AIR TRANSPORT ANNUAL REPORT
End extreme poverty within a generation and boost shared prosperity.
The World Bank Group (WBG) is an important source for financial and technical assistance to developing countries through the provision of low-interest loans, grants, credits, and advisory services.

In Fiscal Year 2013 (FY13), the World Bank’s Air Transport Portfolio amounted to US$1.36 billion, an increase of 9.6% from Fiscal Year 2012 (FY12). The Air Transport segment makes up over 3% of the WBG’s $43 billion Transport portfolio. The WBG’s FY13 Transport portfolio is approximately 19% of the WBG’s active portfolio of $227 billion (excluding MIGA).

The FY13 portfolio includes approximately 30 projects or project components in five World Bank regions through the operations of the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA), as well as the International Finance Corporation (IFC)’s portfolio of lending and investment advisories in the aviation sector.

A particular highlight in FY13 was the approval of a US$50 million IBRD loan to China to improve airline connectivity in the Northeastern Jiangxi Providence and to demonstrate the environmental sustainability of the development and operation of the Shangrao Sanqingshan Airport.

A key ongoing project is the Pacific Aviation Investment Program, which was launched in FY12. The project’s current implementation covers Tonga, Kiribati, and Tuvalu, while subsequent phases will expand to Vanuatu, Samoa and the Solomon Islands.

The World Bank continues its active engagements in other regions, particularly in Africa, where the majority of projects are currently being implemented. The WBG has ongoing commitments in a number of countries including Tanzania, Burkina Faso, and the Democratic Republic of Congo. The focus of these projects is primarily on safety, infrastructure rehabilitation, institutional strengthening, and capacity building.

The IFC’s Air Transport portfolio in FY13 is $592 million, a decrease of 6% from FY12. However, several new commitments were made in Cote d’Ivoire, Jamaica, and Nepal. IFC Advisory Services also continued activities initiated in FY12.

MIGA has been involved in the air transport sector through the issuance of guarantees for two airport projects in Ecuador and Peru.

World Bank staff continue to represent the organization externally at various air transport conferences and events, notably the World Routes Strategy Summit 2012 in Abu Dhabi, which was co-organized by the WBG, ICAO, and Routes.

Research and knowledge generation activities continue to be a critical function of the WBG’s Transport Anchor. A current focus is on Low-Cost Carriers (LCCs) and the opportunities and potential impact they can have in developing countries.

Finally, the worldwide recovery of the airline industry brought solid growth in air services to many emerging markets in 2013. This, however, entails the need for infrastructure improvements to meet demand, improved regulatory oversight to ensure safety and security, and the facilitation of required fleet renewal for many airlines in developing countries to remain competitive. The WBG is addressing these challenges of its client countries in Fiscal Year 2014.
This report benefited from the knowledge and expertise of a number of staff members across the World Bank Group.

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**ACKNOWLEDGEMENTS**
The global air transport industry has recovered from the losses in earlier years and is forecasting an estimated US$12.9 billion profit for 2013. The key drivers, according to IATA, were improvements to the industry’s structure and lower jet-fuel prices. However, the industry’s 1.8% net profit margin in 2013, and 2.6% expected for 2014, remain below the weighted cost of capital. As such, investments in airlines still remain risky and unprofitable for shareholders. Moreover, profits depend to a large extent on the cost of jet fuel, a factor which cannot be controlled by airline management.

On the other hand, never before has air transportation played such a crucial role for global economic development. Over 3 billion passengers have been transported globally last year by an industry that achieved a new safety record. Global trade and the integration of emerging markets depend more than ever on sustainable air services. The tourism sector, which contributes about US$2 trillion to global GDP, hinges on air transportation as 51% of international tourists now travel by air. These tourists generated US$1.3 trillion dollars in exports for the countries they visited, close to 6% of the world’s exports of goods and services or 30% of service exports alone.

Cargo demand, however, has remained stagnant, with airlines having transported 51.6 million tons in 2013. The industry sees the reasons in “on-shoring” of production, which is decreasing cargo business. This seems to be driven by the rise in protectionist measures by governments aiming to stimulate domestic economies, and the rise of labor costs in previously low labor-cost locations.

Emerging and developing countries have experienced strong growth in 2013. While air traffic in terms of available seat kilometers (ASK) grew modestly in the US and Europe, strong growth of over 12% was maintained in the Middle East and China, as well as 7.4% in Latin America, while traffic in Africa and the Asia-Pacific Region grew at 5.2%.

Continued growth is forecasted in emerging countries, which requires investments in airport and air traffic control infrastructure. However, the industry remains vulnerable, especially to rising fuel cost and sudden economic downturns. Airline fleet renewal, international alliances, and effective yield management are necessary to weather future downturns. Governments, finally, need to continue to liberalize and facilitate the sector, while ensuring safety and security through compliant regulatory oversight.

Against this backdrop, the World Bank Group (WBG) is supporting its client countries in the development of a sustainable air transport sector. The focus remains on safety, security, and affordability of air transport services, as well as on sustainability of the industry through green growth of aviation. The WBG continues to support the development of the sector through critical investments in public and private projects, investment guarantees, advisory services, technical assistance, and research projects.

Dr. Charles E. Schlumberger
The WBG is a source for financial and technical assistance to developing countries through low-interest loans, credits, and grants. In Fiscal Year 2013, the World Bank’s Air Transport Portfolio is around US$1.36 billion. This included around 30 projects or project components through the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA), as well as the International Finance Corporation (IFC)’s portfolio of lending and investment advisories in the aviation sector.

<table>
<thead>
<tr>
<th>Active Projects</th>
<th>IBRD</th>
<th>IDA</th>
<th>IFC</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions USD)</td>
<td>FY13</td>
<td>FY12</td>
<td>Change</td>
<td>FY13</td>
</tr>
<tr>
<td>WBG Total Active Portfolio</td>
<td>103,049</td>
<td>105,134</td>
<td>-1.98%</td>
<td>74,473</td>
</tr>
<tr>
<td>WBG Active Transport Portfolio</td>
<td>26,842</td>
<td>26,855</td>
<td>-0.05%</td>
<td>13,491</td>
</tr>
<tr>
<td>Transport % of Total Active Portfolio</td>
<td>26.05%</td>
<td>25.54%</td>
<td>0.50%</td>
<td>18.12%</td>
</tr>
<tr>
<td>Air Transport Active Projects</td>
<td>325.20</td>
<td>277.2</td>
<td>17.32%</td>
<td>446.78</td>
</tr>
<tr>
<td>% of Total Active Portfolio</td>
<td>0.32%</td>
<td>0.30%</td>
<td>0.02%</td>
<td>0.60%</td>
</tr>
<tr>
<td>% of Total Transport Portfolio</td>
<td>1.21%</td>
<td>1.00%</td>
<td>0.21%</td>
<td>3.31%</td>
</tr>
</tbody>
</table>

Note: Excluding the Multilateral Investment Guarantee Agency (MIGA)
IBRD AND IDA PROJECTS

