Abbreviations

AFR  Africa region (WBG)
ADS-B  Automatic Dependent Surveillance – Broadcast
AFTTR  Transport Unit of the Africa Region (WBG)
ATAG  Air Transport Action Group (affiliated with IATA)
ATC  Air Traffic Control
ATKB  Air Transport Knowledge Base
ATM  Air Traffic Management
ATR-42  Aerospatiale aircraft model ATR-42
CAA  Civil Aviation Authority
CES  Charles E. Schlumberger, Principal Air Transport Specialist
CNS  Communication Navigation Surveillance Services/Systems
GNSS  Global Navigation Satellite System
GPS  Global Positioning System
DOT  Department of Transportation of the United States of America
DPL  Development Policy Loan
EAP  East Asia & Pacific region (WBG)
ECA  Europe & Central Asia region (WBG)
ESW  Economic Sector Work
ETWTR  Transport Unit of the Energy Transport Water Department (WBG)
FAA  Federal Aviation Administration of the United States of America
HCB  Heinrich C. Bofinger, Air Transport Consultant at the World Bank
IATA  International Air Transport Association
IASA  International Aviation Safety Assessment (by the US FAA)
IBRD  International Bank for Reconstruction and Development (WBG)
ICAO  International Civil Aviation Organization (UN Agency)
IDA  International Development Association (WBG)
IFC  International Finance Corporation (WBG)
LAC  Latin America & The Caribbean region (WGB)
LCSTR  Transport Unit of the Latin America Region (WBG)
LDC  Lesser Developed Countries
MNA  Middle East & North Africa region (WBG)
N/A  not available
NTSB  National Transportation Safety Board (USA)
PPIAF  Public Private Infrastructure Advisory Facility
SAR  South Asia region (WBG)
SASDT  Transport Unit of the South Asia Region (WBG)
T/A  Technical Assistance
TBD  To Be Determined
TTL  Task Team Leader
WBG  World Bank Group

Cover Page: The tail of a SAAB 340A turboprop aircraft of the Guatemalan operator “Transportes Aéreos Guatemaltecos”. Guatemala was certified in June 2007 by the US Federal Aviation Administration to category 1 according to their IASA program. This opens the skies for Guatemalan operators to any destination in the US. The Bank supported the Guatemalan authorities in reaching this important certification.  

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Foreword

This Air Transport Fiscal Year 2007 (FY07) Annual Report covers the third year since the Transport Sector Board decided to reinstall the anchor function for air transport at the Transport Network in July 2004. This came after the World Bank renewed its focus on financing infrastructure projects in client countries with the understanding that for many developing countries a safe, secure, reliable, and cost-effective air transport system is not only part of a multimodal transport system, but also an essential tool for economic and social development.

The World Bank Group never entirely abandoned financing of air transport related projects or project components. However, in the past there was little coordination or knowledge sharing between the few units addressing air transport issues and with outside partners. Consequently, a prime mission is to internally unite and coordinate the various initiatives of the World Bank Group. The FY07 Air Transport Annual therefore includes all WBG aviation related activities.

Despite the fact that air transportation remains a small sub-sector of the overall WBG portfolio, both the internal as well as external recognition has steadily increased over the past years. While the IBRD and IDA air transport portfolio remained stable in FY07, due to new projects being netted by reflows and cancelled outstanding loans, IFC’s engagement has grown by 15%. This resulted in an overall increase of the air transport portfolio of 5% to US$ 1.07 billion.

The outlook for air transport related projects is very promising. However, the Bank Group must assure that its projects not only respond to the classic demand of financing traditional infrastructure, such as runways or terminals. The opportunities of new technologies and alternative forms of financing (e.g. Public-Private Partnerships) must also be adequately considered. Finally, the growing environmental challenges and poor safety standards will remain priorities.

Charles E. Schlumberger
Principal Air Transport Specialist

October 2007
Executive Summary

The WGB FY07 Air Transport Portfolio includes over 25 major projects in all six regions of the IBRD/IDA, as well as 15 active IFC investments and several advisory mandates. The total volume financed by loans or grants of IBRD and IDA remained stable at US$ 715 million, due to a netting effect of new loans with repayments of IDA debt cancellation. However, the IFC has substantially increased its air transport investment portfolio by about 15% to US$ 357 million. Overall, the WBG air transport portfolio volume grew by 5%, to US$ 1.07 billion.

The main focus of the IDA and IBRD air transport portfolio remained on Africa, where the implementation of the West & Central Africa Air Safety and Security began. Several other projects are implemented in Eastern and Southern Africa, and a major air traffic infrastructure project for the East Africa Community States is in preparation. A major development success was noted in Guatemala, which received FAA IASA category 1 rating. The implementation of the air traffic management and airport rehabilitation project in Afghanistan has made substantial progress, and the Egypt Airports Development Project is progressing well. In addition, the Bank provided reimbursable technical assistance on airport related mandates in Russia and Saudi Arabia.

The IFC had successful growth in its air transport investment program by adding several new deals, which included the Brazilian low cost carrier GOL, Phnom Penh (Cambodia) and Tbilisi International Airports, as well as several advisory mandates for air carriers (Serbia, Rwanda, Cameroon, and Samoa), and airports (Saudi Arabia, Jordan, and Nigeria).

The focus of External Relations was built on the joint ICAO, World Bank, and ATAG working group, which organized the third air transport workshop in Addis Ababa. Furthermore, a high-level relationship is maintained with FAA & DOT.

Finally, technical and industry relevant Research focused on air transport safety, including the establishment of a WBG staff travel advisory service.
The WGB FY07 Air Transport Portfolio

The WGB FY07 air transport portfolio is composed of various lending or technical assistance (ESW) projects in the six regions of the Bank (IDA, IBRD). In addition, the IFC has a current portfolio of proposed and active lending or investment financing throughout the aviation sector.

<table>
<thead>
<tr>
<th>Loans, Credits &amp; Commitments</th>
<th>IBRD</th>
<th>IDA</th>
<th>IFC</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions USD)</td>
<td>FY07</td>
<td>FY06</td>
<td>change</td>
<td>FY07</td>
</tr>
<tr>
<td>WB Group Outstanding Loans</td>
<td>98,516</td>
<td>103,004</td>
<td>-4.4%</td>
<td>102,457</td>
</tr>
<tr>
<td>WB Group Commitments</td>
<td>54,015</td>
<td>53,111</td>
<td>1.7%</td>
<td>43,776</td>
</tr>
<tr>
<td>Transport Sector Commitments</td>
<td>15,616</td>
<td>13,867</td>
<td>12.6%</td>
<td>6,915</td>
</tr>
<tr>
<td>% of WGB Commitments</td>
<td>28.9%</td>
<td>26.1%</td>
<td>2.8%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Air Transport Commitments and Outstanding Loans</td>
<td>412</td>
<td>411</td>
<td>0.2%</td>
<td>303</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,072</td>
<td>1,023</td>
<td>4.8%</td>
<td>1,072</td>
</tr>
</tbody>
</table>

The overview above summarizes the most important projects of the WBG. However, there are currently several smaller projects or project components in various WBG projects that are not included due to their small dimension or their preliminary stage.
## Africa Region (AFR)

<table>
<thead>
<tr>
<th>Country</th>
<th>Project No.</th>
<th>Description</th>
<th>Amount</th>
<th>Type</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanzania</td>
<td>P055120</td>
<td>Safety and security of the Ports, Rail, and Aviation sector</td>
<td>est. US$ 70 million</td>
<td>IDA loan</td>
<td>preparation</td>
</tr>
<tr>
<td></td>
<td>P103633</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mauritania</td>
<td>P035581</td>
<td>CAA capacity building, airport security, airport concession</td>
<td>est. US$ 5 million</td>
<td>IDA loan</td>
<td>active</td>
</tr>
<tr>
<td>West &amp; Central Africa</td>
<td>P083751</td>
<td>Regional air transport safety project (multi-donor grants for reg.</td>
<td>est. US$ 50 million</td>
<td>Donor grants/ IDA loans: TBD</td>
<td>active</td>
</tr>
<tr>
<td>(ECOWAS &amp; CEMAC Region)</td>
<td></td>
<td>organizations of 23 countries, IDA loans to five countries)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>P078389</td>
<td>Infrastructure rehabilitation at Freetown International Airport</td>
<td>est. US$ 11 million</td>
<td>IDA grant</td>
<td>active</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>P075700</td>
<td>Airline privatization of TACV</td>
<td>US$ 1.3 million</td>
<td>IDA loan: $1.3m.</td>
<td>active</td>
</tr>
<tr>
<td>Liberia</td>
<td>P101456</td>
<td>Assessment of needed emergency repairs at Roberts Intl Airport</td>
<td>N/A</td>
<td>T/A</td>
<td>active</td>
</tr>
<tr>
<td>Mali</td>
<td>P080935</td>
<td>Airport rehabilitation (technical assistance &amp; construction)</td>
<td>US$ 6.55 million</td>
<td>IDA loan: $5.81m.</td>
<td>active</td>
</tr>
<tr>
<td>Kenya</td>
<td>P082615</td>
<td>Airport infrastructure rehabilitation, ATM improvements (GNSS), and capacity building at CAA for safety and security oversight</td>
<td>US$ 51.65 million</td>
<td>IDA loan: $44.84m.</td>
<td>active</td>
</tr>
<tr>
<td>Kenya</td>
<td>P39506</td>
<td>New terminal at Kenyatta International Airport, support of the civil aviation and the airports authorities</td>
<td>US$ 43.8</td>
<td>DA loan: $171 m.</td>
<td>preparation</td>
</tr>
<tr>
<td>Madagascar</td>
<td>P082806</td>
<td>Airport safety &amp; security improvements and PPI financing</td>
<td>US$ 79.32 million</td>
<td>IDA loan: $7.77m.</td>
<td>active</td>
</tr>
<tr>
<td>Mozambique</td>
<td>P073479</td>
<td>CAA capacity building, airport concessioning, airline privatization</td>
<td>US$ 5.5 million</td>
<td>IDA loan: $5.3m.</td>
<td>active</td>
</tr>
<tr>
<td>Botswana</td>
<td>P102368</td>
<td>Gaborone International Airport - Study on Concessions, Cargo Terminal</td>
<td>US$ 6.0</td>
<td>IBRD</td>
<td>preparation</td>
</tr>
</tbody>
</table>
### Latin America & The Caribbean Region (LAC)

