

BOARD APPROVAL
Lapse-of-time Procedure

4 February 2020

FOR CONSIDERATION

MEMORANDUM

TO : THE BOARD OF DIRECTORS

FROM : Vincent O. NMEHIELLE
Secretary General

SUBJECT: MULTINATIONAL: INSTITUTIONAL SUPPORT TO THE AFRICAN CIVIL AVIATION COMMISSION (AFCAC) FOR THE IMPLEMENTATION OF THE SINGLE AFRICAN AIR TRANSPORT MARKET (SAATM)*

ADF GRANT OF UA 5 MILLION

Please find attached **the Grant Proposal** and the draft **Resolution** related to the above-mentioned project, which are submitted for **your consideration on a Lapse-of-time basis**.

If no objection is recorded by 5:00 pm, 4 February 2020, the proposal will be considered as approved and the Resolution adopted.

Attach.

Cc: The President

*Questions on this document should be referred to:

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Mr. A. OUMAROU	Director	PICU	Extension 3075
Mr. G. PENN	General Counsel	PGCL	Extension 3220
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AFRICAN DEVELOPMENT FUND



PROJECT: INSTITUTIONAL SUPPORT TO THE AFRICAN CIVIL AVIATION COMMISSION (AFCAC) FOR THE IMPLEMENTATION OF THE SINGLE AFRICAN AIR TRANSPORT MARKET (SAATM)

COUNTRIES: MULTINATIONAL

PROJECT APPRAISAL REPORT

Date: October 2019

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AFRICAN DEVELOPMENT FUND



MULTINATIONAL

INSTITUTIONAL SUPPORT TO THE AFRICAN CIVIL AVIATION COMMISSION (AFCAC) FOR THE IMPLEMENTATION OF THE SINGLE AFRICAN AIR TRANSPORT MARKET (SAATM)

RDRI/PICU

January 2020

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Currency Equivalents

September 2019

UA 1	=	XOF 813.31
UA 1	=	USD 1.37
UA 1	=	EUR 1.24

Fiscal Year

Senegal: 1 July-30 June

Weights and Measures

1 metric ton	=	2 204 pounds
1 kilogram (kg)	=	2.2 pounds
1 meter (m)	=	3.281 feet
1 millimeter (mm)	=	0.03937 inch
1 kilometer (km)	=	0.62 miles
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

LIST OF ABBREVIATIONS	
ACI	Airports Council International
ADF	African Development Fund
AFCAC	African Civil Aviation Commission
AfDB	African Development Bank
AFI	African-Indian Ocean Region
AFRAA	African Airlines Association
ANS	Air Navigation Services
APIRG	AFI Planning and Implementation Regional Group
ASECNA	Agency for Air Navigation Safety in Africa and Madagascar
ATM	Air Traffic Management
AU	African Union
AUC	African Union Commission
CAA	Civil Aviation Authority
CNS	Communication-Navigation-Surveillance
COMESA	Common Market for Eastern and Southern Africa
COSCAP	Cooperative Development of Operational Safety and Continuing Airworthiness Project
DFI	Development Finance Institutions
EA	Executing Agency
EASA	European Aviation Safety Agency
ECA	Export Credit Agency
EI	Effective Implementation of ICAO SARPs
EU	European Union
FAA	Federal Aviation Administration
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
IOSA	IATA Operational Safety Audit
NEPAD	New Partnership for Africa's Development
OAG	Official Airline Guide
PASTA-CO	Air Transport Sector Support Project to Central and Western Africa
PIDA	Programme for Infrastructure Development in Africa
REC	Regional Economic Community
RMCs	Regional Member Countries
RSOO	Regional Safety Oversight Organization
SAATM	Single African Air Transport Market
SARPs	Standards And Recommended Practices
USAP	Universal Security Audit Programme
USOAP	Universal Safety Oversight Audit Programme
WB	World Bank
WTO	World Trade Organisation
YD	Yamoussoukro Decision

Project Information Sheet

Client Information

Grant recipient:	African Civil Aviation Commission (AFCAC)
EXECUTING AGENCY:	African Civil Aviation Commission (AFCAC) Secretariat

Financing Plan

Source	Amount (UA millions)	Instrument
ADF (RPG)	5.00	Grant
AFCAC	0.58	Counterpart Funds
TOTAL COST	5.58	

Timeframe – Main Milestones (expected)

Concept Note approval	August 2019
Project approval	January 2020
Grant signature	February 2020
Last disbursement	30 June 2023
Completion	31 December 2022

EXECUTIVE SUMMARY

Project Overview

1. The 1988 Yamoussoukro Declaration superseded by the 1999 Yamoussoukro Decision (YD) was adopted out of the realization that Bilateral Air Services Agreements were too restrictive and hampered the expansion and improvement of air transport in Africa. Indeed, Air transport connectivity in the African continent is significantly lower than in other regions, and only captures around 3% of the global air transport. The YD provides for the full liberalization of Intra-African air transport services in terms of market access, the free exercise of the five freedom traffic rights for passengers and freight by eligible airlines and the full liberalization of frequencies, tariffs and capacity. It is in this context that the Single African Air Transport Market (SAATM) was launched and established on 28 January 2018 as the first African Union (AU) 2063 Agenda flagship project. The SAATM aims to expedite the full implementation of the YD. The AU gave the mandate of implementing SAATM to the African Civil Aviation Commission (AFCAC), that is not adequately financially and technically equipped to carry out this mandate.
2. The Project supports the implementation of the SAATM by providing institutional support to AFCAC and providing the necessary enablers for a safe and secure traffic growth. Additionally, the Project is consistent with the Bank's Ten-Year Strategy (2013-2022) primary objectives; it also supports the implementation of the High 5s and the Bank's framework and guidelines to support the aviation sector in Africa.
3. The project entails the following components: (i) Institutional strengthening of the AFCAC to provide the Executing Agency and other stakeholders institutions, mainly RECS, States and Airlines with the awareness and skills needed to establish the SAATM in a sustainable manner; (ii) Support to the sustainable development of Air Transport in Africa through a long term legal and operational framework for SAATM, enhanced safety, security, environmental protection; (iii) Project management, monitoring and evaluation. The project is estimated to cost UA 5.58 million and is co-financed by the Bank Group (89.54%) and the AFCAC (10.46%). The implementation period is 36 months. Beneficiaries include all African countries population (approx. 1.216 billion people). The SAATM is expected to improve access to air travel for Africans thus supporting regional integration, boosting intra-Africa trade and tourism.
4. **Needs Assessment:** The proposed Project provides for support to the AFCAC as the Executing Agency of the SAATM for the implementation of this initiative. Although the AFCAC was entrusted with this responsibility, no resources were allocated to enable it to undertake these new functions effectively. A major weakness often associated with the AUC is the lack of durable, goal efficient and reliable project teams and institutions with adequate capacities to undertake implementation. And the YD experience substantiates the latter. The project has been designed considering the SAATM prioritized action plan as well as the results of the Bank's study on market access and liberalization in 2019. This study highlights inter alia that one of the main reasons for the failure of the YD was the lack of a body with the power to enforce the regulations approved; and conclude that there is need for the support envisaged.
5. **Bank's added value:** The Bank has considerable air transport sector experience, garnered from projects executed in various Regional Member Countries as well as with RECs and International aviation stakeholders including the International Civil Aviation Organization (ICAO) where it financed the enhancement of the civil aviation policy and regulatory frameworks. The AUC's high-level meetings and the Champion Head of State of the SAATM, H.E. Faure Gnassingbé President of Togo have consistently called on the Bank and other development partners to support the AFCAC to implement the SAATM successfully. In this regard, the Bank is a stakeholder of the SAATM prioritized action plan. This Institutional Support project will further give the Bank the vantage position to leverage well known advantages of knowledge brokerage, catalytic financing, policy advocacy and astute project management, to help progress the implementation of the SAATM.
6. **Knowledge management:** This project is the first multilateral support received by AFCAC which will establish a Project Implementation Team. The AFCAC's knowledge on the Bank's procedures in general will be reinforced under this project with the assistance of the Bank's Financial Management Department. The project's monitoring/evaluation mechanism particularly in crosscutting issues such as greenhouse gas emissions accounting, climate change, and gender will also help to consolidate the knowledge that will be used in designing future projects.