Active Air Transport Projects in FY13: IBRD and IDA invest in a number of air transport projects worldwide focusing on regulatory reform, capacity building and infrastructure investments.
<table>
<thead>
<tr>
<th>Country</th>
<th>Project Name</th>
<th>Description</th>
<th>Project Code</th>
<th>Project Total</th>
<th>Aviation Component</th>
<th>Product Line</th>
<th>Status</th>
<th>End-of-June 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin, Senegal</td>
<td>P105803 Project 1: West and Central Africa Air Transport Phase I</td>
<td>Improve compliance and security standards</td>
<td>P105803</td>
<td>15.0</td>
<td>2.7</td>
<td>IDA Grant, IDA Credit</td>
<td>Closed</td>
<td></td>
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<tr>
<td>Burkina Faso</td>
<td>P106566 Project 2: Burkina Faso Donor Transport Infrastructure Project</td>
<td>Technical assistance for new Ouagadougou Airport</td>
<td>P106566</td>
<td>35.6</td>
<td>1.7</td>
<td>IDA Credit</td>
<td>Active</td>
<td></td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>P089375 Project 3: West and Central Africa Air Transport Safety &amp; Security Project</td>
<td>Improve capacity building, institutional capacity building, and support of national aviation</td>
<td>P089375</td>
<td>35.6</td>
<td>1.7</td>
<td>IDA Credit</td>
<td>Active</td>
<td></td>
</tr>
<tr>
<td>Cape Verde</td>
<td>P124056 Project 4: Cape Verde Transport Sector Reform Project</td>
<td>Institutional capacity building, technical assistance, and support of national aviation</td>
<td>P124056</td>
<td>19.0</td>
<td>2.1</td>
<td>IDA Credit</td>
<td>Active</td>
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<tr>
<td>Democratic Republic of Congo</td>
<td>P092537 Project 5: Multi-Modal Transport - Additional Financing</td>
<td>Improve transport connectivity and support economic integration in the region</td>
<td>P092537</td>
<td>255.0</td>
<td>25.5</td>
<td>IDA Grant</td>
<td>Active</td>
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<tr>
<td>Kenya</td>
<td>P124109 Project 6: Multi-Modal Transport - Additional Financing</td>
<td>Enhance aviation security and safety, and improve institutional capacity</td>
<td>P124109</td>
<td>180.0</td>
<td>9.0</td>
<td>IDA Grant, IDA Credit</td>
<td>Active</td>
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<tr>
<td>Nigeria</td>
<td>P100785 Project 7: West and Central Africa Air Transport Safety &amp; Security Project</td>
<td>Institutional capacity building, technical assistance, and support of national aviation</td>
<td>P100785</td>
<td>253.0</td>
<td>48.1</td>
<td>IDA Credit, IDA Grant</td>
<td>Closed</td>
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<tr>
<td>Sierra Leone</td>
<td>P130568 Project 8: Sierra Leone Infrastructure Rehabilitation at Freetown Airport</td>
<td>Institutional capacity building, safety, and security improvements at major airports</td>
<td>P130568</td>
<td>11.0</td>
<td>2.8</td>
<td>IDA Credit, IDA Grant, IDA Credit</td>
<td>Closed</td>
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<tr>
<td>COUNTRY</td>
<td>PROJECT CODE</td>
<td>PROJECT NAME</td>
<td>DESCRIPTION (Aviation Component)</td>
<td>WBG COMMITMENT (USD millions)</td>
<td>PRODUCT LINE</td>
<td>STATUS (End-of-June 2013)</td>
<td></td>
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<tr>
<td>Sierra Leone</td>
<td>P078389</td>
<td>Sierra Leone Infrastructure Development Project (Transport)</td>
<td>Infrastructure rehabilitation at Freetown Airport</td>
<td>44.0</td>
<td>IDA Grant</td>
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<tr>
<td>Tanzania</td>
<td>P055120</td>
<td>Transport Sector Support Project</td>
<td>Rehabilitation and extension of regional airports</td>
<td>270.0</td>
<td>IDA Credit</td>
<td>Active</td>
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<tr>
<td>Tanzania</td>
<td>P126206</td>
<td>Transport Sector Support - Additional Financing</td>
<td>Expand capacity of regional airports; improve operational safety</td>
<td>59.0</td>
<td>IDA Credit</td>
<td>Active</td>
<td></td>
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<tr>
<td>Tanzania</td>
<td>P103633</td>
<td>Second Central Transport Corridor</td>
<td>Improve Zanzibar Airport facilities and build capacity</td>
<td>190.0</td>
<td>IDA Credit</td>
<td>Active</td>
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<td></td>
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<tr>
<td>China</td>
<td>P123729</td>
<td>China - Shangrao Sanqingshan Airport Project</td>
<td>Improve airline connectivity and environmental sustainability of development and operation of the Shangrao Sanqingshan Airport</td>
<td>50.0</td>
<td>IBRD Loan</td>
<td>Active</td>
<td></td>
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<tr>
<td>Kiribati</td>
<td>P128938</td>
<td>Pacific Aviation Investment - Kiribati</td>
<td>Infrastructure investment, sector reform and training, and strengthening airport operations and management capacity</td>
<td>22.9</td>
<td>IDA Grant</td>
<td>Active</td>
<td></td>
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<tr>
<td>Pacific Islands</td>
<td>P145057</td>
<td>Pacific Aviation Safety Office Reform</td>
<td>Strengthen the Pacific Aviation Safety Office’s technical and coordination capacity</td>
<td>2.2</td>
<td>IDA Grant</td>
<td>Pipeline</td>
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<td>Samoa</td>
<td>P143408</td>
<td>Samoa Aviation Investment Project</td>
<td>Improve operational safety and oversight</td>
<td>25.0</td>
<td>IDA Grant</td>
<td>Pipeline</td>
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<tr>
<td>Solomon Islands</td>
<td>P143906</td>
<td>Solomon Islands Aviation Investment Project</td>
<td>Improving regional aviation safety and security; technical advisory services and institutional strengthening</td>
<td>-</td>
<td>IDA Grant</td>
<td>Pipeline</td>
<td></td>
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<td>Tonga</td>
<td>P128939</td>
<td>Pacific Aviation Investment - Tonga</td>
<td>Infrastructure investment, sector reform and training, and strengthening airport operations and management capacity</td>
<td>27.2</td>
<td>IDA Grant</td>
<td>Active</td>
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<tr>
<td>Tonga</td>
<td>P096931</td>
<td>Tonga Transport Sector Consolidation Project</td>
<td>Improve safety and security compliance; provide technical assistance to CAA</td>
<td>5.4</td>
<td>IDA Grant</td>
<td>Active</td>
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<tr>
<td>Tuvalu</td>
<td>P128940</td>
<td>Pacific Aviation Investment - Tuvalu</td>
<td>Infrastructure investment, sector reform and training, and strengthening airport operations and management capacity</td>
<td>11.9</td>
<td>IDA Grant</td>
<td>Active</td>
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<tr>
<td>Vanuatu</td>
<td>P133454</td>
<td>Pacific Aviation Investment - Vanuatu</td>
<td>Improve operational safety and oversight</td>
<td>20.0</td>
<td>IDA Credit</td>
<td>Pipeline</td>
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<tr>
<td>COUNTRY</td>
<td>PROJECT CODE</td>
<td>PROJECT NAME</td>
<td>DESCRIPTION</td>
<td>WBG COMMITMENT (USD millions)</td>
<td>PRODUCT LINE</td>
<td>STATUS (End-of-June 2013)</td>
<td>PROJECT TOTAL</td>
<td>AVIATION COMPONENT</td>
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<tr>
<td>Grenada, St. Vincent, and the Grenadines</td>
<td>P1179771</td>
<td>Regional Disaster Vulnerability Reduction Project (ARDVR)</td>
<td>Improve emergency response capability</td>
<td>20.9</td>
<td>IDA Credit</td>
<td>Active</td>
<td>109.5</td>
<td>5.5</td>
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<tr>
<td>Haiti</td>
<td>P1307198</td>
<td>National Roads and Airport Infrastructure Project (NRAIP)</td>
<td>Infrastructure development, improve safety, security and operations at international airports</td>
<td>36.0</td>
<td>IDA Credit</td>
<td>Active</td>
<td>5.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Haiti</td>
<td>P1467968</td>
<td>Regional Disaster Vulnerability Reduction Project (ARDVR) + Additional Financing</td>
<td>Improve emergency response capability</td>
<td>1.66</td>
<td>-</td>
<td>Active</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Guatemala</td>
<td>P145325</td>
<td>Guatemala Transport and Logistics</td>
<td>Non-Lending Technical Assistance (NITA), could include airport design study, evaluation of safety, oversight, energy review, etc.</td>
<td>-</td>
<td>AAA</td>
<td>Active</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Egypt</td>
<td>P101201</td>
<td>Cairo Airport Development Project, Phase II</td>
<td>Build capacity of Cairo International Airport; rehabilitation of Terminal Building 2; safety and security</td>
<td>280.0</td>
<td>IBRD Loan</td>
<td>Active</td>
<td>277.2</td>
<td>6.0</td>
</tr>
<tr>
<td>Yemen</td>
<td>P08635</td>
<td>Port Cities: Development Project, Phase II</td>
<td>Improve efficiency and rehabilitation of Mukalla Airport</td>
<td>35.0</td>
<td>IDA Credit</td>
<td>Active</td>
<td>6.0</td>
<td>-</td>
</tr>
<tr>
<td>Pakistan</td>
<td>P101684</td>
<td>Trade and Transport Facilitation Project</td>
<td>Restructuring and modernization of transport and logistics</td>
<td>25.0</td>
<td>IDA Credit</td>
<td>Closed</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Middle East &amp; North Africa</td>
<td>P101684</td>
<td>Low-Cost Carriers: Opportunities and Impact in Developing Countries</td>
<td>Economic Sector Work (ESW) report focusing on the opportunities and impact of low-cost carrier (LCC) operations</td>
<td>-</td>
<td>-</td>
<td>Active</td>
<td>-</td>
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<tr>
<td>Latin America and Caribbean</td>
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<tr>
<td>South Asia</td>
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<tr>
<td>Global</td>
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</tbody>
</table>

**IBRD AND IDA PROJECTS**
IBRD and IDA: Project Highlights

AFRICA

BURKINO FASO, CAMEROON, GUINEA, MALI, NIGERIA, BENIN, SENEGAL

West and Central Africa Safety and Security Project (P083751, P100785, P108583)

The regional project called “West and Central Africa Air Transport Safety and Security Project” (WCAATSSP) comprised three phases through a horizontal Adaptable Program Loan (APL). Phase I was launched in FY08 and included Burkina Faso, Cameroon, Guinea and Mali, with an overall allocation of US$35.67 million. Phase II-A of the program was initiated in FY09 and included Nigeria’s participation in the program for an amount of US$46.65 million. Phase II-B was effective in FY09 and included Benin and Senegal, for an amount of US$16.57 million.

The overarching objectives of the project are to (i) improve the Civil Aviation Authority’s (CAA) compliance with International Civil Aviation Organization (ICAO) safety standards; (ii) increase CAA’s compliance with ICAO’s security standards; and (iii) enhance the main international airports’ compliance with ICAO’s security standards.

Phases II-A and II-B of the project close in FY13, and Phase I will close in FY14. Phase II-B’s outcomes was “Moderately Unsatisfactory” in its completion report, and Phase II-A’s completion report is still in progress. It should be noted that significant progress was made in both Phase II-B countries, however since the outcomes indicators for the project, as outlined in the approved results framework, put more weight on ICAO audit recommendations, these could not fully capture the overall positive developments that took place as a result of the project.

This observation is applicable for the two other phases of the program as well.