<table>
<thead>
<tr>
<th>Country</th>
<th>Project No.</th>
<th>Description</th>
<th>Amount</th>
<th>Type</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECS (St. Vincent &amp; the</td>
<td>P077680, P077682,</td>
<td>Transport security infrastructure improvements, regulatory framework and</td>
<td>US$ 20.5</td>
<td>IDA / IBRD</td>
<td>closed</td>
</tr>
<tr>
<td>Grenadines, Grenada, St.</td>
<td>P077684, P077687</td>
<td>capacity building (Sea ports &amp; airports)</td>
<td>million</td>
<td>loans: $13.3m.</td>
<td></td>
</tr>
<tr>
<td>Lucia, Dominica, St.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kitts &amp; Nevis)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guatemala</td>
<td>P055084</td>
<td>Capacity building at CAA</td>
<td>US$ 0.4</td>
<td>IBRD loan</td>
<td>active</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>million</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### South Asia Region (SAR)

<table>
<thead>
<tr>
<th>Country</th>
<th>Project No.</th>
<th>Description</th>
<th>Amount</th>
<th>Type</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nepal</td>
<td>P093294</td>
<td>Airline privatization</td>
<td>TBD</td>
<td>T/A</td>
<td>active</td>
</tr>
<tr>
<td></td>
<td>P078284</td>
<td>Airport rehabilitation, CNS &amp; CAA capacity building</td>
<td>US$ 19.3</td>
<td>IDA loan: $17.9m.</td>
<td>active</td>
</tr>
<tr>
<td></td>
<td>P101683</td>
<td>National Trade Corridor Improvement Program DPL. To be disbursed upon the implementation of policy reforms, incl. Civil Aviation.</td>
<td>US$ 300</td>
<td>IDA loan</td>
<td>Prep.</td>
</tr>
</tbody>
</table>

### Middle East & North Africa (MNA)

<table>
<thead>
<tr>
<th>Country</th>
<th>Project No.</th>
<th>Description</th>
<th>Amount</th>
<th>Type</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iran</td>
<td>P088060</td>
<td>Reconstruction of transportation infrastructure after earthquake (highways, roads, BAM airport)</td>
<td>US$ 29.32</td>
<td>IBRD loan</td>
<td>active</td>
</tr>
<tr>
<td></td>
<td>P082914</td>
<td>Construction of third terminal at Cairo’s international airport and T/A for gradual liberalization of sector.</td>
<td>US$ 574</td>
<td>IBRD loan: $335m.</td>
<td>active</td>
</tr>
<tr>
<td></td>
<td>P072458</td>
<td>Air transport liberalization, airport and ATM policy framework, CAA</td>
<td>US$ 0.97</td>
<td>IBRD loan: $0.83m.</td>
<td>active</td>
</tr>
<tr>
<td></td>
<td>P102411</td>
<td>Technical Assistance on sector restructuring and privatization, CAA procurement</td>
<td>US$ 0.51</td>
<td>T/A</td>
<td>active</td>
</tr>
</tbody>
</table>

### Europe & Central Asia (ECA)

<table>
<thead>
<tr>
<th>Country</th>
<th>Project No.</th>
<th>Description</th>
<th>Amount</th>
<th>Type</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tajikistan</td>
<td>P096930</td>
<td>Air transport sector reform in policy based credit</td>
<td>TBD</td>
<td>IDA loan</td>
<td>active</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>P108703</td>
<td>Advisory Services for Pulkovo Airport Expansion</td>
<td>N/A</td>
<td>T/A</td>
<td>active</td>
</tr>
</tbody>
</table>
## East Asia & Pacific (EAP)

<table>
<thead>
<tr>
<th>Country</th>
<th>Project No.</th>
<th>Description</th>
<th>Amount</th>
<th>Type</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>P074290</td>
<td>Roads, bridges, and non-road transportation facilities improvements (sea ports &amp; airport infrastructure)</td>
<td>US$ 191.05 million</td>
<td>IBRD loan: $133.97m.</td>
<td>active</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>P042237</td>
<td>Airfield rehabilitation at Boun Neua (Phongsaly Province)</td>
<td>US$ 1.25 million</td>
<td>IDA loan</td>
<td>closed</td>
</tr>
<tr>
<td>Malaysia</td>
<td>P108571</td>
<td>Economic sector work in measurement of level of service provision</td>
<td>US$ 20 thousand</td>
<td>ESW</td>
<td>active</td>
</tr>
<tr>
<td>Tonga</td>
<td>P096931</td>
<td>Technical Assistance on Tongan Civil Aviation</td>
<td>TBD</td>
<td>T/A</td>
<td>active</td>
</tr>
<tr>
<td></td>
<td>P108219</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## International Finance Corporation (IFC)

The IFC, which is specialized at providing financing to private sector companies, has traditionally financed air carriers and airport infrastructure projects. It currently has several projects in a proposed or active status.

<table>
<thead>
<tr>
<th>Country</th>
<th>Project No.</th>
<th>Description</th>
<th>Amount</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>24384</td>
<td>TAM Airlines: pre-delivery payments for the purchase of Airbus A-320 family aircraft; corporate loan to support ongoing operations</td>
<td>US$ 50 million</td>
<td>Rev. Credit and Corp. loan</td>
</tr>
<tr>
<td>Brazil</td>
<td>24609</td>
<td>GOL airline: financing of spare parts</td>
<td>US$ 50 million</td>
<td>Corporate loan</td>
</tr>
<tr>
<td>Brazil</td>
<td>22505</td>
<td>Embrear: Certification of 170/190 model airliners</td>
<td>US$ 30 million</td>
<td>A &amp; B loans</td>
</tr>
<tr>
<td>Cambodia</td>
<td>21363</td>
<td>Cambodia Airports: privatization of Phnom Penh International Airport</td>
<td>US$ 10 million</td>
<td>Direct loan</td>
</tr>
<tr>
<td>Cambodia</td>
<td>25332</td>
<td>Cambodia Airports II: privatization of Phnom Penh International Airport – required capital and investments for expansion</td>
<td>Up to US$ 17.5 million</td>
<td>IFC A loan up to US$ 7.5 million, IFC standby up to US $ 10 million</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>9967</td>
<td>Aeropuerto Internacional Juan Santamaria: expansion and development of airside, terminal and landside facilities</td>
<td>US$ 40 million</td>
<td>A &amp; B loans</td>
</tr>
<tr>
<td>Country</td>
<td>Project Description</td>
<td>Amount</td>
<td>Loan Type</td>
<td></td>
</tr>
<tr>
<td>-------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------</td>
<td>---------</td>
<td>----------------------------</td>
<td></td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>Financing of investment program under the Concession Agreement</td>
<td>US$ 75 million</td>
<td>A &amp; B loans</td>
<td></td>
</tr>
<tr>
<td>El Salvador</td>
<td>Taca: Pre-delivery financing of A320 aircraft</td>
<td>US$ 30 million</td>
<td>Rev. Credit</td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td>Tbilisi Airport: privatization</td>
<td>US$ 27 million</td>
<td>A loan</td>
<td></td>
</tr>
<tr>
<td>Jamaica</td>
<td>MBJ Phase II - Expansion and redevelopment of Sangster International Airport</td>
<td>US$ 42 million</td>
<td>A &amp; B loans</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>Vuela: Pre-delivery financing of up to 20 A-319 aircraft for Volaris airline</td>
<td>US$ 30 million</td>
<td>Rev. Credit</td>
<td></td>
</tr>
<tr>
<td>Panama</td>
<td>Copa Airlines: Working Capital</td>
<td>US$ 15 million</td>
<td>Standby Credit</td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>Lima Jorge Chavez International Airport – airport infrastructure improvements</td>
<td>US$ 20 million</td>
<td>Equity investment</td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td>Air Transport Systems: Purchase of small aircraft for air taxi operation</td>
<td>US$ 15 million</td>
<td>C loan</td>
<td></td>
</tr>
<tr>
<td>Armenia</td>
<td>Fleet expansion of Armavia, Armenia’s leading carrier</td>
<td>US$ 11 million</td>
<td>IFC loan</td>
<td></td>
</tr>
<tr>
<td>Jamaica</td>
<td>MBJ “CUTE” – Common Use Terminal Equipment for Sangster International Airport</td>
<td>US$ 5 million</td>
<td>IFC A loan</td>
<td></td>
</tr>
<tr>
<td>Jordan</td>
<td>Rehabilitation both airside and landside of Queen Alia International Airport</td>
<td>Bulk of US$ 370 million (US$ 270 million, IDB US$ 100 million)</td>
<td>IFC A Loan US$ 70 million, Syndicated B loan $160 million, IFC C $ 40 million</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>Airblue Limited: Prepayment for six Airbus A320</td>
<td>US$ 22 million</td>
<td>TBD</td>
<td></td>
</tr>
</tbody>
</table>