RESULTS-BASED FRAMEWORK

Country and project name: Multinational (Africa) - Institutional Support Project for AFCAC for the implementation of the Single African Air Transport Market Purpose of the project: To establish the proper institutional and regulatory framework and raise awareness for the successful implementation of the SAATM						
RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
		Indicator (including CSI)	Baseline (2019)	Target (2022)		
IMPACT	Improved access to air travel for Africans thus supporting regional integration, boosting intra-Africa trade and tourism	1.1 Average airfare for an intra-African flight (economy class) 1.2 # of Country pairs with direct service (i.e. without any stopover) 1.3 Share of global tourism	1.1 USD 500 1.2 16% 1.3 5%	1.1 USD 375 (Average ↓ of 8,5%) 1.2 25% 1.3 8%	Air Transport Statistics published by IATA, OAG, WTO and ICAO	
	1. Implementation of provisions of the YD/SAATM by African States increased	1.1 # of African States signatories of the solemn commitment to the SAATM 1.2 # of States that have signed the MOI of SAATM 1.3 # of States that fully implemented the MOI provisions	1.1 32 1.2 18 1.3 8	1.1 54 1.2 32 1.3 25	Reporting by the AUC and AFCAC	Risk: Lack of political will by Countries to embrace the provisions of the SAATM Mitigation measure: The strong advocacy and communication strategy to enhance the political will from Countries
OUTCOMES	2. Sustainable traffic growth in a safe and secure environment	2.1 # of International passengers in Africa 2.2 # of intra-African routes operated by more than 1 airline (monopoly) 2.3 Average safety compliance in Africa	2.1 137 mil 2.2 31% 2.3 52,55% (Safety)	2.1 154,2 mil (+4% annually) 2.2 45% 2.3 65% (Safety)	Traffic statistics published by IATA and ICAO	Risk: 1. High Taxes, fees and charges 2. Lack of cooperation from Airlines tending to maintain higher airfare despite a reduction of industry costs (taxes, fuel etc.) 3. Market failure despite the actual implementation of the SAATM Mitigation measure: 1. Capacity building and advocacy on the economic regulation of air transport and ICAO policies included in the project to sensitize State officials involved in Air Transport regulation 2. The strong advocacy and communication strategy will also be directed to Airlines; and support will be provided to African airlines via AFRAA and IATA to improve their safety performance and governance thus profitability 3. The strong advocacy strategy and communication strategy and activities included in the project to sensitize stakeholders on the other conducive measures/incentives for the market stimulation
	1.1 Key staff for the coordination of Executing Agency activities hired 1.2 Training organized and delivered to RECs, States and other stakeholders 1.3 A Management Information System implemented for the Executing Agency	1.1# of key staff hired 1.2 # of training sessions (40% of trainees are women) 1.3 Availability of the Management Information System	1.1 None 1.2 N/A 1.3 N/A	1.1 3 1.2 12 1.3 System available and Operational	Project supervision missions Project Progress reports	Risks: 1. challenge of the AFCAC meeting its obligation for counterpart funding 2. Shortage of funding after completion of the project for AFCAC to retain the staff in charge of SAATM related function Mitigation measures: 1. The AFCAC and AUC remain committed to the implementation of the SAATM 2. The development of a financial sustainability plan for the EA
OUTPUTS	2.1. Improved level of compliance to ICAO SARPs in safety and security in SAATM Sates 2.2 A legal and operational framework for YD/SAATM in force	2.1 Level of Effective Implementation (EI) in safety and security 2.2 Nbr of countries enforcing the YD/SAATM framework	2.1 50,64% (safety) 2.2 n/a	2.1 65% (Safety) and 72% (Security) 2.2 25	ICAO safety Audit reports and ICAO security briefings Project supervision missions and project progress reports	Risk: Lack of political will by the Countries and Airlines to cooperate in addressing their safety and security shortcomings. Mitigation measure: The strong advocacy strategy and communication strategy and activities included in the project will enhance the political will from Countries and Airlines