The most notable achievement of the whole program was Nigeria’s reception of a US Federal Aviation Administration (FAA) International Aviation Safety Assessments (IASA) Category 1 rating in August 2010. This means that the Nigerian Civil Aviation Authority is capable of enforcing international air safety standards set by ICAO for aircrafts operation and maintenance, and that the country has the laws and regulations necessary to oversee air carriers in accordance with minimum international standards. As a result, Nigeria’s registered carriers, such as Arik Air, can now offer direct flights to the USA for the first time in nearly 30 years.

Burkina Faso is currently preparing itself to get similar approval, as the project helped the government to significantly improve safety and security at Ouagadougou’s international airport, and was also helpful in strengthening their CAA, which is now autonomous.

For Phase I, which is the only project still active during the year 2013, all the agreed activities have been completed. As scheduled, the project closed at the end of FY13 for three countries (Burkina Faso, Cameroon, and Mali) and will close at the end of FY14 for Guinea: this additional time will allow the Government to finalize the setting up of its autonomous CAA. The regional project has disbursed more than 99% of its total funds.

In the four countries participating in Phase I, robust training for the CAA and airport staff, the financing of security equipment at the international airports (mainly scanning devices), the financing of various works and vehicles at the airports, has meant that patrolling is helping secure the airport area, security controls have significantly improved the way people are operating within those airports, and technical staff’s skills in safety and security oversight have drastically improved. The most noticeable impacts are: (i) the entrance of foreign air carriers serving the region. Trends indicate that carriers are more satisfied with the changes at the airports in terms of investment and operations; (ii) the increase in passengers and cargo traffic (more than two-thirds since the project began implementation at the end of 2006), and (iii) the decrease in air transport fares (although this requires further analysis and research to be validated, the project’s coordinators for the four countries unanimously agreed that this is the case).

From a regional point of view, the project team could establish close cooperation with sub-regional organizations (especially, the UEMOA, the Banjul Accord countries - that is, Non-UEMOA countries within ECOWAS, the ECOWAS, and the CEMAC countries), especially those who were in charge of ICAO’s Cooperative Development of Operational Safety and Continued Airworthiness Program (COSCAP). As a result of more cooperation, further integration of technical standards can be reached. Moreover, the World Bank team is also working closely with ICAO at the regional level, and organized a joint mission in Guinea to reinforce their common recommendations.

Despite the positive results achieved so far, sustained commitment and effort from each country government will be required to ensure continued progress moving forward. In particular, it has been demonstrated that only strong CAAs (i.e., CAAs that are financially and administratively autonomous) can ensure efficient safety and security oversight.

Contact person is Noroarisoa Rabefaniraka at: nrabefaniraka@worldbank.org
FIH, (iii) two studies on the development of airports for the capital’s international airport Kinshasa/N’Djili airports, (ii) a new category II ILS/VOR/DME system ment by the National Airways Management Agency/ment and installation of ADS
The funds finance (i) the procure-
ment and (4) project management.

The project’s main objectives are to (i) improve transport connectivity in the DRC, (ii) to restore Société Nationale des Chemins de Fer du Congo (National Railway Company of DRC – SNCC) financial and operational viability, and (iii) to strengthen transport state-owned enterprises (SOEs) operational performance.

The project’s four main components include: (1) SNCC recovery plan, (2) operational performance strengthening and improved governance of the sec-
tor, (3) international trade procedures simplification, and (4) project management.

US$15 million of the project grants is dedicated to the aviation sector. The funds finance (i) the procurement and installation of ADS-B surveillance equip-
ment by the National Airways Management Agency/ Regie des Voies Aeriennes (RVA) who is in charge of airports, (ii) a new category II ILS/VOR/DME system for the capital’s international airport Kinshasa/N’Djili (FIH), (iii) two studies on the development of airports in the country (one on freight development at FIH, and one on secondary airports), (iv) training for RVA personnel in air traffic control, airport rescue and firefighting services, and (v) the strengthening of the National Civil Aviation Agency who is in charge of sector regulation.

Key parts of the aviation sector activities have been implemented. Despite delays in procurement and in expected reforms, significant progress is taking place, including on the provision of equipment and the car-
ying out of studies. A technical assistance contract to be financed by the Government has also been signed with a private operator for strengthening the management of RVA. Many of the numerous studies under this component have now started or are about to start in the near future.

Project indicators show that a significant reduction in average annual number of Air Traffic System (ATS) incidents related to failed communications has been achieved.

Contact person is Jean-Charles Crochet at: jcrochet@worldbank.org

KENYA

Transport Sector Support Project (P124109, P146630) and Northern Corridor Transport Improvement Project (P082615, P106200)

A $300 million IDA commitment was approved in 2011 for the Transport Sector Support Project in Ken-
y. The project’s objective is to increase the efficien-
cy of road transport, raise aviation safety and securi-
ty at Kenya’s airports to international standards, and improve the institutional arrangements and capacity of the transport sector.

The aviation component of the project entails provid-
ing support to the Kenya Civil Aviation Authority (KCAA) in regulatory capacity building and through specific investments in navigation aids and training equipment. In addition, support to Kenya Airports Authority (KAA) will include provision of a new bag-
gage-handling system at Jomo Kenyatta International Airport (JKIA), and capacity building and training of manpower in safety, security, and airports manage-
ment.

As planned under the project, the Government of Kenya agreed to the restructuring of the KCAA by separating the oversight function from its service provision responsibilities; both KAA and KCAA have been given financial autonomy and now retain reve-
enues generated. As part of this process, KCAA has increased the pay packages for key flight safety oper-
ations staff, which is critical for carrying out its over-
sight function. Furthermore, KAA has taken over the responsibility of screening passengers and baggage from the Kenyan police. A consultant has been se-
lected and is assisting in the restructuring process, with the exercise expected to be completed in De-
cember 2014. Overall, support to KAA has been de-
layed due to the lengthy time it has taken to con-
clude co-financing agreements with the French De-
velopment Agency (AFD), the main co-financier.

A fire incident in JKIA in August 2013 caused substan-
tial damage to the passenger terminal facilities, lead-
ing to temporary suspension of operations at the air-
port. JKIA is a central regional hub and together with Kenya Airways, plays a major role in connecting vari-
ous cities within Africa and beyond. The airport han-
dled 300,000 tons of cargo and 6.2 million passen-
gers in 2012, making it the seventh busiest airport in Africa.

The additional financing component of $95 million will help finance activities to restore the capacity of the international passenger terminal destroyed in a fire at JKIA, strengthen KAA in disaster preparedness and responsiveness at Kenyan airports, and fill any unanticipated financing gaps.

Implementation on the Northern Corridor Transport Improvement Project appears to be on track as well, despite some delays. The expansion of apron at JKIA and taxiways has increased the capacity of parking space for aircrafts by 50%, and expanded the capaci-
ty of the runway. The selection of a consultant to up-
date the detailed designs on the remodeling, renova-
tion and expansion of Units 1, 2, and 3 at JKIA has already commenced. The construction of Terminal 4 is ongoing and is nearing completion, and is expected to be operational by the end of June 2014.

Expansion and improvements at Kisumu airport is now complete, and has contributed to the stimula-
tion of economic activities in Western Kenya. Traffic at the airport has grown from 40,000 passengers at the time of appraisal to 300,000 by 2012.

Contact person is Josphat O. Sasia at: jsasia@worldbank.org
In support of Sierra Leone’s National Transport Strategy and Investment Plan (2003-2007) (SLNTP), the World Bank approved a US$44 million credit for the Infrastructure Development Project. The project’s objective was to rehabilitate selected priority roads, port, and airport facilities in Sierra Leone, while also supporting regulatory and institutional reforms to ensure effective management of the country’s road, port, and airport sectors.

The focus of its aviation component was on the rehabilitation of Freetown International Airport and capacity building for its management. This included, among other things, the rehabilitation and strengthening of the runway, with upgrading of turning loops and taxiway entrances to safely accommodate modern aircraft. Through the project, the government has procured and installed power generators, an Instrument Landing System (ILS) and an Air/ Ground Communications System.

The navigation tower equipment has now been installed and is operational. Training for airport employees has been completed and the project has now been closed.

TWITR provided technical advice throughout the preparation of design and bidding documents for the airport infrastructure rehabilitation.

Contact person is Kavita Sethi at: ksethi@worldbank.org

Tanzania

Second Central Transport Corridor Project (P103633)

Approved for a credit of US$190 million on May 27, 2008, the Second Central Transport Corridor Project (CTCP2) in Tanzania aims to support the country’s economic growth by providing enhanced transport facilities that are reliable and cost effective, in line with the National Transport Policy and Strategy. This includes the establishment of the Bus Rapid Transit (BRT) system in Dar es Salaam and the rehabilitation and extension of Zanzibar airport runway.

The Zanzibar airport component (US$ 39.3 million) was implemented successfully between April 2009 and July 2010 and was completed officially on August 3, 2010. The airport’s runway was rehabilitated and extended by 560 meters, from 2462 meters to 3022 meters long. Other works included runway marking, the construction of a perimeter access road, repair and provision of new aeronautical ground lights (AGL), and provision of a new filter drainage system on each side of the runway for the full length.

The project also financed the detailed design for rehabilitation and extension of Zanzibar airport taxiways and apron and technical assistance to the Zanzibar Ministry of Infrastructure and Communication. The apron and taxiway rehabilitation works are ongoing and are being financed under the additional financing credit of IDA’s Transport Sector Support project (TSSP), with an allocation of US$57.23 million for works and supervision. The project improved safety and customer satisfaction and has enabled an increase in the number of commercial regular flights to Zanzibar.