**Pending Projects**

<table>
<thead>
<tr>
<th>Country</th>
<th>Project Description</th>
<th>Amount</th>
<th>Loan Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>Fleet expansion of Armavia, Armenia’s leading carrier</td>
<td>US$ 11 million</td>
<td>IFC loan</td>
</tr>
<tr>
<td>Jamaica</td>
<td>MBJ “CUTE” – Common Use Terminal Equipment for Sangster International Airport</td>
<td>US$ 5 million</td>
<td>IFC A loan</td>
</tr>
<tr>
<td>Jordan</td>
<td>Rehabilitation both airside and landside of Queen Alia International Airport</td>
<td>Bulk of US$ 370 million (US$ 270 million, IDB US$ 100 million)</td>
<td>IFC A Loan US$ 70 million, Syndicated B loan $160 million, IFC C $ 40 million</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Airblue Limited: Prepayment for six Airbus A320</td>
<td>US$ 22 million</td>
<td>TBD</td>
</tr>
</tbody>
</table>

**Recently Completed Projects**

<table>
<thead>
<tr>
<th>Country</th>
<th>Project Description</th>
<th>Amount</th>
<th>Loan Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Federation</td>
<td>Volga-Dnepr Airlines: expand fleet by acquiring two additional An-124-100 aircraft and four D18T engines</td>
<td>US$ 55 million</td>
<td>A, B. &amp; C laons</td>
</tr>
</tbody>
</table>
WBG Air Transport Activities at a Glance

IDRB & IDA Projects

Africa Region (AFR)

West & Central Africa Air Transport Projects (P083751)

In April 2006 the Board of the World Bank approved the first regional Air Transport Safety and Security Project for West and Central Africa. In FY07 AFTTR has begun to implement this regional project, which aims at creating a safe and secure environment for air transport in West and Central Africa. The prime objective is to allow African airlines to competitively access regional and worldwide markets, with the expected result to support a sustainable economic region-wide growth. In order to reach this long-term objective, the region’s 23 countries can individually apply to join the program and benefit from the total allocation of US$ 151.50 million.

The main goals in each participating country are to improve the civil aviation agency’s compliance with ICAO’s safety and security standards, as well as to enhance the main international airport’s compliance with ICAO’s security standards. To achieve these goals, a range of activities will be implemented in each participating country, from agency personnel training to the procurement of security equipment. The ultimate objective is the establishment of regional safety agencies in order to share the scarce human resources.

The Bank’s project is structured as a horizontal Adaptable Program Lending (APL) that will enable any of the west and central African countries not included in the initial phase to join during subsequent phases, using the same eligibility criteria. Phase I of the program, comprising Burkina Faso, Cameroon, Guinea and Mali for an overall allocation of US$ 33.57 million, was approved by the Executive Board of Directors of the World Bank in April 2006. The project is ongoing, and the commitment of funds, almost a year after project effectiveness, is 16%. Despite a slow start, the project is now considered to be on track. The main hurdle - the lack of procurement capacity - is currently successfully being tackled by the project team.

Phase II of the Program was initiated by Nigeria’s participation in the program for an amount of US$ 46.65 million. The project has been negotiated in July 2007, and will be approved by the World Bank Board in September 2007. Several additional countries of West and Central Africa are planned to join Phase II in the following eighteen months.

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Kenya - Northern Corridor Transport Improvement Project (P082615)

In Kenya, the Bank is financing one of the major air transport infrastructure and regulatory capacity building projects in Africa. AFTTR has achieved good progress in implementing the various components of this important project, which is divided into two main parts: (i) Support to the Kenya Airports Authority (KAA) for airport infrastructure improvements, and (ii) support to the Kenya Civil Aviation Authority (KCAA) for regulatory capacity building.

The infrastructure works of KAA is supported by Bank IDA financing of about USD 35 million. The project co-finances the construction of the new Terminal 4, the renovation of the existing terminals of Nairobi’s International Airport, the necessary renovation and upgrading of security at Wilson Airport, and the procurement of various security equipment and airport flight information displays. Finally, the procurement of modern fire and crash and vehicles is also included.

The support for the Kenya Civil Aviation Authority (KCAA) for regulatory capacity building finances technical assistance by the specialized consulting firm Egis Avia (former Sofréavia). The main focus is on operational safety oversight, which includes institutional and regulatory reforms, training, and equipment. In addition to supporting the KCAA, the project also finances the renovation of the East Africa School of Aviation with purchases of necessary equipment. Finally, the project component has launched the design and development of satellite based (GNSS/GPS) en-route and approach procedures for several airports in Kenya.

In FY07, an assessment of the likelihood of achieving the targeted objectives for compliance for FAA IASA certification and complying ICAO safety standards was carried out within the framework of the project. In terms of aviation safety the Bank came to the conclusion that there is currently a low chance of success of quickly reaching the set objectives without either outsourcing inspection activities or pooling them at regional level. One of Kenya’s main challenges is the fact that it is often not possible to retain or attract a sufficient number of operational inspectors to perform the core safety oversight activities (crew and pilot licensing, airworthiness, and flight operations). The Bank recommends either to outsource inspection (wholly to a private firm, or use individual consultants), or to use a regional body, such as the recently established East African Aviation Oversight Agency (CASOA). On a more positive note, the Bank concluded that KAA has taken significant steps to improve security in JKIA and other airports, and that the objectives are likely to be reached by the end of project.

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ETWTR conducted the supervision of the air transport component of the Bank’s Communication Sector Reform project. In terms of financing Mozambique’s Airport Infrastructure it was concluded, based on a study called “Financing Concept for the Airports in Mozambique”, that the airport system of Mozambique could be self-financed if Maputo Airport, nine secondary airports, and the ATC system are merged into one entity. However, to fund major improvements, such as a new terminal building, a private sector solution is necessary. The completion of the financing study now provides all the elements to the Government of Mozambique (GoM) to take a formal final decision if the granting of a concession for Maputo’s International Airport is definitely abandoned. Given the findings of the study, and given the apparently new funding sources of close to US$ 100 million, the GoM should prepare a new comprehensive finance and investment plan for the sector. The Bank team also recommended considering a private sector solution, which could include the main airports and the ATC system.

The planned privatization of the national air carrier (LAM) remains pending. However, management continues the restructuring process and was encouraged to actively develop an alternative solution for the carrier. In the worst case scenario, if no profitable solution can be reached in a reasonable period, no private sector participation can be established, and LAM requires substantial public funding for its survival, the mission would recommend initiating a liquidation process, which could be followed by a private carrier start-up.

The strengthening of the Civil Aviation Authority (IACM) remains the core focus of this air transport component. In general, good progress can be noted at the Civil Aviation Authority (IACM). Its management and staff slowly started to take over responsibilities of regulatory safety oversight. However, with the closure of the project a few months away, the mission stressed the necessity of ICAM fully implementing the regulatory framework and performing its continued supervision of the sector. The moment has also come where training and assistance needs to be replaced with proactive initiatives by officials of ICAM. Finally, the component of developing RNAV non-precision approaches (“GPS approaches”) for five selected airports has been launched, and should be implemented before the closing of the project in FY08.

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Air Corridor is the private competitor of LAM, serving only on domestic routes. It operates two Boeing 737-200 aircraft.
Cape Verde – Airline Privatization (P074055)

In the context of the Privatization and Regulatory Capacity Building Project in Cape Verde, AFTTR and ETWTR provided supervision of the consultancy for the privatization of the national airline TACV.

The declared objective of the Government of Cape Verde (GoCV) to privatize TACV, which could develop a much more dynamic role if owned and managed by the private sector, is supported by Bank financed technical assistance. However, the privatization of air carriers remains a challenging task. This is especially true in the case of TACV, as the carrier must also preserve its role of assuring a “public service” linking the various islands.

Nevertheless, the Bank financed specialized consulting firm has successfully initiated the restructuring of TACV, the latter of which has been able to cut overhead and improve operations. The consultant, Sterling Merchant Bankers, has presented a coherent privatization action plan, which is currently under consideration by the GoCV.

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Zambia – Air Transport Sector Policy (P092149)

ETWTR participated in a dissemination mission in Lusaka and Geneva for the World Bank publication "Services Trade and Development: The Experience of Zambia" (see picture on the right). The mission was conducted by the Bank’s Development Research Group (DECRG), which edited the publication. CES of ETWTR had participated in the research mission in March 2006, and authored Chapter 5, "Air Transport: Revitalizing Yamoussoukro".