KEY ACTIVITIES	COMPONENTS	INPUTS															
	<div>1. <u>Institutional support</u><ul style="list-style-type: none">- Institutional strengthening of AFCAC (Key technical staff hiring)- Capacity building/Training of operational staff/Studies- Development and roll out of a communication, advocacy and Public relations strategy- Acquisition and operationalization of a Management Information System</div>	RPG: USD 6,85 million AFCAC: USD 0.80 million (Counterpart funding)															
	<div>2. <u>Support the sustainable development of Air Transport in Africa</u><ul style="list-style-type: none">- Operational assistance in safety and security- - Environmental protection- Roadmap to address the next generation of aviation professionals and gender equity gaps</div>	<table><tr><th>Component</th><th>Amount (USD)</th><th>Amount (UA)</th></tr><tr><td>I. Institutional support</td><td>4.50</td><td>3.28</td></tr><tr><td>II. Support the sustainable development of Air Transport in Africa</td><td>2.45</td><td>1.79.96</td></tr><tr><td>III. Project Management</td><td>0.71</td><td>0.51</td></tr><tr><td>TOTAL</td><td>7,65</td><td>5.58</td></tr></table>	Component	Amount (USD)	Amount (UA)	I. Institutional support	4.50	3.28	II. Support the sustainable development of Air Transport in Africa	2.45	1.79.96	III. Project Management	0.71	0.51	TOTAL	7,65	5.58
	Component	Amount (USD)	Amount (UA)														
	I. Institutional support	4.50	3.28														
	II. Support the sustainable development of Air Transport in Africa	2.45	1.79.96														
	III. Project Management	0.71	0.51														
	TOTAL	7,65	5.58														
		USD1.0 = 0,73UA; as at Sept 2019 Exchange rate															
	<div>3. <u>Project management</u><ul style="list-style-type: none">- Project Implementation Team, Project Steering Committee- Financial and procurement audit- Monitoring and Evaluation (M&E)</div>																

Project Implementation Schedule

N°	Task Name	T1 20 Jan	T2 20 Mar	T3 20 May	T4 20 Jul	T1 21 Sep	T2 21 Nov	T3 21 Jan	T4 21 Mar	T1 22 May	T2 22 Jul	T3 22 Sep	T4 22 Nov	T1 23 Jan	T2 23 Mar	T3 23 May	T4 23 Jul	T1 24 Sep	T2 24 Nov
1	Institutional support project to AFCAC																		
2	Project launching																		
3	I. Institutional support																		
4	Institutional strengthening of AFCAC																		
5	Capacity building workshops																		
12	Training of operational staff																		
22	Studies (Operational regulations/rules/policies)																		
23	Communication, advocacy and Public relations strategy																		
41	Acquisition of a Management Information System																		
42	Long term strategy for financing and HR of AFCAC																		
43	Support to the activities of the Ministerial Working Group (MWG) of SAATM and Monitoring Body of YD																		
44	II. Support the sustainable development of Air Transport																		
45	Operational assistance in safety and security																		
95	Development and dissemination of a long term legal and operational framework for the SAATM																		
96	Enhancement of environmental protection																		
127	Development of a roadmap to address the Next Generation Aviation Professionals and gender inequity gaps																		
128	III. Project Management																		
129	Project Implementation Team																		
130	Project Steering Committee																		
134	Monitoring and Evaluation																		
143	Audit																		
147	Technical Assistance to the PIT																		

REPORT AND RECOMMENDATION OF BANK GROUP MANAGEMENT TO THE BOARD OF DIRECTORS OF THE ADF FOR A PROPOSED GRANT FOR THE INSTITUTIONAL SUPPORT PROJECT TO THE AFRICAN CIVIL AVIATION COMMISSION FOR THE IMPLEMENTATION OF THE SINGLE AFRICAN AIR TRANSPORT MARKET

Management hereby submits this report and recommendation for a proposed concerning a proposal ADF Grant of UA 5 million (US\$ 6.85 million) to the African Civil Aviation Commission for Institutional support for the implementation of the Single African Air Transport Market and related support activities.

I. Strategic Thrust and Justifications

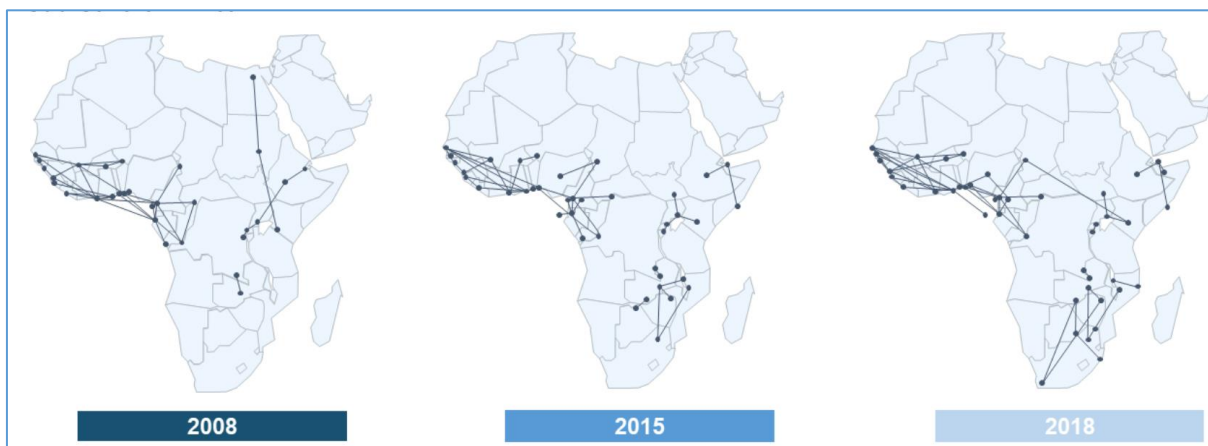
1.1 Project Linkages with Regional Strategies and Priorities

1.1.1. The air transport industry has a key role to play in achieving sustainable growth and development in the African continent. Experiences worldwide demonstrate that the expansion of air services is a necessary condition for the development of the economy, leading to significant improvements in levels of services and prices for consumers as well as improving national economies.

1.1.2. The framework for market access on international routes (the right of airlines to carry passengers between or beyond cities in different countries) is the 1944 Chicago Convention. This allows each pair of states to agree the relevant traffic rights of airlines under their jurisdiction according to the terms of bilateral “air service agreements” (BASAs), formal treaties between those countries. Such bilateral agreements can be restrictive depending on the interests of the countries concerned. It is in this context that the Yamoussoukro Decision (YD) was adopted with the objective of gradually liberalizing scheduled and non-scheduled intra-African air transport services and get rid of BASAs.

1.1.3. In practice, the operationalization of the YD has only been partial, and the various supra-national oversight bodies envisaged, mainly the AFCAC, are yet to be effective. Although some countries have moved towards liberalisation through arrangements within Regional Economic Communities (REC) and through bilateral agreements, even in these cases implementation has been patchy and inconsistent as shown in the below figure 1.1:

Figure 1.1: evolution of fifth¹ freedom operations in Africa



Source: OAG – Schedules Analyser

¹ Fifth Freedom is the right to carry passengers from one's own country to a second country, and from that country onward to a third country. Ex: Ethiopian Airlines flight from Addis Ababa, Ethiopia to Bamako, Mali and onwards to Dakar, Senegal where tickets can be sold on any leg.