Contact person is Yonas Mchomvu at: ymchomvu@worldbank.org

Tanzania

Transport Sector Support Project (P055120, P126206)

In May 2010, the Bank approved a credit of US$270 million for the Transport Sector Support Project (TSSP) in Tanzania. In support of the Transport Sector Investment Program (TSIP), the project’s goal is the rehabilitation and preparation of designs for part of the paved national road network, and the rehabilitation and/or upgrading of regional airports.

The three works contracts are (i) the paving and rehabilitation of the runway at Kigoma airport (ii) the rehabilitation of the main runway at Tabora airport, as well as (iii) the extension, rehabilitation and paving of the runway and the replacement of the apron, terminal and car parking at Bukoba airport, were signed in FY12.

The project received additional funding (AF) of US$59 million on 30 of June 2011. This prompted the revision of the project development objectives and expanded the scope of the aviation component.

By the end of FY13, the works under the Kigoma and Tabora Airports have been substantially completed and provisionally accepted. Work at the Zanzibar and Bukoba Airports is also progressing well, while the foundation works for Bukoba Airport has already started. The ongoing construction of the passenger terminal and landside facilities in Bukoba is delayed mainly due to delays by TAA in acquiring the sites.

Contact person is Negede Lewi at: nlewi@worldbank.org
IBRD and IDA: Project Highlights

EAST ASIA AND PACIFIC

CHINA

Shangrao Sanqingshan Airport Project (P123729)

A $50 million IBRD commitment for the Shangrao Sanqingshan Airport Project was approved in May 2013. The overall objective of the project is to improve airline connectivity in the northeastern Jiangxi province, as well as demonstrate the environmental sustainability of the development and operation of the Shangrao Sanqingshan Airport.

The first component of the project will cover the airport infrastructure development. This will include the construction and installation of the following: (a) airfield, runway, taxiway, etc. (b) terminal building (c) air traffic control (d) freight facility (e) supporting infrastructure facility, including fuel storage farm, water supply, water supply, power supply, fire stations, heating, storm/water management, parking, fence, etc. (f) environmental management plan (g) land acquisition and rehabilitation (h) auxiliary facility (i) service vehicles (j) storm water reuse system and ground aircraft auxiliary power unit.

The second project component will finance consultant services, studies and training, including advisory services to support the Project Management Office (PMO) and Shangrao Sanqingshan Airport Company Limited (SSAC) on project coordination and monitoring activities. Other activities will include consultant services to develop airport operation model for SSAC and implement Program Support and Training to the Technical and Fiduciary Services Unit (TFSU) to support the Program and Implementing Agent (Tonga Airports Limited) to support the project as necessary.

The program made good progress over the last year, completing the designs of terminals, and commencing the procurement of the runway rehabilitations.

KIRIBATI, TONGA, TUVALU

Pacific Aviation Investment Program (P128939, P128938, P128940)

Based on the successful implementation of the aviation component of the Tonga Transport Sector Consolidation Project, the World Bank approved a grant of US$ 125 Million in December 2011 for the Pacific Aviation Investment Program. The objective of the regional program including Tonga, Kiribati and Tuvalu in Phase One, and Samoa and Solomon Islands in subsequent phases, is to improve operational safety and oversight of international air transport infrastructure in the Pacific.

The main components of the project include: (i) Aviation Infrastructure Improvements in order to meet ICAO standards (ii) Aviation Sector Reform supporting the Civil Aviation Departments/Authorities of each country to strengthen State’s civil aviation system and to assist in the capacity and efficiency of the regional safety oversight agency, the Pacific Aviation Safety Office (PASO) (iii) Strengthening Airport Operations and Management Capacity; and (iv) Program Support and Training to the Technical and Fiduciary Services Unit (TFSU) to implement the Program and Implementing Agent (Tonga Airports Limited) to support the project as necessary.

The design work for ADS/B and the VSAT have made good progress, as have a number of the institutional strengthening activities.

The participating countries are introducing Safety and Security Levy to cover safety and security costs incurred by the airport operator and the CAA. This also includes future fees that will paid to the Pacific Aviation Safety Office for regional safety oversight and certification. The levy is in place for Tonga from July 1, 2013 and is in the process of being implemented in other countries.

In October 2013 a major workshop was held with ICAO and Pacific countries to discuss options for improving the management of the Flight Information Region.

Contact person is Christopher Bennett at: cbennett@worldbank.org

Contact person is Binyam Reja at: breja@worldbank.org
With its remote location, small size, dispersed islands setting and other geographical factors, Tonga faces many challenges in developing and maintaining sustainable internal, regional and international transport and communication linkages, all of which are crucial to the economic development and social well-being of its estimated 105,000 population. Recognizing the key role of transport in the economy and the social fabric of the country, the Government of Tonga (GoT) is committed to improving the efficiency of the sector, a process it commenced in 2004 following a request to IDA to support a joint review of Tonga’s entire transport sector and formulate recommendations for improving sector performance. The Tonga Transport Sector Review (TTSR) was completed in 2005 and many of its recommendations subsequently were adopted by GoT as policy. Actions already taken include, for example, the creation of the Tonga Airports Ltd (TAL) in July 2007 as a corporatized airport company under the Public Enterprises Act.

Consistent with the government’s Strategic Development Plan (SPD8) and the recommendations of the TTSR, GoT requested IDA grant assistance to continue to accelerate the process of reforming and consolidating its transport sector to better respond to both current and future needs. An IDA grant of $US 5.4 million was approved in FY09 that focuses on achieving (i) stronger policy, planning, and regulatory institutions and framework, (ii) improved safety and security facilities and compliance with international safety and security standards, and (iii) greater domestic capacity for road rehabilitation and maintenance. The aviation investments are largely completed with the final two activities—a new fire station and terminal expansion—having commenced construction.

Contact person is Christopher Bennett at: cbennett@worldbank.org
IBRD and IDA: Project Highlights

LATIN AMERICA AND CARIBBEAN

BOLIVIA

National Roads and Airport Infrastructure Project (P122007)

The Bolivia National Roads and Airport Infrastructure Project supports road infrastructure improvement in the department of La Paz and the upgrading of airport infrastructure and equipment in the town of Rurrenabaque in Beni.

The investment is being used for the construction of a new taxiway, apron, control tower, operations building, rescue and firefighting buildings, an access road, and a passenger terminal; and the acquisition and installation of aviation control, rescue and firefighting equipment.

The client, AASANA (Administracion de Aeropuertos y Servicios Auxiliares a la Navegacion Area), initiated procurement and consultant selection processes towards the end of 2012; however, these had to be cancelled due to unresolved resettlement issues. It is expected these will be resolved by early 2014, at which procurement can proceed.

Contact person is Gylfi Palsson at: gpalsson@worldbank.org

GUATEMALA

Guatemala Transport and Logistics — Technical Assistance (P117871)

The Guatemala Transport and Logistics (non-lending) technical assistance project was approved in March 2013. The project supports the government and related public agencies define and disseminate elements of a National Transport and Logistics Strategy (NTLS). The strategy would develop a methodology for the selection of sector priorities and could therefore lead to prioritized potential investment lending by the Bank and other development partners.

The main next steps will consist in discussing the draft document in April 2014 with the PRONACOM Board and key ministries; and organize a workshop for the dissemination of the NTLS elements in June 2014.

Contact person is Anca Dumitrescu at: adumitrescu@worldbank.org

GRENADA, ST. VINCENT, THE GRENADINES

Regional Disaster Vulnerability Reduction Project (P117871)

Grenada’s Maurice Bishop International Airport (MBIA) functions as an important regional infrastructure site in the region’s emergency response capacity. It is the alternate airport for Trinidad and Tobago, Barbados, and St. Vincent and the Grenadines, and provides air traffic support in emergency situations to the island of Saint Vincent. The continued operation of the airport is therefore critical to the region as well as to Grenada. Under the Regional Disaster Vulnerability Reduction Project, critical investments will be financed at the airport in order to comply with emergency response capability operational standards, as required by the International Civil Aviation Organization (ICAO). In the absence of these investments, Grenada and the region risk a downgrading of its airport certification.

During FY13, significant progress was made in improving operational resilience and response capacity to disasters. Two rescue boats have been constructed and delivered to enable sea rescue operations. In addition, two large tractors and mowers were procured to maintain the surrounding grass land in order to mitigate bird nesting and reduce fire hazard during the dry season. Also, two 6x6 and one 4x4 Aircraft Rescue and Firefighting vehicles were procured and constructed, which are expected to be delivered by mid-December.

Lastly, MBIA staff are reviewing the built drawings of the airport facility to determine whether a consultant is needed to complete/enhance them; on finalization, a fire systems engineer will verify system layout and recommend modifications to the fire response system consistent with ICAO requirements and fire safety best practices.

Contact person is Justin Locke at: jlocke@worldbank.org
HAITI

Infrastructure and Institutions Emergency Recovery Project (P130749, Initial Grant P120895)

On January 12, 2010, Haiti was shaken by a 7.0-magnitude earthquake, at a depth of 10 km, which was followed by several aftershocks, some as strong as 6.1 and 5.9 in magnitude.

Global relief efforts followed immediately after the earthquake with the World Bank announcing support of US$100 million on 13 January 2010. As the only operational entry point, Port-au-Prince (PAP) proved to be a vital in conducting humanitarian relief efforts. However, the airport was also severely damaged during the earthquake. Major structural damage occurred to the terminal building and to the control tower. In addition, the lighting systems and power supply were insufficient for night operations, and navigational aids (ILS/VOR) did not have a backup system. Although not severely affected by the earthquake, the airport’s runway and apron also had pre-existing cracks and damages which posed potential danger to aircraft.