The study of services trade in Zambia was carried out at the request of the Zambian Ministry of Commerce, Trade, and Industry. The objective was to examine how Zambia can implement further services trade reform to achieve its development goals. One dimension was managing its own reform to improve the performance of its services sectors, leading to increased productivity of resources employed in these sectors and increased availability of services for firms, farms and households. Another linked dimension was enhancing Zambia’s ability to export services through reforms and by eliminating impediments abroad.

The conclusions was that Zambia needed to eliminate barriers to entry and competition; develop and enforce regulations to deal with market failures; and implement proactive policies to widen the access of firms, farms, and consumers to services of all kinds. In all this, international agreements can help. But to succeed, Zambia must commit to open markets, including regional integration, and its trading partners must provide assistance for complementary reforms, and adopt supportive policies. These lessons from Zambia are applicable to all LDCs.
In the field of air transport, this would translate to (i) aggressively pursuing the opening of bilateral air service agreements to fifth freedom rights (as stipulated in the Yamoussoukro Decision), (ii) lowering the high jet fuel prices (remove VAT, duty, and lower production margin), (iii) improving regulatory oversight of the air transport sector, and (iv) investing in the domestic air transport infrastructure.

During the mission the team had several bilateral meetings with government and other stakeholders in Lusaka. In addition, a workshop was held on 27 March 2007 in which government officials, representatives of the private sector, and other stakeholders participated. On 30 March 2007 the team presented the findings and discussed the report at the World Trade Organization (WTO) in Geneva with WTO members and other concerned participants, in particular to determine how far these findings in Zambia are applicable to other LDC.

The initial feedback by WTO members confirmed the findings and recommendations of the study, while several Zambian government officials remained more conservative about opening up certain sectors, e.g. air transport. On the other hand, many representatives from the economic and private sector in Zambia strongly supported the recommendations for opening and liberalizing trade and services. In the case of opening air services, representatives of the WTO conducted a quantitative air service agreements review on a global level with some interesting preliminary conclusions. It was suggested that a more detailed study should be conducted by analyzing the economic effects of liberalization of air services in many parts of the world.

ETWTR will consider working with the WTO to complement its current research on the liberalization of air services in Africa with such an analysis.

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**Tanzania – Airport and Air Traffic Control Infrastructure (P055120)**

In October and early November 2006 the Bank (ETWTR) conducted an infrastructure audit mission of Tanzania, Uganda, and Kenya for an assessment of the costs of implementing ADS-B in those three members of the EAC. The project was originally conceived for Tanzania alone, however strong regional considerations, including the creation of joint oversight within the EAC, favored a geographically broader approach.

The mission, led by the World Bank, comprised of three experts from the U.S. FAA (funded by the Safe Skies for Africa program), one expert from the Kenya regional office of ICAO, a representative of IATA, and a representative of the French Civil Aviation Authority. A full week was spent in each of the countries, with visits to airports, remote communication sites, and other facilities.
ADS-B ("Automatic Dependent Surveillance – Broadcast") is a technology that allows air traffic control, improved situational awareness, and at time self-separation where no air traffic control is available, without the installation of expensive radar, and with the precision of globally available GPS. The major components, besides already existing air traffic control centers, include the GPS satellite constellation, ground based transceivers, transmitters/receivers aboard aircraft, and a communications backbone. In general, the aircraft determines its own position using GPS, and then broadcasts its position to the ground and to other aircraft in the vicinity. Depending on the type of equipment, aircraft can see other aircraft in the area on a display, and can receive other information, such as weather observations, on the same system. The precision of GPS is significantly higher than that of radar, and the overall system and its maintenance cost of ADS-B is a fraction of that of radar.

Tanzania currently has one radar installation, providing coverage for a portion of the coast, including the airports at Dar es Salaam and Zanzibar. The rest of the country enjoys no coverage, though there is considerable traffic in both overflights and safari/tourism travel. The road connections are marginal in many areas, making air transport, including general aviation, an important part of the transport network. The mission found that with a cost of roughly US$ 10 million the entire country could be covered via ADS-B, using 18 ground-based transceivers and installing the appropriate avionics in 135 aircraft. The estimate includes the installation of 5 automated weather observation stations.

Kenya has most of the country covered by six radar installations. The equipment has been refurbished and is slowly arriving to the end of its life. Though Kenya has planned the complete replacement of their radars, the option of using ADS-B is of interest, especially in light of the cost savings. The mission found that for roughly US$ 15 million the entire country could be covered, including the equipage of 298 aircraft. Kenya is a regional air transport center, with Kenyan Airways making the Nairobi airport an important hub.

Uganda, being the smallest of the three countries, and having much level terrain, would be the lowest cost for implementation. Currently Uganda is being served by only one radar which is operated by the military, with a second one on its way to delivery. With only 26 aircraft on the registry, and only requiring seven ground-based transceivers, the cost would approximate US$ 3.5 million.

In all three countries innovative solutions may need to be found for the redundant communications backbone of the system for communicating with the air traffic control centers. One option proposed by the mission was exploring contractual arrangements with local wireless operators, such as Celtel. The ADS-B project for Tanzania is now being prepared, with the Project Assessment Document required for World Bank Board Approval being authored in late 2007.

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Latin America & The Caribbean Region (LAC)

Guatemala – PPIAF Study Outcome & Civil Aviation Component (P055084)

On 6 June 2007 the US Department of Transportation informed the Government of Guatemala (GoG) that the country had passed the FAA IASA and is rated category 1. The World Bank considered this to be the most important pending step for the development of air transportation in Guatemala. While the country had an "Open Skies" agreement with the US since 1992, it remained rated category 2 in the IASA program. This meant that only non-Guatemalan operators, such as US carriers or TACA, could respond to the increased demand for air travel. Costa Rica, Panama, and El Salvador are rated category 1.

It was recognized that if Guatemala remained the only country in Central America in IASA category 2, its overall competitiveness would be seriously jeopardized. To support the implementation of the necessary regulatory framework and capacity building at the Civil Aviation Authority, the World Bank therefore allocated US$ 400,000 of the Competitiveness and Growth Project. In addition, the Bank has set the IASA category 1 certification as an indicator for strengthening infrastructure in the Broad-Band Growth Development Policy Loan (DPL). Subsequently this DPL of US$ 100 million was successfully negotiation between the Bank and the GoG. ETWTR had supervised this component since 2004 on behalf of the Finance & Private Sector Unit of the LAC.

The second major improvement of Guatemala’s air transport sector is the progress made by the GoG in the upgrade of the existing infrastructure of the country's main airports. The current strategy was a policy recommendation of a Public-Private Infrastructure Advisory Facility (PPIAF) financed study and workshop held in 2004. Despite strong advocates for the construction of a new international airport, the GoG had initiated a well planned infrastructure improvement program, which followed the recommendations of the PPIAF, which aimed at renovating the existing airport. After less than one year of planning, the reconstruction of the terminal at La Aurora airport was initiated.

The Bank’s cost estimate for the construction at Guatemala City ("La Aurora") airport was over US$ 300 million. The GoG current investment at La Aurora was budgeted at US$ 124 million. The Technical Cooperation Bureau of ICAO is contracted to supervise procurement and execution of the construction. The new terminal, as well as the main tarmac, should be fully completed by November 2007 at an estimated cost of US$ 100. The displacement of the taxiway and the relocation of all general aviation hangars on the East side will be done in 2008. The overall program plans to invest about US$ 135.8 million in six airports (La Aurora $124 million, San José $3 million, Tikal-Mundo Maya $3 million, San Marcos $0.9 million, Huehuetenango $0.9 million, and Quetzaltenango $4 million).

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LCSTR completed the research on Caribbean air transport and published its Report No. 36863-LAC, titled “Caribbean Air Transport – Strategic Options for Improved Services and Sector Performance” on 25 September 2006. The objective of the report was to provide guidance to the Caribbean governments on available strategic options centered around two areas: (i) improving sector policy and regulation for air services at both the national and regional level; and (ii) addressing the future role of regionally owned and operated airlines.

Four main sets of conclusions and recommendations emerged from the report: First, a policy of liberalization is effective in securing cost effective, reliable and quality air transport services in most cases. Caribbean nations would be advised to adopt a fully unrestrictive policy towards air services provided that (i) local airlines have a right to compete, with the “community of interest” principle applying, and (ii) adequate arrangements are put in place to ensure fair competition. In this regard negotiated “open skies” style bilateral agreements should be complemented by a revision to the CARICOM multilateral agreement.

Secondly, there are a number of airlines in the Caribbean sub-region which currently are part or wholly publicly owned. These airlines are undercapitalized and are generally facing serious operational and financial problems, with consequent negative impact on the quality and reliability of regional services. Caribbean nations with ownership interests in regionally based airlines would be advised to adopt clear and appropriate policies, and to take necessary actions to allow such airlines to compete, to become profitable and earn appropriate returns, or else go out of business.

Thirdly, the continuity of inter-island air services - especially in the Eastern Caribbean - in a liberalized market is a legitimate concern. There are a number of working schemes in place for addressing this need. Caribbean nations would be advised to adopt appropriate policies with regard to public service obligation which would underpin, for example, the award of subsidies to airlines for selected routes and services on the basis of a competitive process.

Finally, a liberal environment for the provision of air transport services does not obviate the need for effective policy and regulatory capacity. Governments will need the capability and the know-how to effectively manage the opportunities created by competition for services, to ensure overarching policy objectives can be met and satisfactory services to the consumer can be secured. Caribbean nations would be advised to take the opportunity to now generally review and selectively strengthen public sector capacity, in order to assure effective monitoring of air transport services.