1.1.4. The AU vision for 2063 sets out an ambitious target that intra-African trade would grow from 10% in 2012 to about 50% by 2045 as a result of deeper integration. Therefore, this Institutional Support Project responds to the desire expressed by the the African Union (AU) leadership to give renewed impetus to the effective operationalisation of the YD to improve connectivity and regional integration. The Single African Air Transport Market (SAATM) was established in January 2018 for this purpose, as the first flagship project of the AU Agenda 2063. In practical terms, the SAATM means eliminating the need for BASAs between individual countries, as envisaged under YD. Accordingly, an eligible airline from one African State would be able to fly into another African State's Airspace and on its territory using only a prior notification procedure.

1.1.5. The SAATM is considered as a crucial logistic infrastructure and a facilitator for the successful operation of the African Continental Free Trade Area (AfCFTA) complemented by the Protocol on the Free Movement of People and Goods and the African passport. The AfCFTA is not just a free trade area but a tool for achieving the deeper forms of integration in Africa called for by the African Heads of State and Government in their Assembly declarations since the Abuja Treaty. Forming part of the AfCFTA Agreement, the protocol on trade in services seeks to "create a single liberalized market for trade in services". This protocol including Air Transport Services will therefore establish the link with the SAATM.

1.1.6. The Project is consistent with the Bank's Ten-Year Strategy (2013-2022) primary objectives, namely, driving inclusive and green growth in Africa. This economic transformation should not be at the expense of the sustainable and harmonised development of the continent. The project also supports the implementation of the High 5s, particularly *Integrate Africa* and *improving the quality of life of people in Africa*. Finally, the Bank's framework and guidelines to support the aviation sector in Africa provides for the Bank's support to the implementation of SAATM inter alia by making the signing of the solemn commitment to SAATM a condition to benefit from any financing in the aviation sector.

1.2 Rationale for Bank Involvement

Key Development Issues

1.2.1 Africa represents a combined population of 1.216 billion people and a combined gross domestic product of more than USD 2.2 trillion dollars. Aviation in Africa currently supports USD72.5 billion in economic activity and 6.8 million jobs. In 2018, the intra African air transport size was 15,2 million passengers with a projected growth of 5% per year in the medium term if no policy changes are implemented.

1.2.2 One of the primary challenges for the African aviation industry is the poor connectivity levels. The lack of connectivity is as result of diverse causes such as low traffic demand or the existence of restrictive regulations. Despite the adoption of The Yamoussoukro Decision in 1999, restrictive air service agreements continue to constrain intra-African services, with restrictions on routings, frequencies, capacities and tariffs. The root causes for the slow progress and fragmented market include the limited volume of trade between African States, the desire to protect vulnerable routes and to preserve national airlines. The liberalization of African skies and markets requires adequate strategies which address these causes, and which are tailored to the needs and challenges of countries and regions. Furthermore, there is a discrepancy between average incomes in Africa and the cost of air travel. In Africa, the annual affordability of an air ticket is around 1.1 per capita compared to 5.4 in Latin America and 33 in North America.

1.2.3 It is also important to note that the availability and quality of infrastructure, at airports and for air navigation services affect the ability to handle higher traffic to the necessary standards of safety and efficiency. Infrastructure constraints often restrict airports' ability to support air services and connectivity.

1.2.4 From the institutional perspective, over the decades, several major continental initiatives have been adopted for the promotion of Africa's socio-economic development without attaining their stated objectives. The YD is a typical example of such initiatives. The missing link between goals and achievements has been effective implementation of programs and policies. It is this situation that had led to the constitution of high-level panel led by President Paul Kagame of Rwanda, to reform the AU. The Kagame report produced four key recommendations. (i) The AU to finance itself in the long term; (ii) Focus the organization on key priorities

with continental scope (among which is regional integration one of whose SAATM is a key driver); (iii) Realign AU institutions to deliver against those priorities; (iv) manage the business of the AU effectively in both political and operational terms.

1.2.5 Acknowledging the issue of poor implementation of the YD, the African Union (AU) leadership established the Single African Air Transport Market (SAATM) in January 2018 as one of the flagship projects of the AU Agenda 2063. The AFCAC was designated Executing Agency (EA) for the YD and SAATM but it remains grossly understaffed for the magnitude of work and coordination responsibility shouldered. As of now, only thirty-two (32) Member States have signed the Solemn Commitment towards the establishment of the SAATM.

1.2.6 The Bank's interest in supporting such a project stems first of all from the project's alignment with various existing strategic frameworks (TYS, Hi 5s, Framework and guidelines to support the aviation sector). Furthermore it is justified by the above contextual and institutional issues including recommendations (ii) and (iii) of the Kagame report that this Institutional Support Project becomes critical in the sense that it provides the Bank a unique opportunity to accelerate the capacity reinforcement of the Executing Agency of the SAATM in a durable, efficient, purpose driven manner.

1.3 Aid Coordination

1.3.1 Although there is no formal coordination, in March 2018 the AUC convened a consultative meeting of stakeholders in Africa's aviation industry in Abidjan, Cote d'Ivoire in the Bank premises. The aim of the meeting was to establish a prioritized joint action plan for 2018-2019 for the operationalization of the SAATM. A follow-up meeting from the Abidjan stakeholders' consultation meeting, with the theme "Establishing a Common Platform for all Partners and Stakeholders in Africa's Civil Aviation", hosted by the African Civil Aviation Commission was held in Dakar, in January 2019 with the participation of all major African aviation stakeholders, the AUC and the Bank. This plan hinges on six pillars: (i) **pillar 1**: Advocacy and Communication strategies with at least 10 new states subscribe to the SAATM by 2019; (ii) **pillar 2**: SAATM Regulatory framework; (iii) **pillar 3**: Operationalisation of SAATM; (iv) **pillar 4**: SAATM Infrastructure; (v) **pillar 5**: Enhancing safety and security; (vi) **pillar 6**: financing the aviation industry. Coordination meetings are held on a regular basis (once or twice a year) with the AUC to discuss areas of cooperation with the Bank including within the framework of the PIDA.

1.3.2 Additionally, the AFCAC has endeavored to establish a coordination mechanism for various interventions by Donors whereby regional projects should be coordinated with AFCAC to avoid duplication of efforts; and national projects would still be implemented on a bilateral basis.