The Bank’s board approved the Haiti Infrastructure and Institutions Emergency Recovery Project in March 2010, consisting of a US$65 million grant. The project’s objective was to support Haiti in its early recovery efforts through selected interventions aiming at helping to rebuild key institutions and infrastructure.

The project is financing the rehabilitation of key air infrastructure by an initial grant of US$3 million, which includes (i) reconstruction of ground - air communications tower, (ii) repair and/or replacement of two VOR (PAP, OBN), and verification of ILS (IMG), (iii) repair of runway lights at PAP, (iv) financing of associated cost for air traffic controllers training, and (v) construction of a runway end safety area on RWY10 at PAP.

In the last fiscal year, the Government of Haiti requested an additional financing which has been prepared and approved by the Board in September 2012 for an amount of US$35 million with US$5 million dedicated to the air transport sector. This additional financing will support (i) governance and capacity building, (ii) equipment for air safety navigation system, (iii) continuity of operation from treatment of debris from the earthquake, (iv) roads to support development of tourism in the north, (vi) support to Ministry of PW to handle the reconstruction process. The Technical Cooperation Bureau (TCB) finalized the Haiti Site Survey Report, identifying equipment need and providing terms of reference for the various components.

An assessment of the air safety navigation system has been completed and the TORs for the purchase of priority equipment established. However, considering the important increase of tax resources available for the Air Safety Navigation Department, the Government of Haiti has decided to drop the airport activities and to proceed directly to the purchase, and proposed reallocating the funds to new program and proposed reallocating the funds to new program of activities. Due to this development, the need for a proposal to reallocate these funds to other activities and an evaluation of the need to restructure the project will need to be performed.

Contact person is Pierre Bonneau at: pbonneau@worldbank.org

EGYPT

Cairo Airport Development Project (P101201)

The air transport sector is highly strategic for Egypt’s economic development, generating significant employment and supporting its tourism sector. In FY09, tourism accounted for 3.5% of Egypt’s GDP, generated US$10.5 billion in revenue and 12.4 million visitors; around 80% of tourist traffic came through Egypt's airports, and tourism accounted for half of the international passenger traffic at Cairo International Airport.

Air transport is progressively being liberalized in the country. Around 20 years ago, the Government of Egypt (GoE) realized the growing importance of air transport as a driver of growth in its own right. The GoE’s objective therefore became to ensure that the liberalization of the industry would contribute positively to the development of the Egyptian aviation sector. Consequently, Egypt has embarked on the gradual liberalization of international air services on a bilateral basis with several countries in the Middle East, Africa, and Europe. It has also significantly improved airport services through a range of capacity investments and the strengthening of airport operations.

Egypt needs to continue expanding airport infrastructure and improve airport services to meet growing demand, especially at Cairo International Airport (CAI) - the main gateway to Egypt. It also needs to continue strengthening air traffic control (ATC) infrastructure and air traffic management (ATM).

The Egypt Cairo Airport Development Project, approved in 2010, is supporting the Egyptian Government to (i) enhance the quality of air transport services in Egypt by increasing traffic-handling capacities at Cairo International Airport (CAI), and (ii) strengthening Egypt’s air transport in the context of international competition. The principal target beneficiaries include: (i) business and tourism passengers, who will benefit from better airport infrastructure and services, (ii) businesses, which will benefit from extended air transport services and a more attractive CAI area, and (iii) workers, who will benefit from job creation through the construction phase as well as after completion, through airport activities as well as activities of industries and services in the CAI area.

In FY13, the two project components continued to move forward, despite the difficult economic and political environment. The first component finances the rehabilitation and expansion of the Terminal Building 2 (TB2) at Cairo International Airport. To date, the old TB2 has been completely demolished. The contractor, Limak, has developed an enhanced design for the new TB2 and has started to erect the building. The second component finances the development of five studies. To date, three studies have been completed, one study is nearing completion, and the procurement of the final fifth study is expected to start shortly.

Contact person is Olivier Le Ber at: oleber@worldbank.org
YEMEN

Port Cities Development II Project (P088435)

The project became effect on August 2010, with a primary development objective to improve access to, and the efficiency of, select public infrastructure in Yemen. The aviation component seeks to gain time savings for passengers landing and departing at Mukalla International Airport.

Progress of implementation has started to pick up since restructuring and a change of management in the beginning of 2013. As of the end of FY13, work had not yet started in Mukalla but the contract had been tendered.

As with the rest of the region, there is an increasing trend of political uncertainty and insecurity in the country. The risks on the political front could lead to further implementation delays. Suspensions of missions to Yemen are updated weekly.

Contact person is Ali Khamis at: akhamis@worldbank.org

PAKISTAN

Trade and Transport Facilitation II Project (P101684)

In support of its National Trade Corridor Improvement Program (NTCIP), the Government of Pakistan requested technical assistance lending from the World Bank in 2006. The objective of the project is to (i) support entities directly concerned with the implementation of NTCIP and establish a sustainable monitoring system including communications, (ii) support implementation process of NTCIP through analytical work on trade procedures and supporting infrastructure and services needs (including roads, railways, ports and shipping, aviation, and energy sub-sectors), and (iii) further strengthen participation of the private sector aiming to internalize public-private collaboration on trade facilitation through a dedicated project component.

The aviation component focuses on the development of Air Transport Master Plan for Pakistan and an air safety improvement component that aims to improve operational safety by financing several GNSS-based instrument approaches, and by assessing the regulatory oversight by the CAA.

Overall implementation of the project was deemed to be moderately unsatisfactory, as the response from the government and implementing agencies has been unsatisfactory. Project activities and disbursements were substantially reduced, specifically for the transport reforms component.

Note: Project closed on December 31, 2013 with partial cancellation of the IDA funds to be used for reallocation to other programs in the country.

Contact person is Manzoor Ur Rehman at: mrehman1@worldbank.org
IFC Air Transport Projects: The IFC provides financing to private sector companies and has traditionally financed air carriers and airport infrastructure projects.
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<th>COUNTRY</th>
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<th>DESCRIPTION</th>
<th>AMOUNT (USD)</th>
<th>IFC'S EXPOSURE (as of End-of-June 2013) in USD</th>
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<td>$25 million</td>
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<td>Brazil</td>
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<td>Cambodia</td>
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<td>Jamaica</td>
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<td>Jamaica</td>
<td>26202</td>
<td>MBJ (CUTE): Financing for new Common Use Terminal Equipment (CUTE) and Baggage Handling and Screening (BHS) systems for Sangster Int’l Airport</td>
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<td>Jamaica</td>
<td>24676</td>
<td>MBJ Phase 1 Swap: The proposed project is to provide a USD interest rate swap to hedge the interest rate volatility inherent in the floating rate IFC Phase 1 loans</td>
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<td>$1.1 million</td>
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<tr>
<td>COUNTRY</td>
<td>PROJECT CODE</td>
<td>DESCRIPTION</td>
<td>AMOUNT (USD)</td>
<td>IFC’S EXPOSURE (as of End-of-June 2013) in USD</td>
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<tr>
<td>Jamaica</td>
<td>11353</td>
<td>Montego Bay Airport: Operation and expansion of Sangster International Airport; improvement of the existing terminal and the construction of a new concourse</td>
<td>$20 million</td>
<td>$7.5 million</td>
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<tr>
<td>Jamaica*</td>
<td>31658</td>
<td>MBF ROS: The proposed project consists of the runway overlay of Sangster International Airport (SIA) and other safety investments</td>
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<td>$7.5 million</td>
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<td>Jordan</td>
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<td>Queen Alia International Airport: Rehabilitation of both airside and landside facilities</td>
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<td>A, B, C Loans &amp; Risk Management products, IFC A Loan $80M Syndicated B Loan $175M IFC C $40M Cross Currency Swaps</td>
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<td>KQ Airways: Expansion program consisting of the acquisition of 9 Boeing 787 Dreamliner aircraft and 10 Embraer 190 aircraft</td>
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<td>$17.5 million</td>
<td>Equity</td>
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<tr>
<td>Mexico</td>
<td>24672</td>
<td>Vuela: Pre-delivery financing of up to 20 A-319 aircraft for Volaris airline</td>
<td>$40 million</td>
<td>$10 million</td>
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<tr>
<td>Nepal</td>
<td>27247</td>
<td>Buddha Air: Purchase of small aircraft and long term working capital requirements</td>
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<td>A loan</td>
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<td>Nepal*</td>
<td>31446</td>
<td>Buddha Air II: Financing to BAPL (Buddha Air Private Limited) to purchase its second ATR-72 aircraft</td>
<td>$6.9 million</td>
<td>$6.9 million</td>
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<tr>
<td>Peru</td>
<td>24489</td>
<td>Lima Airports Partnership: Financial restructuring and assistance in conjunction with Fraport</td>
<td>$20 million</td>
<td>$16.8 million</td>
<td>Equity</td>
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<tr>
<td>Russian Federation</td>
<td>24127</td>
<td>Air Transport Systems: Purchase of small aircraft for air taxi operation</td>
<td>$15 million</td>
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<tr>
<td>Russian Federation</td>
<td>28218</td>
<td>Pulkovo Airport: Financing to expand, develop, operate and maintain airport</td>
<td>$236 million; $101.3 million for IFC’s own account</td>
<td>$91.5 million</td>
<td>A &amp; B Loans</td>
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<tr>
<td>Tanzania</td>
<td>31878</td>
<td>Precision Air: Aircraft Financing</td>
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<tr>
<td>Tunisia</td>
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<td>TAV Tunisia: Construction of a new airport in Enfidha, with an initial capacity of 7 million passengers a year, and rehabilitation of the airport in Monastir</td>
<td>$253 million; $184 million for IFC’s own account</td>
<td>$129 million, $282 million</td>
<td>IFC A Loan, Subordinated Loan, Syndicated B Loan, Equity</td>
</tr>
</tbody>
</table>
AFRICA
AKFED Aviation
The Aga Khan Fund for Economic Development ("AKFED"), through its Aviation Services division, is currently expanding its activities in both East and West Africa. The aim of the division is to assist in maintaining the critical aviation infrastructure in support of economic development and to provide much needed regional airline services in Africa. IFC's involvement with the organization includes a corporate loan of up to $25 million to AKFED for on-lending to its three airlines: Air Burkina, Air Mali and Air Uganda.