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South Asia Region (SAR)

Afghanistan – Air Traffic Management & Airport Infrastructure (P078284)

The Bank’s Emergency Transport Rehabilitation Project for Afghanistan includes an air transport component which primarily aims at rehabilitating Kabul’s International Airport (KAIA). The main component was the financing of improvements to the runway of US$ 13 million. In addition, the project is financing the de-mining of KAIA, necessary air field equipment, as well as several instrument approaches. Finally, a study was launched for the modernization of the country’s air traffic control system.

ETWTR had evaluated the current situation of the Afghan air traffic management system, and its potential for further development, in 2004. Subsequently, a study was launched to evaluate the necessary investments in the country’s CNS infrastructure. The draft report was recently submitted by Egis Avia (former Sofréavia), and is currently being evaluated by the Government of Afghanistan and the Bank for the preparation of a possible air transport infrastructure program.

Despite the fact that Afghanistan has had a privileged geographical situation in relation to international overflight corridors, the country currently does not provide any positive air traffic control. Nevertheless, it generates an income from ATC of more than US$ 30 million annually. However, for the future sustainable development of air traffic, investments in infrastructure for a modern ATM system are necessary. The study financed by this project includes an implementation program for the modernization of the ATC system.

In addition to KAIA, the Bank is financing satellite based (GNSS) non-precision approaches at five airports in the country. The contract was awarded to DFS Deutsche Flugsicherung, and is expected to be implemented in 2007. Finally, there is still need for additional capacity building for regulatory oversight. Subsequent support is considered by US and European authorities, and by NATO, which coordinates several development activities in the country.

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Bangladesh –Airline Restructuring and Privatization (IO 2042608)

The Government of Bangladesh (GoB) has requested technical assistance for the restructuring and privatization of its national carrier BIMAN. The Bank (SASDT) has deployed a mission to Dhaka which reviewed with the GoB and BIMAN management the current situation of the national airlines ahead of its possible privatization. Privatization could, for example, be achieved through the establishment of a strategic partnership with a reputable international carrier.

The conclusion of the mission was that BIMAN is in a very serious financial situation, where its debt exceeded about three times its capital. BIMAN’s immediate survival requires the swift implementation of a set of short term measures. These measures include, but are not limited to (i) downsizing of its current route network and the associated sale of its oldest airplanes (i.e. DC-10 and F-28), (ii) the sale of its poultry, catering, and ground handling activities, (iii) the sale of some of BIMAN’s real estate assets, (iv) the outsourcing of some of its non-core activities (e.g., security, personnel transport), (v) the modernization of its management capacity through the acquisition of some key management tools (e.g., yield management software), and (vi) reduction of its core employment to about one third its current level.

The analysis of the strategic and operational positioning of BIMAN revealed that its overall competitiveness was being hurt by the relatively old age of its aircraft fleet and its associated high operational and maintenance costs, the absence of modern marketing and yield management tools, and the lack of computerization of its management processes. In addition, although its labor costs were low, their sheer number has precluded BIMAN from adjusting quickly to a rapidly changing competitive environment. BIMAN’s strengths relied in the fidelity of its market base (i.e. Bangladeshi Diaspora), and the profitability of its two main subsidiaries (i.e. catering and poultry business.)

In order to develop more detailed short and medium term restructuring measures, a specialized consultancy was initiated by the Bank. The consultancy includes the analysis of BIMAN’s operational and financial situation, the implementation of short-term measures, and the review of the current and future potential markets. The study will provide the basis for assuring both the survival of the airline as well as the preparation of its planned privatization.

The Bank continues to support the GoB with BIMAN’s restructuring, which should be seen only as a first step towards a global restructuring of Bangladesh’s aviation sector including, but not limited to, liberalization of its air services, private participation in the management of its airport system, and the redefinition of the role of its Civil Aviation Authority.

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Pakistan – National Trade Corridor Improvement Policy Loan (P101683)

The Bank (SASDT) has begun the preparation of a new transport project in Pakistan called National Trade Corridor Improvement Program (NTCIP). The development objectives of the NTCIP are to reduce the cost of trade and transport logistics, and to bring the quality of logistics services to international standards in order to reduce the cost of doing business. The overall goal is to enhance Pakistan’s export competitiveness and its current stage of industrialization. The Government of Pakistan (GoP) will achieve this objective through a comprehensive multi-sector reform and investment program aimed at streamlining procedures, improving services, and upgrading its physical infrastructure. The scope of the current program includes railways, the road transport industry, ports and shipping, trade facilitation, highways, and civil aviation. The overall investment program in Pakistan’s transport infrastructure is estimated at about US$ 10 billion, of which 7% are needed in the air transport sector. The project amount of the NTCIP is a development policy loan (DPL) of US$ 300 million.

The growth of air traffic has remained modest in Pakistan, although the country has benefited from high economic growth. This is not consistent with international experience, which shows a strong link between air traffic and economic growth. Overall passenger growth was 3.3 percent between FY05 and FY06, with 6.6 percent for international traffic, and -2.9 percent for domestic traffic. In FY06, domestic passenger traffic was still only slightly above the level of FY01. While this may have been caused by the loss of services by European and U.S. carriers in the last few years, the national public airline, Pakistan International Airlines (PIA), has not been able to capture the potential market created by the growth of the economy. Private airlines have been operating with little success in Pakistan, mainly due protection of PIA by the GoP. As a result their share of domestic traffic decreased from 35 percent in FY05 to 30 percent in FY06.

The NTCIP will address these shortcomings by focusing on the overall objectives of the new civil aviation policy of the GoP. These include the promotion and insurance of safe, secure, economical and efficient civil aviation operations, and boosting air trade and commerce. The anticipated measures to implement this policy include (i) policy discussions and considerations about the possible adoption of a more liberal e.g. “open skies” policy for domestic and international air services, (ii) the transformation of the CAA into an autonomous expert aviation safety regulatory authority, (iii) the establishment of the air traffic control service infrastructure as a self-funding state-owned business entity, (iv) the transformation of the CAA operated airports into separate state-owned enterprises, and (v) the restructuring or creation of a new PIA on a strictly commercial basis.

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Egypt – Airports Development Project (P082914)

The Sustainable Development Unit of the MNA Region of the Bank continued the supervision of the implementation of the Airport Development Project (ADP), which is carried out in a satisfactory manner. Under this project the Government of Egypt is receiving a total of USD 335 million of IBRD financing for the construction of the third Terminal at Cairo International Airport (“TB3”, with investments of US$ 285 million & consultancy services for both airports at about US$ 8 million), and for the new terminal at Sharm El Sheikh Airport (“SSH”, with investments of US$ 42 million). The inauguration of the new passenger terminal at Sharm El Sheikh Airport on 24 May 2007, and the full opening to commercial traffic of the facility on 11 June 2007, are significant milestones for the ADP that reflects well on the organizational abilities, capacities, and dedication of the teams and institutions involved in its development.

The Project Management Unit (PMU) should continue its hard work and vigilance to ensure that the remaining investment component, the new terminal at Cairo International Airport (CAI), is completed according to specifications and project objectives. The main focus remains to ensure that the works are properly sequenced with a view of preserving the quality of construction. This should be done despite the challenging time frame for completion, as well as the requirement to swiftly address the backlog of contract variation notices.

With respect to the significant backlog of outstanding variations on TB3, the variations could increase the cost of the contract by approximately 20 percent. On the sequencing of works, it was agreed the project manager and supervising engineer should take the lead in ensuring that agreed schedules of work will be maintained. An extension to complete works associated with the toll stations, modifications in the latest fire strategy, and modifications to roller shutter doors became necessary for the completion of TB3. Significant progress has been made on the new terminal at SSH, and about 92 percent of the works are now completed. Training, testing, and commissioning of mechanical and electrical systems are now underway as planned.

Finally, the institutional strengthening initiatives to develop a national air cargo strategy, liberalize air transport, strengthen airport management capacity, devise a national airport master plan, and carry out environmental training have been completed as planned.

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Saudi Arabia – Airports Development Project (P102411)

The Bank (EWTTR) was been requested to provide reimbursable technical assistance by the Presidency of Civil Aviation, which included the organization of a workshop and training sessions at the Sheraton hotel in Jeddah on "Airport Contractor Performance Benchmarking" during the period of 2 - 5 June 2007. The objective of the workshop was to inform and train Saudi airport management executives (about 40 participants from 27 Saudi international and domestic airports) on modern performance measurement and benchmarking techniques in this domain. The workshop also provided an opportunity to explore the potential for further World Bank support and assistance in the area of airport management, including infrastructure assessment and other air transport related policy issues.

The workshop was generally well perceived by the participants. The facilitators provided clear and concrete theories, as well as real cases and examples of airport facilities management issues. However, as anticipated due to the very short time for preparation, the content did not entirely cover all the needs and issues of all participants. In particular, it was felt that concrete evaluation of management contracts and performance measurements should be covered more in depth in future courses. The workshop participants were also engaged in a hands-on airport maintenance contract exercise. Issues of airport maintenance and contractor engagement were presented and discussed in three groups.