1.3.3 Furthermore, the Bank is in regular dialogue with other Development Partners (DPs) to ensure that results and outcomes are achieved in line with the targets agreed on. Major players include the European Commission (EC) and the World Bank (WB). The EC created a Transport and Connectivity taskforce in 2018 with an aviation cluster in order to promote an open and frank dialogue and trigger ideas and recommendations on how to enhance cooperation in areas of common concern and interest between the EU and Africa. The Bank participated in the aviation cluster meetings that produced policy/reform proposals which are expected to further mobilize high-level support to the establishment of SAATM including its safety and security dimensions. Furthermore, the Bank's study on market access/liberalization was shared with all aviation stakeholders to seek comments and inputs as well as to avoid any duplication. The planned study by the EC on liberalization of Air Transport in Africa which has just been initiated under the auspices of the AUC should therefore factor the outcomes of the Bank's study in its scope. Beyond the study conducted on the status of liberalization of Air transport in the ECOWAS Region in 2018 and that informed the present report, the World Bank is currently not active on the Market access subject in Africa.

1.3.4 On Environmental Protection, it is worth noting that 12 African States benefited from the joint ICAO-EU assistance project for Capacity building on CO2 mitigation from international aviation. The project that has been successfully completed and was designed to assist those States to develop and implement their State' Action Plans, to establish aviation environmental systems for emissions monitoring at the State level and to

identify, evaluate and implement mitigation measures in selected States. The Environmental Protection component of this project will therefore complement the past initiative.

II. Project Description

2.1 Project Objectives

2.1.1 The development objective of the project is to improve access to air travel for African travelers by supporting AFCAC fulfill its mandate to implement SAATM. AFCAC was not provided the financial and human resources to implement SAATM. The implementation of SAATM will facilitate the liberalization of intra-African air transport services, thus induce competition and enhance air connectivity which will contribute to lower airfares. These changes will culminate in breaking the cycle of fragmentation towards a better regional integration and a traffic boost with its implied economic benefits. Meanwhile the project will also address capacity building, safety and security compliance for both States/regional regulatory oversight entities and airlines. By providing a more efficient and effective transport system, the project will also promote trade and regional integration, which will contribute to the countries' social and economic development as well as poverty reduction efforts.

2.1.2 The specific objectives of the project are to (i) strengthen the Executing Agency of the SAATM and YD so as to be fully operational in order to effectively carry out its mandate ; (ii) advocate for the implementation of the SAATM within an efficient and enforced legal and operational framework, (iii) assist in the improvement of the compliance levels of African States and airlines in safety, security and environmental protection, and (iv) build capacity in RECs and other stakeholders involved in the SAATM.

2.2 Project Components

2.2.1 To achieve the above goals and results, the project will focus on three components summarized in Table 2.1:

Table 2.1 Project Components

Component	Amount (UA million)	Amount (USD million)	Component description
I. Institutional support	3.28	4.5	<ul style="list-style-type: none"> i) Financing of key technical staff for the AFCAC to perform YD and SAATM Executing Agency related functions ii) Capacity building and training of operational staff iii) Development of operational regulations and implementation rules iv) Development and roll out of an advocacy, communication, and Public relations strategy v) Acquisition and operationalization of a Management Information System vi) Development of a long-term strategy to ensure the financial sustainability of the Executing Agency beyond the project vii) Support to the activities of the Ministerial Working Group (MWG) of SAATM and Monitoring Body of YD (Review of BASAs and follow up for their alignment)

II. Support the sustainable development of Air Transport in Africa	1.79	2.45	viii) Development and dissemination of a long term legal and operational framework for the SAATM; ix) Operational assistance in safety and security to States, Airlines, and Airports in collaboration with ICAO, IATA and AFRAA; x) Assistance to States in the development and implementation of CO2 emission mitigation plans xi) Development of a roadmap to address the Next Generation Aviation Professionals and gender inequity gaps
III. Project Management	0.51	0,71	xii) Project Implementation Team, xiii) Project Steering Committee xiv) Financial and procurement audit xv) Monitoring and Evaluation xvi) Technical assistance to PIT

2.3 Technical Solutions Adopted and Alternatives Considered

2.3.1 Considering the proeminence of the SAATM in the AU 2063 agenda, the efficacy of the proposed solution was analysed in terms of the degree to which the key development objective would be realized. The development objective of the project is to improve access to air travel for African travelers by supporting AFCAC in liberalizing intra African air transport services thus induce competition, enhance air connectivity which will contribute to lower airfares and to break the cycle of fragmentation towards a better regional integration and a traffic boost with its implied economic benefits. The analysis demonstrated that the most efficient approach to meet the market liberalization objective is to reinforce the institution that has already been designated as the Executing Agency for the SAATM and YD especially considering its current weaknesses. The Project simultaneously addresses aviation security, safety, environmental protection as well as the necessary enablers from a legal and operational point of view for the Single Market. Upon completion of the project, the AFCAC will be equipped to undertake its function adequately whilst all African Countries will be part of the SAATM. The other option explored and rejected is outlined in Table 2.2 below:

Table 2.2: Other project alternatives considered and reasons for rejection

Project Alternative	Brief description	Reasons for rejection/
Option 1	Direct engagement of African member States by the Bank to join the SAATM and implement its provision either through a Bank led project, through RECs or through Bank's interventions in the aviation sector in individual States	i) An Executing Agency was designated by the African Union for the purpose of pursuing the YD and the SAATM initiative. Therefore, any effort towards an accelerated implementation of these initiative should be channeled through this institution that has an official mandate and is already operational but just need to build its capacity to undertake this specific mandate efficiently. Whereas implementing the initiative through the RECs would have been challenging due to their multiplicity and the weak capacity of some of them in Air Transport, the project makes provisions for AFCAC to utilize the RECs as Regional counterparts for an increased efficiency. Furthermore, the magnitude of the project would have required additional resources in the Bank for its proper management; ii) As much as the Bank's interventions in the aviation sector can be used as an awareness vehicle for States to join the SAATM, the State by State option would have required a lot of time before all Countries are approached considering the limited number of new/on-going interventions compared to the number of States concerned which is currently above 20 States.

2.4 Project Type

2.4.1 This project is designed to enhance the AFCAC's institutional capacity to implement the SAATM, an AU 2063 Agenda flagship project. The project will deliver improved capacity and institutional development through a range of interventions that will facilitate the joining and effective implementation of the SAATM provisions by Countries; the project will also support the sustainable development of air transport in the continent by enhancing the level of aviation safety, security and environmental protection.

2.5 Project Cost and Financing Mechanisms

2.5.1 The estimated project cost (net of taxes) and including provisions for physical and price contingencies is UA 5.58 million (USD 7.65 million). The project will be funded from the "grants" window of the ADF-14 (Regional Operations Envelope). The AFCAC will provide a counterpart contribution of USD 800 000. The summary of costs by component and by categories are presented in Tables 2.3 and 2.4 below. Detailed breakdown of the project components, activities and related cost implications are presented in Appendix B2 in the Technical Annexes.