Loan proceeds will be used to fund fleet acquisition cost (introduction of 9 refurbished MD-83 and 2 MD-83 aircraft) and other airline development costs including training of crews and engineers, purchase of spare parts, and improving maintenance facilities. The project is expected to promote inter-regional and international trade in the region. Additionally, the project is also expected to provide a boost to tourism. Continued trade and economic growth in Africa is contingent on further investments and improvements in regional transport infrastructure and services. The division's operation will fill the service gap that exists today and will result in increased frequencies for existing destinations as well as provide better passenger service. The company has negotiated the purchase of 42 aircraft over the next 5 years (including at least 12 Boeing-787s and a number of Airbus-319/320/330s) to replace its MD-83 and Boeing-757/767 aircraft.

Avianca Airline Fleet Renewal
Colombia’s mountainous terrain, long distances between cities, and inadequate rail and road systems make air transport critical to the development of industry and tourism.

Avianca, Colombia’s flagship carrier, plays a key role in air travel and cargo transport. The company provides scheduled services to 21 international destinations in Europe and the Americas and 21 domestic destinations. Avianca has five code sharing agreements with international carriers (Iberia, Mexicana, Delta, Air Canada and Taca).

Avianca is planning to renew its fleet over the period 2008-2012 to reduce costs, improve efficiency and safety as well as provide better passenger service. The company has negotiated the purchase of 42 aircraft over the next 5 years (including at least 12 Boeing-787s and a number of Airbus-319/320/330s) to replace its MD-83 and Boeing-757/767 aircraft. IFC is to provide financing of up to $50 million to Avianca and its subsidiaries, Sociedad Aeronautica de Medellin Consolidada S.A (SAM) and Aviation Leasing Services Investment S.A. (ALS) to help finance the implementation of the company’s fleet renewal program.

The support of IFC is essential not only for the company, but it is integral for the country’s transport and economic infrastructure. The project will promote domestic and international trade and tourism, facilitate business expansion, and generate further investment interest in Colombia.

COTE D’IVOIRE
International Aircraft Services
The project, which was approved in March 2013, provides financing of $7 million to International Aircraft Services (IAS) for the acquisition of up to three secondhand Dauphin N3 helicopters by IAS. The helicopters will be used to provide transport services to leading oil and gas exploration and production companies in Cote d’Ivoire and the Western African region. The project will enable IAS to modernize its fleet with newer helicopters to meet its client needs.

IAS is an aviation operator and maintenance company created in 2002 and registered with the Ivory Coast Civil Aviation Authority. It provides mostly helicopter transport services to the oil and gas industry in Cote d’Ivoire and to the mining industry in West Africa. The company currently owns 13 helicopters and employs 25 pilots. IAS is based in Felix Houphouet-Boigny International Airport, which is approximately 16 km south east of Abidjan.

The expected development impact will be developing local know-how, and support the development of exploration and production of natural gas activities by providing reasonably priced transportation services. The project also hopes to create a demonstration effect by providing financing to a company in a post-conflict country to pave the way for more investments in the future.
JAMAICA

Sangster International Airport/MBJ ROS

Sangster International Airport (SIA) is the principal gateway for tourists visiting Jamaica’s largest resorts. The project consists of the runway overlay of Sangster International Airport (SIA) and other safety investments. SIA is the largest of the two international airports in Jamaica and is operated under a 30-year concession granted by the Government of Jamaica (GOJ) to the project company, MBJ Airports Limited (MBJ).

The newest investment would be IFC’s fourth investment in SIA since MBJ took over the airport operations in 2003. IFC provided MBJ with A and B loans to finance the construction of a new terminal in 2003, the refurbishment of the original terminal buildings in 2005, and check-in related equipment in 2008. IFC is therefore uniquely positioned given its industry knowledge and in particular, of MBJ’s operations.

GOJ has made SIA expansion and modernization a high priority. Safety improvements are essential to maintain the highest levels of service and to continue supporting tourism, a critical source of revenues for Jamaica’s economy.

KENYA

Kenya Airways Expansion Plan

Kenya Airways Ltd. (KQ) the national flag carrier of Kenya and the third largest airline in Sub-Saharan Africa (in terms of seat capacity offered) is in the midst of implementing a strategic fleet and network expansion plan. It is focused on growing its passenger network and diversifying its fleet to match the network needs, as well as launching a dedicated freighter division. Having reached a critical mass and achieved a solid financial position, KQ finds itself well positioned to capitalize on the growth prospects and opportunities that the African region and the international market presents.

KQ’s strategic intent is to establish its brand and its presence in the most important intra-African markets as well as become a significant player in the most important intra African region and Asia promoting international trade, South-South Investments and tourism to and from Africa.

IFC’s support of Kenya Airways expansion plan is expected to have significant development impact. At the regional level of Sub Saharan Africa, the launch of the freighter division coupled with the opening of new intra-Africa destinations will contribute to markets integration and will reduce the transactional costs of trade, an aspect that is extremely important to promote the economic development of the SSA economies.

KQ’s entry into new international markets will also promote competition as well as provide a key transportation link between growing economies in the Middle East and Northern Africa region and Asia promoting international trade, South-South Investments and tourism to and from Africa.

MEXICO

Vuela Aircraft Financing

Vuela (branded Volaris) commenced operations on 13 March 2006. It initially operated five routes with four aircraft throughout Mexico from its base at Aeropuerto Internacional de Toluca but has plans to grow significantly over the next decade, with a planned fleet of 90 aircraft including Airbus 319, A320 and A320 Neo.

Vuela will provide substantially discounted fares in a market historically marked by limited competition and high fares. This is expected to help stimulate demand and make air transportation more accessible for a larger share of the Mexican population, promoting connectivity, and economic growth.

The IFC investment is an IFC revolving credit line of $30 million for the financing of aircraft pre delivery payments and a $10 million loan to Controladora Vuela Compañía de Aviación, S.A de C.V. (Controladora) with Concesionaria Vuela Compañía de Aviación, S.A de C.V. as the guarantor (Vuela or the company), a newly established low cost airline, branded as Volaris.

NEPAL

Buddha Air II

Air connectivity is a key requirement in Nepal given its difficult terrain and poor road network. Domestic airlines are needed to provide reliable and safe air services. With tourist arrivals in Nepal growing at 12% annually since 2006, and a greater focus on tourism revenues with GDP growing at ~4.5% p.a., the requirement for domestic tourist airline seats is expected to grow even further.

Buddha Air Private Limited is a closely held private limited company providing air services since 1997. BAPL currently has 357 seats across a fleet of three Beechcrafts (18 seats), three ATR-42s (47 seats) and two ATR-72 (72 seats). The expansion to its current fleet had been partially financed by an IFC corporate loan of $US10 Million in FY09. BAPL had a 42% market share by passengers in the first half of 2011, and was the first one to bring in larger 45 seater turbo prop aircraft for domestic routes in Nepal and also the first to fly to Bhutan and to towns across the Indian border.

IFC is providing financing of $6.9 million to BAPL for acquisition of a second ATR-72 aircraft which BAPL is currently operating on a lease basis. IFC’s will also help the Company enhance safety standards and undergo IATA IOSA audit.

Contact persons for all IFC projects is Harsh Gupta at hgupta@ifc.org
The Infrastructure Advisory Services Department of the IFC provides advisory assistance to governments on structuring and implementing (tendering) Public-Private Partnerships (PPPs) in infrastructure. IFC has undertaken more than 100 advisory transactions in over 67 countries over the last 20 years. IFC/World Bank’s reputation for competence, transparency, and fairness allows it to play the role of neutral partner to balance each party’s interest, thus reassuring foreign investors, local partners, other creditors, and government authorities.

The two main domains in air transportation advisory services are private sector participation in airports and air carriers.

1) IFC Public-Private Partnerships (PPP) Advisory Mandates in Airports

Only 2% of the world’s 10,000 commercial airports are managed or owned by private sector entities. However, as passengers carried by air transport has exceeded two billion since 2005, and that same year, 40% of all merchandise and goods (in value) were air freighted – Public-Private-Partnerships (PPPs) in airport infrastructure will grow to meet investment and required service standards. Airport PPPs are useful approaches to meet both private and public sector objectives.

Of the various airport PPP models available, experience shows that concessions and full divestiture are most effective:

- Concession Contracts (BOT, BOO, BOOT, BTO, etc.): State retains ownership of airport but transfers investment as well as operations and management responsibilities to the private sector.
- Full Divestiture: Ownership, operations, and investment responsibilities are fully transferred to the private sector.
- In certain cases, a blend of first-phase BOT followed by public offering can maximize benefits.