The mission also met with Engineer Abdullah M. N. Rehaimi, President of the General Authority of Civil Aviation, to discuss policy issue of the air transport sector of Saudi Arabia. The main issue was the consideration of the possible liberalization of internal and external air services. The mission was informed that the CAA was preparing the partial liberalization of domestic air services with two newly established operators. Saudi Arabia is currently facing strong regional competition by carriers of the Emirates, which are enhancing their dominant hub between Europe and Asia. Saudi Arabia, which benefits mainly from travelers to the two main religious destinations of the country, is concerned about the possibility that a too rapid liberalization would siphon air traffic away to hubs in the Emirates. On the other side, isolation and protectionism of Saudi Airlines may prove to be rather counterproductive in the long run for the development of the air travel market of the country.

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Introduction and elaboration of best practice methods in airport facilities maintenance management by Mr. Jean-Claude Gourgon, who is Director of Aviation Management at Jacobs Consultancy.
Europe & Central Asia (ECA)

Russian Federation – Advisory Services for Pulkovo Airport Expansion (P108703)

The infrastructure advisory team of the Finance Economics & Urban Department (FEU) provided reimbursable technical assistance to Russia concerning the Pulkovo Airport Expansion project. The client’s challenge is the fact that St. Petersburg needs to upgrade and expand its airport infrastructure to keep pace with traffic growth as well as with the city’s plan to become a major gateway in Northern Europe.

The Bank’s team concluded that the concession of the construction, maintenance and operation of the new passenger terminal at Pulkovo Airport presented an excellent opportunity to the City Government to develop such important infrastructure via a public private partnership scheme, leveraging public resources and attracting investors and technology into Russia’ air transport sector.

Subject to further due diligence it seems possible to have private ownership of passenger terminal and ancillary services. Under this scenario, the preferred option from the financing point of view will be a 25 to 30 years build-owned-operate and transfer (BOOT). Having ownership of the building and related construction will allow the winning consortium to pledge these assets, making the financing and project structuring easier.

The proposed concession will include the operations of the new terminal (which will also include the integration of the existing terminal 1), plus its related services (i.e., ground handling, car parking, etc.). Investments for the BOOT concession (new terminal plus related infrastructure) based on Hochtief master plan are estimated at Euros 600 million (January 2007). It is proposed that the selection process for the concessionaire be carried out via an international bidding process.

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International Finance Corporation (IFC) Projects

IFC Air Transport Infrastructure Financing (CINTS)

GOL – Brazil’s Low Cost Operator

Gol Transportes Aéreos is a low-cost airline based in São Paulo, Brazil. Gol is the second largest airline in Brazil, with 38.6% of the Brazilian domestic market and 12.2% of the international market of flights from and to Brazil (as of September 2007). The carrier is headquartered in Sao Paulo, Brazil, and is a low-fare, low-cost airline providing frequent services on routes connecting all of Brazil’s major cities. The Company’s strategy is to grow its business by popularizing air travel, stimulating and meeting demand for affordable and convenient air travel in Brazil and between Brazil and other South American destinations, for both business and leisure passengers. GOL’s long-term business objective is to bring safe and affordable air travel to all main destinations in South America.

The IFC provided a US$50 million corporate loan to the company for the financing of spare parts and working capital.

Cambodia - Phnom Penh International Airport

Société Concessionnaire de l’Aéroport (SCA) is a special purpose company that holds a 45-year concession (from 1995) from the Royal Government of Cambodia (RGC) to operate the Phnom Penh International Airport (PPIA) at Phnom Penh, the Siem Reap International Airport (SRIA) at Siem Reap, and the Sihanoukville Airport (SIA) at Sihanoukville.

PPIA serves as the main gateway to Cambodia, while SRIA mainly caters to the tourist traffic visiting the various Angkor temples located in the nearby Angkor Archeological Park, a UNESCO World Heritage site. Sihanoukville was established in the 1950s and forms, together with Phnom Penh and Siem Reap, one of the destinations that has been identified by the RGC as cornerstones for the country’s short-term tourism development. The Sihanoukville airport, located 15 km from the city center, was built in the 1960's and remains a small airport with limited facilities. The concession for the development and operation of Sihanoukville Airport was awarded by the RGC to the company in March 2006.

The IFC provided a US$17.5 million A Loan as its second investment in SCA. In June 2004, the IFC provided a US$ 10 million loan to SCA to support capital expenditures at PPIA and SRIA.
Peru - Jorge Chavez International Airport

Lima Airport Partners S.R.L. (LAP) owns a build-operate-transfer concession to operate the Jorge Chavez International Airport (JCIA) in Lima, Peru. JCIA is the only commercial airport serving Lima and is Peru’s primary international airport, serving the vast majority of Peru’s international passengers. It is also the principal hub for domestic routes in Peru.

Fraport AG Frankfurt Airport Services Worldwide (“Fraport”) owns and operates the Frankfurt Airport in Germany, the seventh largest airport in the world and second largest airport in Europe. Fraport’s management will add airport operation and management know-how, and will result in an upgrading of skills of the local workforce. MIGA has provided Fraport with a guarantee for 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 (see project details below under MIGA).

The IFC has provided US$ 20 million as an equity investment. The project supports Peru’s efforts to improve the quality and efficiency of infrastructure services. As Peru’s primary airport for international and domestic travel, JCIA is an integral part of the country’s economic and tourist infrastructure. IFC’s investment will help ensure that LAP makes necessary investments in the airport.

Georgia – Tbilisi International Airport

TAV Urban Georgia LLC (“TAV Georgia”) holds an 11.5-year concession (from January 2006) from the Tbilisi International Airport Joint Stock Company to design, finance, construct, maintain, and operate the Tbilisi International Airport (“TIA”). TAV Georgia has the option to extend the concession period by an additional five years by designing, constructing and financing, but not operating, the upgrade of the Batumi International Airport for US$ 15 million.

Anticipated continued growth in traffic at TIA has created the need for substantial upgrading and expansion of the airport facilities, to allow the airports to operate at international standards of safety and efficiency, and to support Georgia’s continued economic progress. The project is expected to cost US$ 76.5 million, which includes US$ 51.5 million for the construction of a new international terminal and car park, widening of the runway, extension of the apron and taxiways, and upgrade of emergency response services at TIA. In addition, US$ 4 million for acquisition of ground handling equipment at Tbilisi Airport, and US$ 15 million for the construction works and modernization of equipment and systems at Batumi International Airport will be invested, next to working capital requirements, insurance, and financing costs.

The total project costs are US$ 76.5 million. The IFC signed a loan in May 2006 for a proposed investment consisting in an A loan of up to US$ 27 million for IFC’s own account. The European Bank for Reconstruction and Development will provide a parallel loan of the same amount along with the IFC.

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ICF Advisory Services (CASDR)

Summary of Air Transport Advisory Mandates

Combining the commercial experience acquired from its financing activities in emerging markets with the developmental mandate of a multilateral financial institution, the IFC has developed a unique approach to advising governments and companies on public private partnership (PPP) transactions in the air transport sector. The two main domains in air transportation advisory services are private sector participation in airports and air carriers.

During FY07 CASDR successfully concluded several airport PPP advisory services. The first one concerned the Hajj Terminal Complex in Jeddah, Saudi Arabia. The General Authority of Civil Aviation (GACA) sought private sector participation (PSP) for the implementation of a BOT scheme to undertake the expansion and rehabilitation of the Hajj Terminal Complex. The objectives of the client included (i) increasing terminal capacity and service quality standards, (ii) turning the Hajj Terminal into a commercially viable, self sustaining business independent of government subsidies, (iii) introducing private sector financing and technical know how, and (iv) implementing a pilot PSP transaction that may serve as a model for similar transactions at other airports in the country. In December 2006, of five bids submitted for the US$ 250 million project, the Saudi Binladin Group, in a joint venture with Aéroports de Paris Management, was selected as the preferred bidder. Under the 20-year agreement, the investor will replace the facilities and improve the level of service to the Hajj and Umrah passengers. The Project is the first step in KAIA’s redevelopment program aimed at meeting the airport’s increasing volume of passenger traffic.

Another airport related transaction concerned Abuja International Airport, Nigeria. The Federal Government of Nigeria (FGN) decided to invite the private sector for the financing, development, operation, and management of Abuja International Airport, and appointed the IFC as its Lead Advisor for the preparation, structuring and implementation of a balanced transaction. The objective was to initiate the introduction of private sector principles and participation into the development, financing, management, and operations of the airport. This should reduce the reliance on FGN financial support for airport investment and operating expenditures. In November 2006, Abuja Gateway Consortium, composed of the Airport Authority of India (operator), in addition to five equity partners (Airline Services Limited, Airport Consulting Vienna, Gitto Costruzioni Generali Nigeria, Naira*Net Technologies Limited, and A.G. Ferrero) was selected as the winning bidder. Their proposal includes the strategy to develop Abuja International Airport into a West African hub. Key elements of the proposal include the construction of new passenger terminal facilities, including cargo facilities, and the development of commercial and retail activities at the airport.
Finally, the Government of the Hashemite Kingdom of Jordan (GoJ) decided to invite the private sector for the rehabilitation, expansion, and operation of Queen Alia International Airport. It appointed the IFC as its lead advisor for the structuring and implementation of a balanced transaction to meet its objectives and elicit the interest of the private sector. In April 2007, of the five bids submitted for the Project, Aéroports de Paris Management Consortium, composed of Aéroports de Paris Management, Abu Dhabi Investment Company, Noor Investment Co., EDGO Investments and J&P, was selected as the Conditional Winning Bidder. The bid price achieved 54.58 percent of annual gross revenues to GoJ on average, which is the highest recorded arrangement of its kind in the world. In addition, the Project is expected to have significant development impact by improving the gateway to Jordan, thereby fostering the further development of the tourism sector.