Table 2.3: Project Cost Estimates by Component

Component	USD million	UA million
I. Institutional support	4.50	3.28
II. Support the sustainable development of Air Transport in Africa	2.45	1.79
III. Project Management	0.71	0.51
TOTAL	7.65	5.58

USD1.0 = 0.73 UA; as at Sept 2019 Exchange rate

Table 2.4: Project Cost Estimates by Category

Category	Expenditure In UA (Millions)		
	Local Currency	Foreign Currency	Total
Goods	0.09	0.35	0.44
Consulting Services	1.81	2.46	4.27
Miscellaneous / Other	0.22	0.65	0.87
Total cost	2.12	3.46	5.58

Project Categories	USD million	UA million	% Total
Goods	0.60	0.44	7.84%
Services	5.85	4.27	76.46%.
Others/Operations expenses	1.20	0.87	15.70%
Project Total cost	7.65	5.58	100.00%

2.5.2 Financing Plan: The Project will be jointly financed by the Bank and the AFCAC. The ADF will provide up to 89.54% of the total cost to cover all the foreign exchange costs and part of the local costs. The AFCAC will finance 10.46% covering the remaining local costs. The financing plan is presented in Table 2.5 below. Projected expenditure outlay by each component and source of financing is presented in Table 2.6; additional details on the same are provided in Annex B2.

Table 2.5: Sources of Financing

Source	(UA) Millions	(USD) Millions	% Total
ADF 14 RPG Grant	5.00	6.85	89.54
AFCAC	0.58	0.80	10.46
Total	5.58	7.65	100.00

Table 2.6: Expenditure Schedule by Component (in USD millions)

Component	Amount	2020	2021	2022	2023
I. Institutional support	4.50	2.21	1.41	0.88	
II. Support the sustainable development of Air Transport in Africa	2.45	0.74	0.93	0.78	
III. Project Management	0.71	0.14	0.19	0.19	0.05
TOTAL	7.65	3.09	2.52	1.84	0.05

2.6 Project Area and Beneficiaries

2.6.1 The scope of this project is continental. The justification for the Project has already been highlighted through the overall benefits of the SAATM. However, the success of this initiative depends on the deployment of an effective and efficient implementation mechanism. Considering the major objective of reinforcing the YD and SAATM Executing Agency to deliver on implementation, the key beneficiary of the project will be the AFCAC. The project is also designed for the AFCAC to extend support to the RECs, member states, Airlines and Airport Operators. This consists in capacity enhancement for the Executing Agency, RECs and the RMCs to implement the SAATM/YD provisions within an efficient regulatory framework. The project also aims at ensuring the sustainable development of air transport by enhancing the compliance of RMC, Airlines and Airports with safety, security and environmental protection requirements of ICAO. The broader spill over effects are further highlighted in section on Project Feasibility.

2.7 Participatory Approach to Project Identification, Design and Implementation

2.7.1 Project preparation, as well as the appraisal mission for the project followed a participatory approach. The Bank is also a stakeholder in the SAATM Prioritized action plan described in par. 1.3. Furthermore, during the preparation and appraisal missions, the team members held consultative meetings with various stakeholders including the AUC, AFRAA, IATA, the World Bank, the European Commission, National Civil Aviation Authorities and Airlines with the aim of obtaining their views on the project and documenting possible opportunities. Discussions revolved around current challenges, reservations, anticipated project benefits.

2.8 Bank Group Experience and Lessons Reflected in Project Design

2.8.1 Overall, the Bank has invested almost USD 1 billion over the past decade in the aviation sector. The Bank's financing role has mainly focused on financing airport constructions or expansions and/or the purchase of new aircraft by African airlines.

2.8.2 In addition to infrastructure projects and aircraft financing, the Bank has financed institutional support regional projects in the aviation sector such as the COSCAPs, PASTA-CO, COMESA Upper Airspace that aimed at strengthening capacities in RECs and Countries in the areas of Safety and Security oversight as well as in Air Navigation Services. Furthermore, the Bank has been conducting sector knowledge studies pertaining inter alia to the review of the air transport challenges in Africa (Approach paper), the liberalization of air transport and market access, the creation of a leasing platform for African airlines. Finally, the Bank supported the COMESA-EAC-SADC Tripartite Free Trade Area (TFTA) processes. The Bank currently supports the establishment of the AfCFTA Secretariat and the roll out of the AfCFTA implementation programme.

2.8.3 Conditions for disbursement of new loans have usually been met in Air Transport projects, except for the Air Cote d'Ivoire Modernization plan- private sector component which was approved by the Board in late 2017. This delay is due to challenges in mobilizing resources from commercial Banks. However, efforts are on-going both on the Borrower's and the Bank's side to overcome this situation as soon as possible.

2.8.4 Despite the above impact, implementation of the Transport Sector Projects and the TFTA face challenges of implementation due to (i) inadequate designs (recognition of the size and diverse nature of the project target countries), (ii) startup delays, (iii) late Release of Funds and lengthy procurement processes leading to delays in programme execution. All these important lessons have been taken into consideration during the preparation of this Project, namely by: (i) taking strong cognizance of the enormity of the task, especially managing and coordinating implementation programmes across the Continent and relying on the AU/AFCAC long-standing framework for AU-RECs coordination; (ii) recognizing that most activities will be at national/regional level (consultations, dialogues, organization of workshops, capacity building and meetings) (iii) adopting a "technical assistance" approach for the Grant delivery – the PIU will be reinforced with technical experts, a Procurement Officer as well as an Accountant and (iv) ensuring critical review during project processing.

2.9 Key Performance Indicators

2.9.1 The key performance indicators and the expected outcomes at project completion are outlined in the results-based logical framework. In the short to medium-term, the expected project outcomes are: (i) increase of the SAATM membership and enhanced AFCAC institutional capacity to undertake its functions of Executing Agency of the YD/SAATM; (ii) Improved connectivity. The Project budget includes monitoring and evaluation consultancy services, and for the collection and analysis of survey data to monitor the various Project indicators.

III. Project Feasibility

3.1 Economic performance

3.1.1 Although this project focuses on institutional support, economic and financial analysis does not apply to it, its economic rationale rests mainly on the expected effects of the establishment of a Single African Air Transport Market. Costs are quantifiable, the benefits are indirect, and ultimately achieved in enhanced institutional capacity of the EA, RECs and Countries to accelerate and manage the SAATM spanning several layers of responsibility, public, private, national regional and continental.