2) IFC Public-Private Partnerships (PPP) Advisory Mandates in Airlines

As the airline industry has proceeded along this privatization path over the last 20 years, IFC has participated in nearly a dozen airline transactions. Unfortunately, many have proved to be difficult projects due to important sector-specific structural reasons:

- Fixed-cost structure: Airlines tend to build up a legacy-costs base (staff and fleet) that is difficult for a new owner to manage. In addition, fuel costs are beyond management’s control. During the recent oil price spike, they accounted for as much as 30% of the cost base.
- Price-sensitive product: Demand for travel is highly elastic, especially in tourist markets. In recessions, people forgo vacations for other consumer goods. Conversely, price reductions increase passenger numbers dramatically.
- Complicated demand chain: Customers often purchase tickets through travel agents, frequently in a package with hotel accommodations. Since airlines rely on these other actors for their sales, if there are bottlenecks elsewhere the aviation sector suffers.
- Overregulation: Bilateral agreements between governments, still prevalent in many parts of the world, prevent competition from functioning normally. Open skies are being adopted, but not in all countries.

3) IFC Air Transportation Experience

When undertaking a transaction advisory mandate, IFC provides a one-stop solution to governments covering all aspects of the proposed transaction. One of the distinguishing features of IFC’s value addition is its ability to balance private and public sector interests and take into account sustainable long term economic and social effects.
### Selected IFC Advisory Mandates in Airports

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>COUNTRY</th>
<th>YEAR</th>
<th>MANDATE/RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madinah Airport</td>
<td>Saudi Arabia</td>
<td>2012</td>
<td>Successfully awarded to TAV, Saudi Oger, Al Rajhi consortium</td>
</tr>
<tr>
<td>Vanuatu Airport</td>
<td>Vanuatu</td>
<td>2012</td>
<td>Due diligence and project structuring completed</td>
</tr>
<tr>
<td>Jamaica Airports</td>
<td>Jamaica</td>
<td>2011-ongoing</td>
<td>Initial due diligence is ongoing</td>
</tr>
<tr>
<td>Dili Airport</td>
<td>East Timor</td>
<td>2012-ongoing</td>
<td>Initial due diligence is ongoing</td>
</tr>
<tr>
<td>Queen Alia Airport</td>
<td>Jordan</td>
<td>2007</td>
<td>Successfully awarded to Aéroports de Paris, ADIC, J&amp;P, Noor consortium</td>
</tr>
<tr>
<td>Hajj Terminal</td>
<td>Saudi Arabia</td>
<td>2007</td>
<td>Successfully awarded to Saudi Bin Laden Group, Aéroports de Paris consortium</td>
</tr>
<tr>
<td>Abuja Airport</td>
<td>Nigeria</td>
<td>2006</td>
<td>Successfully awarded to Abuja Gateway consortium (Airport Authority and equity partners)</td>
</tr>
</tbody>
</table>

### Selected IFC Advisory Mandates in Airlines

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>COUNTRY</th>
<th>YEAR</th>
<th>MANDATE/RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Jamaica</td>
<td>Jamaica</td>
<td>2009</td>
<td>Awarded to Caribbean Airlines</td>
</tr>
<tr>
<td>Drukair</td>
<td>Bhutan</td>
<td>2008</td>
<td>Strategic analysis</td>
</tr>
<tr>
<td>JAT</td>
<td>Yugoslavia</td>
<td>2006</td>
<td>Strategic analysis</td>
</tr>
<tr>
<td>Polynesian Airlines</td>
<td>Samoa</td>
<td>2005</td>
<td>49% sold to Virgin Blue</td>
</tr>
<tr>
<td>Cameroon Airlines</td>
<td>Cameroon</td>
<td>2005</td>
<td>Awarded but cancelled by Government</td>
</tr>
<tr>
<td>Air Tanzania</td>
<td>Tanzania</td>
<td>2002</td>
<td>49% sold to SAA</td>
</tr>
<tr>
<td>Kenya Airways</td>
<td>Kenya</td>
<td>1996</td>
<td>76% sold to KLM, financial investors</td>
</tr>
</tbody>
</table>

### PROJECT EXAMPLE: SAUDI ARABIA

**Madinah International Airport**

Madinah is the second most holy city in Islam and a major destination for pilgrims. The Prince Mohamed Bin Abdulaziz International Airport (Madinah) serves the Madinah region. Due to inadequate infrastructure and strained resources, it has not been able to cater for the growth in passenger numbers.

The General Authority of Civil Aviation (GACA) took on IFC as lead transaction adviser in 2009 to attract a reliable investor to help develop, expand, modernize, operate, and maintain the airport. IFC, aided by technical and legal consultants, conducted detailed due diligence taking into account expected traffic growth, local legislation, design requirements, financing impact, and cultural considerations.

Interest in the project was very strong and 10 international, regional, and local firms submitted qualification applications, with four consortia ultimately bidding. In October 2011, TIBAH, a consortium of firms from Turkey and Saudi Arabia, emerged as the successful bidder and won the 25-year concession to develop and operate the entire airport.

The consortium expects to mobilize over $1.4 billion to build a new terminal and expand facilities to accommodate up to eight million passengers per annum (MPPA) by 2015, with additional investment to increase this capacity to 18 MPPA by the end of the concession. The airport will also adopt best practices in energy efficiency and environmentally-friendly design.

This is the third IFC-led project for GACA, and is considered to be a landmark transaction as it is the first full airport PPP carried out in the Gulf Cooperation Council (GCC) region.

Contact persons for all IFC air transport advisory services projects are: Ramatou Magagi at rmagagi@ifc.org and Alexandre Leigh at aleigh@ifc.org.
MIGA PROJECTS

Guarantees provided by the Multilateral Investment Guarantee Agency (MIGA) cover projects in a broad range of sectors, with projects in infrastructure accounting for the largest share (41%) of the agency’s portfolio. Infrastructure development is an important priority for MIGA given the estimated need for US$230 billion a year solely for new investment (maintenance needs are of a similar magnitude) to deal with rapidly growing urban centers and underserved rural populations in developing countries. Two recent example projects of MIGA guarantees include Jorge Chavez International Airport in Peru and New Airport in Ecuador.

EQUADOR

New Airport at Quinto

MIGA issued three guarantees of US$32.8 million, US$16.4 million, and US$16.4 million to the Aecon Group INC. of Canada, the HAS Development Corporation of the United States, and ADC Management Ltd. of the United Kingdom for their respective shareholder loans to Corporacion Quiport of Ecuador. In addition, MIGA also issued guarantees of US$450,000, US$225,000, and US$225,000 for the investors’ respective equity investments in the project enterprise. The Aecon Group and HAS Development Corporation have coverage for a period of 14 years for their shareholder loans, while the remaining four guarantees are for a period of 15 years. Each guarantee provides coverage against the risks of Transfer Restriction, War and Civil Disturbance, and Breach of Contract.

The project involves the construction of a new airport near Pueumbo, 24 km outside the capital city of Quito. The project will be a key economic driver for sustainable economic development of the metropolitan region of Quito. The airport replaces the existing airport in the city of Quito, which suffers from safety deficiencies as well as capacity constraints.

PERU

Jorge Chavez International Airport (JCIA)

MIGA provided Fraport AG, of Germany with a guarantee of US$11.5 million to cover its US$12.8 million counter guarantee for a performance bond posted for the privatization of Lima’s airport, Jorge Chavez International Airport (JCIA). The coverage is against the risk of expropriation (the wrongful call of the performance bond), and extends for eight years.

The Peruvian government views airport privatization as central to its efforts to expand employment opportunities, and create a modern transportation facility to serve as the country’s gateway to the world. It will also enhance and expand tourism, another key government goal.

During the first four years of the concession, the consortium is expected to invest over US$130 million in new infrastructure, including upgrades to the current terminal, construction of a new passenger concourse, expansion and addition of new aircraft aprons and taxiways, and creation of a hotel and retail center within the existing airport perimeter.

Contact person for all MIGA guarantees is Margaret Walsh at mwalsh@worldbank.org
EXTERNAL RELATIONS

INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO)

ICAO is the specialized air transport agency of the United Nations. The WBG and ICAO have been working closely together on various air transport issues. In the past, ICAO has provided safety and security audits and supervisory services for WBG projects in West and Central Africa and the South Pacific. ICAO has also assisted in identifying needs and priorities of air transport projects in a number of other countries.

In October 2012, Charles Schlumberger and Christopher Bennett (WBG) travelled to Montreal, Canada to participate in the Performance-based Navigation (PBN) Symposium organized by ICAO. The overall objective was to take stock of developments in next generation air traffic control systems, which are critical for the development of air transport services in emerging countries.

They also represented the WBG at the World Aviation Governance Forum in Montreal, a high level conference on governance in the aviation sector, organized by the United Nations Institute for Training and Research and the International Training Center for Government Authorities and Leaders.

The insights and connections gained from the conferences, as well as ongoing discussions with ICAO officials throughout the year, have strengthened cooperation for the WBG’s Pacific Aviation Investment Program and other vital projects.

WORLD ROUTES STRATEGY SUMMIT (WRSS)

As in previous years ICAO, the WBG, and Routes jointly held the World Routes Strategy Summit. This year, it was held in Abu Dhabi, United Arab Emirates on 30 September to 01 October 2012. This annual event serves as a platform to exchange ideas with the wider aviation community including airlines, airports, service providers, and regulators.