During FY07, CASDR has worked on several advisory mandates concerning air carriers. The advisory services, which always include a detailed operational and strategic evaluation, are mostly transaction oriented. The mandates during FY07 included Cameroon Airlines, where a detailed restructuring and privatization plan was prepared, and bids from potential investors or acquirers were received and evaluated. In Serbia, CASDR is currently advising on strategic options of Jet Airways, and in Rwanda various privatization options are prepared on demand of the client.

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<table>
<thead>
<tr>
<th>Airport / Airline</th>
<th>Country</th>
<th>Year</th>
<th>Assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAT Airways</td>
<td>Serbia</td>
<td>Ongoing</td>
<td>Strategic options report</td>
</tr>
<tr>
<td>Rwandair</td>
<td>Rwanda</td>
<td>Ongoing</td>
<td>Privatization advisory</td>
</tr>
<tr>
<td>Queen Alia International Airport</td>
<td>Jordan</td>
<td>2007</td>
<td>Privatization advisory</td>
</tr>
<tr>
<td>King Abdulaziz Airport Hajj Terminal Complex</td>
<td>Saudi Arabia</td>
<td>2006</td>
<td>Privatization advisory</td>
</tr>
<tr>
<td>Abuja Airport</td>
<td>Nigeria</td>
<td>2006</td>
<td>Privatization advisory</td>
</tr>
<tr>
<td>Cameroon Airlines (Camair)</td>
<td>Cameroon</td>
<td>2006</td>
<td>Privatization advisory</td>
</tr>
<tr>
<td>Polynesian Airlines</td>
<td>Samoa</td>
<td>2005</td>
<td>Privatization advisory</td>
</tr>
<tr>
<td>Air Tanzania</td>
<td>Tanzania</td>
<td>2004</td>
<td>Sold 49% to South Africa Airways</td>
</tr>
<tr>
<td>Kenya Airlines</td>
<td>Kenya</td>
<td>1996</td>
<td>Sold 26% to KLM</td>
</tr>
</tbody>
</table>

The acquisition of Cameroun Airlines by a foreign carrier could be an interesting strategy of expansion into future markets for an international strategic partner.
Multilateral Investment Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA) guarantees cover projects in a broad range of sectors, with projects in infrastructure accounting for the largest share (41 percent) of the agency’s outstanding portfolio. Infrastructure development is an important priority for MIGA, given the estimated need for $230 billion a year solely for new investment (maintenance needs are of a similar magnitude) to deal with the rapidly growing urban centers and underserved rural populations in developing countries.

Peru - Jorge Chavez International Airport (JCIA)

MIGA has provided Fraport AG, of Germany, with a guarantee for $11.5 million, to cover its $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.

Peru depends greatly on its airport network because of the country's geography, and because ground transportation infrastructure has not been fully developed. JCIA is especially important to the country, since it is Peru's main operating international airport, accounting for 97 percent of international traffic, as well some 58 percent of national traffic. JCIA also functions as a regional hub for all cargo traffic. The airport privatization is considered by the government as a key factor in the expansion of employment opportunities, the creation of a modern transportation facility to serve as Peru's gateway to the world, and for the enhancement of tourism, an industry that the government is actively trying to expand.

The airport's privatization is expected to provide the government with additional revenues through increased income tax, custom duties, and concession fees. During the first four years of the concession, the consortium is expected to invest more than $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 world-class retail center within the existing airport perimeter. Upgrades in the technology and services at the airport will create approximately 49 additional positions, mostly for expert technicians and service operators. The sponsors have instituted an employee profit-sharing plan. The majority of the goods and services required by the airport refurbishment will be sourced locally, and most ongoing capital expenditures foreseen, amounting to $1 billion over the entire life of the concession, will be sourced locally. Furthermore, the government will benefit from improvements in JCIA’s operation through a revenue-sharing agreement as well as a landing and take-off fee-sharing agreement.

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External Relations

ICAO - World Bank - ATAG Air Transport Development Forum

The Bank co-organized in 2005 and 2006 two Air Transport Development Forums, with the International Civil Aviation Organization (ICAO), and the industry's Air Transport Action Group (ATAG). Given the important development priorities in Africa's civil aviation sector, it was decided that the 2007 Air Transport Development Forum was to be held in Africa. Subsequently, the third ICAO - World Bank - ATAG Air Transport Development Forum was held at the African Union headquarters in Addis Ababa from 23 to 25 April 2007.

The World Bank Group participated as a technical partner in the Forum. CES co-moderated the workshop with representatives of ICAO and ATAG, Pierre Pozzo di Borgo, Senior Transport Specialist AFTTR, presented the Bank's Africa Region approach on financing air transport related projects, HCB gave a technical presentation on the Air Transport Development Cooperation Database which is currently developed by ICAO and the Bank, and Ram Mahidhara, Senior Investment Officer of the Infrastructure Department of IFC outlined IFC's financing of aviation related projects. In addition, Tim Gilbo, the Bank’s Country Manager in Malawi, attended the forum and held technical discussions. All presentations have been posted on the Forum’s Website. (www.icao.int/DevelopmentForum/Forum_07)

The Workshop, which was attended by over 60 high-ranking representatives of African, European, and North American States, United Nations organizations, various regional and international donor organizations, and the air transport industry, issued a formal conclusion. The conclusion was presented at the Third African Union Conference of Ministers in charge of Civil Aviation in Addis Ababa on 07 May 2007.

In summary, the conclusions of the Forum were:

- Air transport is recognized as an essential engine for growth, which supports economic development by creating direct and indirect employment in aviation related services, supporting tourism and local small businesses, and stimulating foreign investment and regional trade;

- The efforts are recognized which were made by the African Civil Aviation Communities, under the leadership of the African Union, towards the implementation of the Resolutions of the First and Second African Union Conference of Ministers responsible for Air Transport and the initial achievements in improving specific aspects of air transport in Africa;

- Strong concerns are acknowledged regarding the current stage of the African aviation sector, which continues to face serious difficulties of
development characterized by (i) the slow implementation of a liberalized pan–African aviation market (pending implementation of the Yamoussoukro Decision), (ii) a continued high accident rate and a general unsatisfactory level of security, (iii) the difficulty of many carriers to establish adequate access to finance for the procurement of modern aircraft, and (iv) the increased shortage of qualified human resources;

- The critical importance for African States to accelerate the implementation of the Yamoussoukro Decision and to exert their regulatory powers for supervising their aviation sector, thus ensuring compliance with ICAO standards and recommended practices is reinforced; and,

- The need for cooperation and partnership between States and industry is emphasized under African leadership, in order to engage in coordinated safety improvements and to enhance the participation of the African civil aviation sector in the current globalization and liberalization of the air transport industry.

The Bank has been working with ICAO for over two years to better coordinate the development of the air transport sector in developing countries. For this, a concept paper called “AvDeCo” was developed and discussed with several potential participants and donors. ICAO has further met with the AU, and is finalizing a MOU for development cooperation between the two organizations. In addition, a database which will include all development and cooperation initiatives and projects has been established in technical cooperation with the Bank, and is hosted on ICAO’s website. The Bank (ETWTR) will now deepen the discussions with ICAO on how to implement the proposed “Project AvDeCo”.

**US - Africa Air Transportation Summit (Miami FL)**

ETWTR (CES) participated as speaker and panelist in the US Africa Air Transportation Summit in Miami, FL, from 6 to 8 June 2007. The three-day U.S.-Africa Air Transportation Summit discussed barriers to air service growth between both regions. Topics of discussion included aviation safety and security, emerging challenges for U.S.-Africa bilateral agreements, and the demand for air services. The Foundation for Democracy in Africa is a development-based, nonprofit organization promoting democracy, sustainable development, and economic growth throughout Africa.

Several presentations were made about the potential for increasing US - Africa air service market. With currently only 47 weekly direct weekly flights (see chart above), the market is expected to grow significantly. In addition, the African intercontinental market has been one of the most profitable ones, with very high yields. However, currently only five African carriers (Egypt Air, Royal Air Maroc, TACV, Ethiopian, and South African) have flights to the US. In order for more African carriers to participate in the US - Africa market, major improvements in the compliance with safety and security standards need to be achieved.

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FAA International Aviation Training Symposium

On invitation of the US FAA, ETWTR (CES) participated as speaker and moderator to the International Aviation Training Symposium in Oklahoma City, OK, from 17 - 20 July 2006. The seminar, which is held every three years, attracts numerous international participants, several from Bank client countries.

The Bank moderated a workshop session on new aviation training technologies and, presented as speaker, the World Bank’s activities in the air transport sector with the title “Why the World Bank is assisting client countries in the development of aviation services and infrastructure”. The moderation and presentation were well perceived and resulted in several bilateral discussions with representatives from African, Latin American, and Asian Civil Aviation Authorities.