3.1.2 The extended economic justification is the overall objective of the SAATM once implemented, thanks inter alia to the support of this project. A single air transport market will enhance new and better air services, traffic and economic growth notably by the proliferation of new routes, the development of secondary gateway and the potentiation of main/regional HUBs. By extension, these will help reduce airfares, boost the cooperation and consolidation of African airlines, allow freer movements of goods, services and persons, create employment², generate income and generally reduce poverty. The critical spillover effects

² Every additional million pax in Africa would support the creation of approx 20,000-30,000 jobs

of these, will positively impact the aviation industry through reduced operational costs thanks to a better use and more efficient operations airlines as well as related enterprises, improve the participation of women and the youth. The establishment of the SAATM will also offer an opportunity to increase cooperation on other salient issues such as taxation. Overall, promoting intra-regional connectivity between the capital cities of Africa by creating a single unified air transport market in the Continent, will provide an impetus to the continent's economic integration and growth agenda.

3.2 Environnemental and Social Impact

Environmental Aspects

3.2.1 The project will not have a negative impact on the environment. However, by extension, the effective implementation of the SAATM will boost the traffic therefore having an impact on CO2 emissions by the aviation sector. Hence, the inclusion in the project of a component to accelerate the implementation of the ICAO provisions related to the environmental protection. Pursuant to ICAO Assembly resolution A39-2 and the consolidated statement of continuing ICAO policies and practices related to environmental protection—Climate change, assistance will be provided to SAATM participating States to enhance their capacities for the development/review of State Action Plans (SAPs) for CO2 mitigation from international aviation and to establish an aviation environmental system within each Civil Aviation Authority will capture and report CO2 data from international aviation. These State Action plans are to assist States identify quantifiable mitigation measures, document and facilitate assistance needed to implement such measures. The action plans would indeed assist ICAO in assessing the progress towards the achievement of the global aspirational goals. AFCAC Member States on the other hand would have benefited from the same by identifying areas of assistance and support needed to implement the documented mitigation measures.

3.2.2 Currently, there are 26 AFCAC Member States that have so far prepared and submitted their State Action Plans to ICAO. Therefore, 29 African States (52%) are yet to develop and submit their State Action Plans to ICAO.

3.2.3 **Social Impact and Poverty Reduction** : The aim of the SAATM is to improve access to air travel for Africans thus supporting regional integration, boosting intra-Africa trade, tourism and employment. The traffic for African Aviation is estimated to grow at a rate of 5% in the medium term. This growth would increase to 6.6% with an enhanced implementation of the SAATM for the intra Africa market. Furthermore, aviation in Africa currently supports USD 72.5 billion in economic activity and 6.8 million jobs. It is estimated that every additional million passengers travelling by air in Africa would support the creation of around 20,000-30,000 jobs. Considering that every job supported by aviation is contributing with USD 9,000-10,000 to the African GDP, the total impact of SAATM would add USD 2.5-4.2 billion (approx. 4.5%) to the continent's economy. In addition, access to air travel will improve the movement of goods and people across borders, facilitate the development of social and economic networks. Furthermore, better access to air transport will play a vital role in the prevention of disease and usually, the World Health Organization recommends that connectivity remain in place, although with appropriate health controls on passengers. Aviation can also support the immediate response to natural disaster response and food security emergency. In the humanitarian response, sometimes the only way to provide food to victims of conflict, disasters, diseases are air transport, as the concerned zones are not accessible by road.

Impact on gender and youth

3.2.4 The project is not designed with immediate direct impact on gender and youth, given its objective enhancing institutional capacity of the SAATM/YD Executing Agency. Possible direct impact will however be derived from targeted interventions planned for stakeholder groups to ensure inclusiveness, ownership and robustness of the SAATM. Concerning the youth, a study will be conducted to assess the impact of the effective implementation of the SAATM on the Next generation of aviation professionals' gap. The project has no gender-related risks that could affect achievement of project objectives, and there are no adverse gender impacts resulting from project activities and outputs. The project is categorized

as GEN IV according to the Gender Marker System (GMS) of the Bank, due to limited gender mainstreaming opportunities.

3.2.5 Additionally, skills gap in the sector will be assessed and outreach material developed in order to inform and guide the youth and women about careers in the aviation sector. Training organized and delivered for RECs, States and other stakeholders may consider at least 40% of women. In the air transport industry, qualified staff are required in different fields such as air traffic control, engineer jobs, safeguard and security jobs, companies catering, etc. The identification of the specific training needed will help to engage the dialogue at country or regional level for dedicated vocational training centers as well as support to higher education for civil aviation engineers and other key experts.

3.3 Regional Integration

3.3.1 The SAATM is an initiative that is aligned to the High 5 priority of ‘Integrate Africa’. SAATM aims to create a single integrated air transport market in Africa. The liberalization of the air transport market is an impetus to Africa’s economic integration agenda, an aspect that makes the sector instrumental in bridging the existing connectivity gaps, thereby, reinforcing Africa’s integration.

3.3.2 Further, this project is aligned to ‘Pillar 1: Infrastructure Connectivity’ of the Bank’s ‘Regional Integration Strategic Framework’ (RISF) 2018-2025. Pillar 1 aims at strengthening regional connectivity, cross-border investment and trade through the development of integrated infrastructure systems. Pillar 1 also accentuates the need to address “soft issues” by augmenting “hard” infrastructure investments with complementary capacity development, policy and regulatory reforms, harmonization and trade facilitation along with the much-needed institutional support to specialized infrastructure institutions such as AFCAC. The key objective of this project aims to facilitate AFCAC, by availing the much-needed institutional support, along with other capacity building aspects, to accelerate the implementation of the SAATM.

3.3.3 Furthermore, SAATM will bring together 55 African countries to create a single market within the context of the AfCFTA that the Bank is also supporting. Indeed, air transport is increasingly important for the movement of goods and people, with progressive considerable time savings built into new networks that crisscross the continent instead of having to rely on travel to other continents to move across the African regions. Improved air transport will contribute to the emergence of profitable regional airlines and better intra-African connectivity. An integrated air transport will complement Africa’s other modes of connectivity, and thus, enhance the AfCFTA, increase investments and productivity – all of which stimulate regional economic integration.

