However, and taking into account the efforts that airports have already put into supporting the industry, they will require support to put in place the incentive schemes that will facilitate the return of airlines. To this extent, external financing would help to share the costs of these measures.

3.5 Summary and classification of the measures to be explored

A classification of all measures according to the main beneficiary and their time horizon is here below provided according to their time horizon:

- **Short-term measures:** Measures that should be implemented until 2022, and that are aimed at sustaining the industry. It is important to note that some of these might have already been applied. The period during which these measures are necessary will vary depending on the evolution of the crisis and on the recovery pace of every market.
- **Mid/long-term measures:** Measures required to sustain the long-term viability of the business, and to create the adequate framework to set-up the new African aviation industry. These consist of structural changes that should act as catalysts during the post-crisis recovery stages.

In the short-term, the severity of the crisis requires prompt actions, and any delay in the implementation of the different measures, or the inclusion of very restrictive conditions, could lead to the potential collapse of several companies. On the other side, measures implemented in the medium/long-term will allow more restrictiveness, evaluating their long-term sustainability on a case-by-case basis, and focusing efforts on those companies that present feasible and realistic business plans.

<i>Beneficiary</i>	Short-term measures	Mid/Long-term measures
Airlines	<p><i>Objective of the measures:</i> Support the continuity of the business, guarantee air connectivity</p> <p><i>Measures to explore:</i></p> <ul style="list-style-type: none"> - Direct cash injection via equity, loans, guarantees, etc. - Support the reduction of operational expenses, including tax waivers - Finance health measures and protocols - Extend certificates validity and waiver of slots rules - Granting interim traffic rights - Finance promotional campaigns - Economic incentives for traffic recovery - Coordinated approach to open borders <ul style="list-style-type: none"> - Implement testing and avoid quarantines 	<p><i>Objective of the measures:</i> Create the framework to sustain the long-term viability of African airlines</p> <p><i>Measures to explore:</i></p> <ul style="list-style-type: none"> - Harmonize regulations - Implement SAATM fully - Ease airline ownership rules - Relax visa requirements between African countries - Liberalize airport services - Finance airlines fleet direct purchase or leasing operations - Economic incentives for traffic recovery - Reduction of airport and ANSP fees and charges - Implement structural measures to reduce exogenous operational expenses - Apply a smarter tax regulation framework - Provide support to African airlines in order to strengthen their business management

<p>Airports</p>	<p>Objective of the measures: Support the continuity of the business, guarantee air connectivity</p> <p>Measures to explore:</p> <ul style="list-style-type: none"> - Re-finance debt or defer loan payments to the government - Finance health measures and protocols - Withhold dividend payments - Finance promotional campaigns - Coordinated approach to open borders <ul style="list-style-type: none"> - Implement testing and avoid quarantines 	<p>Objective of the measures: Adapt infrastructure project to future needs and modernize the governance of the sector</p> <p>Measures to explore:</p> <ul style="list-style-type: none"> - Rationalize investments on expansion plans (re-evaluate CapEx) - Revise airport concessions - Promote private investment (PPPs) - Adequate planning of infrastructure enhancement projects
<p>ANSPs</p>	<p>Objective of the measures: Support the continuity of navigation air services to ensure the safety of the airspace</p> <p>Measures to explore:</p> <ul style="list-style-type: none"> - Support the financial efforts being made by ANSPs for other stakeholders 	<p>Objective of the measures: Improve the technologies and the operational framework</p> <p>Measures to explore:</p> <ul style="list-style-type: none"> - Finance technologies that may lead to the reduction of charges in the future - Work towards the integration of African ANSPs
<p>Aviation Authorities, Regulators, Others</p>	<p>Objective of the measures: Support the continuity of other aviation stakeholder's businesses and interests</p> <p>Measures to explore:</p> <ul style="list-style-type: none"> - Support the immediate financial needs of aviation authorities and regulators 	<p>Objective of the measures: Guarantee the financial sustainability and economic oversight of all institutional entities</p> <p>Measures to explore:</p> <ul style="list-style-type: none"> - Develop institutional frameworks that promote sustainable financing schemes in the –long-term

4 General guidelines to focus the AfDB support measures

Section to be drafted based on the outcomes of the high-level conference

5 The Way Forward

Section to be drafted based on the outcomes of the high-level conference

5.1 Short-term: “Survival and contingency measures”

5.2 Medium-term: “Set the bases of the new African transport industry”



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