Next to the US Trade Development Agency, which funds primarily feasibility studies that could support US exports, the Bank was the only funding institution present providing support for developing countries in their effort of establishing adequate aviation safety oversight and air transport infrastructure.

Boeing Commercial Aircraft

ETWTR (CES & HCB) visited Boeing Commercial Aircraft Corporation in Seattle, WA from 28 and 29 July 2006. The mission was briefed on Boeing’s participation of the air transport industry safety initiative. In a detailed presentation Boeing outlined its analysis on the current safety situation worldwide. Africa, being by far the worst region, is followed by South-East Asia and Latin America in terms of accidents. The mission discussed the industry’s Global Aviation Safety Roadmap, which was prepared and presented by industry organizations and ICAO at the March 2006 Directors General Safety Conference in Montreal. The roadmap can be considered a good way forward, but the program must now focus on implementation. The mission informed Boeing about (i) the Bank’s West & Central Africa Air Transport Safety and Security Project, and (ii) the Project for Sustainable Air Transport in Africa, which is currently in preparation between ICAO, the World Bank, and other interested partners. Elements of the industry’s Global Aviation Safety Roadmap will certainly become part of the proposed project. The mission will keep Boeing informed about progress on and a possible participation in the project.

One important discussion was on the fact that Boeing actively supports certain countries in establishing the necessary regulatory oversight. Such support is mainly provided in connection with pending aircraft sales. One good example is the case of Angola, where Boeing is currently supporting the Civil Aviation Authority to implement the necessary regulation, including capacity building. The mission stated that such examples are positive and encouraged Boeing to discuss with the Bank other countries were similar projects would be possible.
The mission was also briefed about Boeing's aging airplanes activities, which aim at insuring that older aircraft around the world remain airworthy. This is an especially important matter in developing countries, where maintenance advisories are often not executed, leading to dangerous aircraft and accidents. The cost of maintaining aging aircraft, combined with poor fuel efficiency and high fuel cost, increasingly shows that financing newer aircraft in developing countries would also represent a better business case. However, with poor enforcement and difficulties when trying to establish financing, many operators remain with outdated equipment. Finally, the mission was updated about new navigation technology and concepts, such as “Required Navigation Performance” (RNP), including a demonstration on a B737 simulator.

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Community Service

Both CES and HCB are licensed and active pilots, certificated by the US FAA and European Joint Aviation Authorities JAR. In order to remain current on their pilot’s qualifications, they regularly fly and undergo required refresher training.

The most rewarding way to maintain 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 hometowns. The US not-for-profit organization “Angel Flight” provides timely travel to patients who can’t withstand traveling long distances by automobile, rail, or bus. In addition, transport in a smaller private aircraft can sometimes better accommodate those patients whose condition could worsen if exposed to the re-circulated air on commercial flights.

One example of such an “Angel Flight Mission” was a flight from New York, Teterboro, to Concord, North Carolina in June 2007 to transport a small boy back home after undergoing chemotherapy at Sloan Kettering Hospital in New York City. The Bank’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
Internal Dissemination

Air Transport Knowledge Base

The prime tool for internal dissemination of air transport relevant information is the web-based Air Transport Knowledge Base (ATKB). The ATKB was developed during FY05 under the technical guidance of ETWTR (HCB). In FY07 the ATKB was further enhanced with new reports, studies, and aviation news.

The site contains eleven directories with numerous subdirectories, links to internal and external sites, as well as a frequently asked question and feedback section. The ATKB continues to be regularly updated with new documents. In addition, the objective for FY07 to establish an informative external website was met. The external website (www.worldbank.org/airtransport), which is updated regularly, has quickly become an important reference for external development partners for air transport related projects.

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Air Transport Brown Bag Luncheon

A brown bag luncheon was arranged by ETWTR on 1. February 2007 titled “Managing Emissions Growth in the Air Transport and Maritime Sectors”. The speaker for the aviation sector was Carl Burleson, Director of the FAA Office of Environment & Energy, who outlined in detail the current knowledge about the environmental challenges of the air transport sector.

The discussion concluded that the environmental constraints of the sector will most likely be the “Choke-Point” in aviation growth. Countries or operators that do not address these issues will become hampered or even marginalized over the long-term. When it comes to support to developing countries’ aviation sector, the recommendation was to early on build an environmental management systems approach into aviation infrastructure projects. In terms of immediate measures, developing countries need to target the modernization of their aircraft fleets in order to meet new and tougher environmental standards. Another important domain is the modernization of air navigation systems of many remote or lesser developed areas. This could eventually result in substantial fuel savings with resulting environmental benefits.

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The environmental impact of air transport is a complex matter, still being researched. However, there are clear measures today which target the reduction of emissions, including in developing countries.
Research and Internal Services

Air Carrier Safety for World Bank Staff Air Travel

World Bank Staff travel extensively throughout the world. Assessing the risks they take while traveling on a specific airline has been recognized as a key need. This is especially true in client countries, where alternative forms of travel may be hampered by an incomplete or dangerous road network. The Bank’s General Service Department has asked the Air Transport specialists of ETWTR to research and address this issue. ETWTR has responded to this demand, as the research on air carrier safety complements air transport safety projects.

A system was developed with three general safety 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 “industry certified” by having passed an IATA IOSA audit, unless subsequent safety experience indicates a safety problem.</td>
<td>“Industry certified”, good to fly.</td>
</tr>
<tr>
<td>2</td>
<td>All airlines that though they are not “industry certified” either come from a country with an FAA IASA rating of Category 1, or are know to the Bank as safe carriers (many low cost carriers are not IATA members and may not opt for their audit).</td>
<td>Good to fly.</td>
</tr>
<tr>
<td>3</td>
<td>All airlines that are not in (1) or (2) above, or are on any blacklists, or are deemed to be unsafe for other reasons</td>
<td>3a – “Avoid if possible” = Use with caution, however being aware that other forms of transportation may carry more risk. 3b – “Avoid at all cost” = Do not fly unless in mission critical emergency situations.</td>
</tr>
</tbody>
</table>

Overall there were 143,880 flights booked by American Express for Bank Staff in 2007. In the chart below, about four percent, of 5,923 flights, were on airlines considered category 3. There may have been many more, as the data did not capture trips arranged in the regions.
Of those flights, as the following chart shows, the highest proportion of category three flights occurred on carriers registered in Sub-Saharan Africa, with Europe and Central Asia running a distant second. High income countries had no category three flights.

A closer look at category three flights shows the following regional breakdown:

Sub-Saharan Africa had more than 60% of the riskiest flights for Bank Staff, followed by Eastern Europe and Central Asia, as well as the East Asia Pacific region (all at much smaller percentages than in Africa).

This research into staff travel suggests that the regional issues with oversight directly affect a portion of Bank travel, especially in Sub-Saharan Africa. The oversight grading as achieved with the three categories also happens to point to the same regions in need of help as does the recent accident hull loss rates of IATA – besides Sub-Saharan Africa, the developing countries in Europe and Central Asia will also need to improve their oversight.

The research is the basis to implement a staff advisory service that will allow travelers on Bank business to make a better assessment of their risk while flying, while keeping in mind that though air travel safety varies widely in some regions, the risk of flying may still be less than that of road travel.

The air carrier safety staff advisory service will be fully implemented during FY08. ETWTR will continue to provide ongoing assessments and safety advice for air travel of Bank staff. It will also establish an incident reporting system, which will allow responding quickly with a new assessment when a carrier seems to develop serious safety issues.

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Outlook for Fiscal Year 2008

FINANCING OF AIR TRANSPORT RELATED PROJECTS

Air Transportation is currently experiencing a strong growth on a worldwide basis. Many developing countries must invest in their physical infrastructure to cope with additional traffic. In addition, poor safety standards need to be addressed by ensuring adequate regulatory oversight in order to avoid a dramatic increase of accidents. This situation stimulates and increases demand from client countries for investment financing in infrastructure, as well as for technical assistance. While IBRD and IDA will continue to respond to demands, the IFC has an even greater potential market, especially for private sector solutions in air transport related projects in IDA countries. A continued coordinated approach within the WGB, especially in more challenging regions, will yield the anticipated success.

RESEARCH AND PUBLICATIONS

The Bank, as a leading development institution, must continue to maintain high standards in its specialized technical sectors by maintaining research, conducting high level technical exchanges, and fostering specific industry contacts. One of the most challenging realities is the growing concern over the effects of air transportation on the environment, especially on climate change. The Bank will research the implications of air transportation and the environmental challenges with a special focus on developing countries.

In addition, the special focus on Africa will continue by three studies which are currently in preparation:

1. Research and authoring of a publication on The Implementation of the Yamoussoukro Decision, which aims at (i) evaluating the potential economic impact of liberalization of air transport in Africa, and (ii) analyzing the legal situation and requirements for successful implementation;

2. Preparation of an air transport for development paper, which will be focusing on air cargo and trade logistics with emphasis on Africa that will feed into the FY07 flagship Freight Transport for Development; and

3. An infrastructure assessment of the current African air transport sector with a detailed estimate about investment needs for the next decade.

EXTERNAL RELATIONS AND COOPERATION

The WBG will continue to maintain a close working relationship with ICAO, IATA, and several Civil Aviation Authorities and donor organizations, in order to exchange information about development needs and current or future projects. ETWTR will deepen its coordination and communication between all regions of the Bank, IFC, and MIGA, and external partners and organizations.