The event, moderated by BBC reporter Aaron Heslehurst, resulted in dynamic discussions. Through a series of panel discussions, the industry’s most important issues were covered, including the state of the aviation industry today, the impact of rising oil prices and biofuel, liberalization and open skies, tourism and connectivity, and sustainability.

A white paper highlighting the main takeaways was published. (See: http://www.icao.int/Meetings/wrsss2012/Documents/WRDSS-WhitePaper.pdf).

Charles Schlumberger moderated two panel sessions: “Constraints to growth and sustainability: Analyzing the impact of policy on the development of the aviation industry” and “Air transport policies – lessons learnt in liberalization and open skies and the potential challenges that may arise.”

The World Routes Strategy Summit 2013 was scheduled to take place in Las Vegas, Nevada on 06 to 07 October, 2013.

COMMUNITY SERVICE

Several World Bank staff members are licensed and active pilots, certified by the US FAA and/or European Aviation Authorities EASA. To remain current on their pilot qualifications, they regularly fly and undergo required refresher training.

The most rewarding way of maintaining currency is to provide community service by providing free air transportation to people of all ages whose medical needs – evaluation, diagnosis, and treatment – can only be met by health care facilities far from their homes. In the US, the not-for-profit organization Angel Flight provides timely travel to patients who cannot withstand traveling long distances by automobile, rail, or bus, and who do not have the financial means to use suitable alternative transportation. Oftentimes, transport in smaller, private aircraft can better accommodate those patients whose conditions could worsen if exposed to the re-circulated air on commercial flights, or who need efficient point-to-point transport.

One such Angel Flight mission was done in the aftermath of the devastation caused by hurricane Sandy, which in September 2012 destroyed or severely damaged thousands of homes and left an estimated 100,000 persons displaced along the Long Island and New Jersey coastline. Several NGOs organized the collection, transportation, and distribution of donated relief goods.

Angel Flight East rapidly organized relief missions in the days after Sandy struck. Charles E. Schlumberger, together with Dr. Brian Turrisi, transported urgently needed goods such as jackets, blankets, medical equipment, diapers, and batteries. The goods were donated from all over the US and collected centrally at Allegheny airport in Pennsylvania, to be flown by GA aircraft into John F. Kennedy International Airport (JFK) on Long Island. There, the goods were received and distributed within hours by a local grassroots NGO, Occupy Sandy. The authorities supported these efforts by granting priority for landing at JFK, and waiving all fees and taxes.

The WBG’s contribution, in accordance to Staff Manual 9.10, consisted of one day administrative leave to carry out this rewarding community service.

For more information visit www.angelflighteast.org

Contact person is Charles E. Schlumberger at cschlumberger@worldbank.org
Continuing with the theme of Low-Cost Carriers (LCCs), the WBG Transport Anchor has undertaken a comprehensive study analyzing LCCs and the opportunities in and impact on developing countries.

The emergence of LCCs has been a key catalyst for the development of the aviation industry in the last decade. Although extensive research has been done to analyze the business model and impact on the aviation sector and beyond, much of the research thus far has been focused on developed countries, despite recent development in the LCC markets in Asia and Latin America.

The purpose of the study was therefore to identify the premises and characteristics of the LCC model. The research identifies some of the challenges and opportunities and assesses whether this model could be successful in other less-developed countries, particularly in Sub-Saharan Africa.

This publication is due to be released in FY 2014.

The event also showcased preliminary findings of the WBG Transport Anchor’s Economic Sector Work on the topic. This was followed by an update on air transport related activities within the WBG and other donor partners.

Contact persons are Charles E. Schlumberger at cschlumberger@worldbank.org and Nora Weisskopf at nweisskopf@worldbank.org.
**INTERNAL SERVICES**

**AIR CARRIER ADVISORY SYSTEM**

*For World Bank Staff Air Travel*

The Bank has maintained an evaluation tool for assessing risks associated with air travel by Bank staff since 2008. The air carrier advisory system developed by the Bank’s General Services Department and TWITR was tested during FY 2010 and launched in FY 2011. The advisory service is based on the following criteria with three categories of airlines:

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>DESCRIPTION</th>
<th>RECOMMENDATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>All airlines that are <em>industry certified</em> by having passed an IATA IOSA audit, unless subsequent safety experience indicates a safety problem.</td>
<td><strong>Good to fly.</strong> The Bank has no objection to using these airlines.</td>
</tr>
<tr>
<td>2</td>
<td>All airlines that though they are not <em>industry certified</em> are either licensed by a country with an FAA IASA rating of Category 1, or are known to the Bank as safe carriers.</td>
<td><strong>Good to fly.</strong> The Bank has no objection to using these airlines.</td>
</tr>
</tbody>
</table>
| 3        | All airlines that are not in (1) or (2) above, or are on any blacklists, or are deemed to be unsafe for other reasons. | 3a. Airlines that do not qualify for Category 1 or 2, but there is no information known about them that would increase the risk factor.  
3b. Airlines that have 1 of the 4 risk criteria listed below, or some other safety factor that has been raised by the Bank’s air transport specialist. Check to see if there are any viable and safer transport alternatives before selecting this airline for mission travel.  
3c. Airlines with significantly elevated risk and 2 or more of the 4 risk criteria listed below, or some other safety factor that has been raised by the Bank’s air transport specialist. Use only for essential missions and only if no viable and safer transport alternatives are available. |

**Risk Criteria:**
- Serious accident in the last 3 years (defined as any incident that results in injury or death of a passenger, or substantial damage to the aircraft)
- Registered in a country with poor oversight (based solely on ICAO safety audit)
- A flag of convenience airline (an airline that is registered and maintained in a country other than where it operates)
- Use of aircraft over 20 years old

Overall there were 196,265 flights booked by American Express for Bank staff in Fiscal Year 2013. The majority of flights booked were with airlines considered to be **Good to fly**. Note, this data does not capture trips arranged in the regions. Travelers should be aware that surface transportation may not be possible or may represent more risk than air travel in some client countries.

TWITR will continue to provide ongoing assessments and safety advice for staff air travel.

Contact person is Shruti Vijayakumar at svijayakumar@worldbank.org
OUTLOOK FOR FISCAL YEAR 2014

FINANCING OF AIR TRANSPORT PROJECTS

The outlook of the global air transport industry in 2014 is positive, as solid growth in all regions is forecast. That growth is expected to be particularly strong in the emerging markets of the Middle East, Asia, Africa, and Latin America, as increased purchasing power, the emergence of Low Cost Carriers (LCCs), and the liberalization of the sector converge to support the expansion of air services.

However, strong growth of air transport in emerging and developing markets will require new investments in airport and air traffic control infrastructure. In countries with large passenger volume, for example in Asia, airport improvement or enlargement projects can mostly be financed by the private sector. To support this opportunity, the WBG will foster public-private partnerships by offering advisory services, technical assistance, and investment guarantees. In countries with smaller traffic volume, required infrastructure investments often need to be funded by the public sector. The WBG is preparing air transport investment projects in airports and ATC of a select few client countries, primarily in Africa and the South Pacific. However, wherever possible, private sector solutions, both on the investor side as well as with the client (e.g. air carriers) are included and developed.

Strong growth of traffic also calls for improved regulatory oversight to ensure safety, security, and sustainability in terms of fair and open competition. The WBG is helping several client countries with the establishment of an effective Civil Aviation Authority by providing policy and regulatory advice, technical assistance, and coordinating improvement of oversight with related partners (e.g. ICAO, FAA).

Finally, sustainability in terms of the air carriers’ impact on the environment, primarily the challenge of climate change, is an important issue for the industry. The WBG is closely following initiatives of its partners (e.g. ICAO, IATA), and will consider support to client countries when mitigation measures are defined and ready to implement.

RESEARCH AND KNOWLEDGE GENERATION

The WBG, as a leading development institution, is maintaining its high standard in specialized technical sectors by conducting research, facilitating high-level technical exchanges, and fostering useful industry contacts.

Research on the role and opportunities of low-cost carriers in developing countries, which was conducted in close cooperation with the LCC industry, will be published in FY14. It will answer the main question of what it takes for LCCs to become a catalyst of air transport development in emerging markets.

In addition, several economic and policy research articles on air transport services and trade development are in progress. One promising topic under consideration is the economic impact of connectivity of air traffic.

The Air Transport team looks forward to the next year with a renewed focus on knowledge generation and a strong commitment to serving our clients.
The World Bank is a vital source of financial and technical assistance to developing countries around the world. Our mission is to fight poverty with passion and professionalism for lasting results and to help people help themselves and their environment by providing resources, sharing knowledge, building capacity and forging partnerships in the public and private sectors.

We are not a bank in the common sense; we are made up of two unique development institutions owned by 187 member countries: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

Each institution plays a different but collaborative role in advancing the vision of inclusive and sustainable globalization. The IBRD aims to reduce poverty in middle-income and creditworthy poorer countries, while IDA focuses on the world’s poorest countries.

Their work is complemented by that of the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID).

Together, we provide low-interest loans, interest-free credits and grants to developing countries for a wide array of purposes that include investments in education, health, public administration, infrastructure, financial and private sector development, agriculture and environmental and natural resource management.

The World Bank, established in 1944, is headquartered in Washington, D.C. We have more than 10,000 employees in more than 120 offices worldwide.

About the World Bank Group