3.4 Aviation safety and security

3.4.1 For the SAATM to achieve its real and full potential, the enhancement of aviation safety and security to meet the target agreed to in the Region has been considered as a pillar. Indeed, despite significant improvements by the continent, heterogeneous levels of safety and security have been a key issue for the African aviation industry and has affected consumer confidence in aviation safety in Africa. Accordingly, in order to contribute to this effort, the Project has included a provision for the following activities: (i) assistance to SAATM Member States to improve their level of Effective Implementation of ICAO SARPs in safety and security; (ii) assistance to Airlines and Airports to improve their safety and security performance. These efforts would be made in close cooperation (or through) recognized specialized agencies including ICAO, IATA, AFRAA and ACI.

3.4.2 The various performance indicators contained in the RBLF would be monitored throughout the project under the oversight of the Project Steering committee.

3.5 Long -term legal and operational framework

3.5.1 The full implementation of the YD and of a single market provides for the disappearance of BASAs among participating Countries. In this regard, the Project will first examine the level of openness of the existing BASAs among SAATM Member States and assist individual States to move towards their full openness thus creating a real single market among adhering States.

3.5.2 The project will further examine means of consolidating and enlarging the single market on the longer term by reinforcing the existing legal framework. The emphasis will also be put on improving on the operational rules that will support the enforcement of this legal framework by the relevant stakeholders at the national and regional levels.

IV. IV. Implementation

4.1 Implementation Arrangements

4.1.1 The African Civil Aviation Commission (AFCAC) will be the Recipient of the ADF Grant while the AFCAC Secretariat will be the Executing Agency. AFCAC is an AU Specialised Agency established by the constitution of the AFCAC. AFCAC also has the mandate to implement the Yamoussoukro Declaration for the liberalization of access to air transport markets in Africa as the Executing Agency for the Yamoussoukro Decision. The Single African Air Transport Market is designated flagship Project of the African Union Agenda 2063, thus placing the implementation of the 1999 Yamoussoukro Decision on the liberalization of Air Transport in Africa in the context of the AU 2063 Agenda. The Secretary General of AFCAC shall designate a project coordinator for the day-to-day management of the project who will be supported by a team of experts from different disciplines within the AFCAC. AFCAC shall cooperate with ICAO for the provision of assistance to States in the areas of Safety, Security and Environmental Protection. And AFRAA shall involve IATA (and AFRAA) for the provision of operational assistance to Airlines in the area of Safety and operational performance. Accordingly, AFCAC shall sign Project Agreements acceptable to Bank with ICAO and IATA respectively. The AFCAC Secretariat shall establish a Project Implementation Team (PIT) comprising among others of (i) a Project Coordinator / Air Transport expert; (ii) a Consumer protection Officer, (iii) a Competition Regulation Officer (iv) a Procurement Specialist and (v) an Accountant, all with terms of reference and qualifications acceptable to the Bank. All the PIT will be AFCAC staff assigned to the PIT and their salaries will be supported by the project resources.

4.1.2 The Project Coordinator will also stand as a liaison with the Bank's Task Manager (TM). The TM will continue to provide immediate oversight on project implementation, including recommendations to the Secretary General, for approval of disbursements. The Bank's Country Office in Dakar, Senegal, will provide guidance to the AFCAC, with regard to Procurement, financial management and funds disbursement practices and procedures, to ensure coherence and synergies of both institutions practices.

4.1.3 The PIT shall be responsible for, inter alia, the following: (i) the overall Project management functions including procurement, financial management, and monitoring and evaluation of the Project; and (ii) Preparation and submission of the Project Reports including the quarterly reports, interim quarterly financial reports and the annual audit reports to the Bank.

4.1.4 Considering the involvement of four Organizations (AFCAC, ICAO, IATA, AFRAA), the AUC and other relevant stakeholders in Project implementation, it is recommended that in addition to day-to-day project follow up, bi-annual coordination meetings be held under the oversight of a Project Steering Committee whose ToRs will be developed by the EA for acceptance by other Members and the Fund.

4.1.5 The Bank will conduct Supervision Missions twice a year to monitor progress. If required, a mid-term review shall be carried out in the second year of project implementation.

4.2 Procurement Arrangements

4.2.1 *Review of the Executing Agency Procurement Capacity* : This institutional project is a multinational project involving all 54 African countries. Assessment of the Admin and Finance Section of AFCAC, which is responsible for the procurement activities of the EA, was made through discussions with the Administration and Finance Officer as well as Accountant. The discussion majorly focused on the organizational structure, staffing and practical experiences of the procurement department to carry out required procurements under this project. In general, Bank's assessment considers that the AFCAC's relevant experience is limited to the procurement of items such as office supplies. The current staff is not familiar with Donor's procurement procedures as it is the very first cooperation of the AFCAC with a Multilateral Development Bank.

4.2.2 In order to allow for overall coherence in the implementation of the project as well as in the review of procurement processes and subsequent audits, all procurement of goods, works and services will be in accordance with the *Procurement Framework for the Bank Group Funded Operations dated October 2015 as maybe amended from time to time*. using the Bank's Procurement Methods and Procedures (PMPs), the relevant Bank Solicitation Documents, and the provisions stipulated in the Financing Agreement.

4.2.3 The various items under different expenditure categories and related procurement arrangements for each contract to be financed by the Grant together with the respective procurement methods, estimated costs, prior-review requirements, and time frame are provided in the Procurement Plan agreed upon between the Recipient and the Fund and further elaborated in detail in Technical Annex B.5.

4.2.4 *Procurement Risks and Capacity Development*: The assessment of procurement risks at the Project levels and of procurement capacity at the EA, were undertaken for the project and the output have informed the decision on the use of the Bank's procurement regime for transactions under the project. The details are reflected in the Procurement Technical Annex 5.

4.2.5 Furthermore, it is proposed that the Financial and accounting audit of the project also includes a Procurement audit. In this regards, the Bank's Standard Terms of Reference shall be utilized.

4.2.6 **Procurement Plan**: The Project's Procurement Plans comprising details of the contracts packages in the components of the project was finalized by the Executing Agency and shared with the Bank.

4.3 Financial Management Arrangements

Financial Management

4.3.1 The assessment of the financial management (FM) system of the AFCAC, EA was based on Bank's FM Implementation Guidelines.

4.3.2 The financial management of the Project will be ensured by the AFCAC financial and accounting unit, which will specifically assign an accountant to the project to recruit. He will work under the supervision of the Administrative and Financial Manager.

4.3.3 The current accounting system is accrual accounting on SAGE software which will be replaced by a new system to be acquired during 2020 and allowing the recording of project operations. Internal control is already formalized in a manual of administrative, financial and accounting procedures; but the specifics of the project will be considered by integrating them into this manual.

4.3.4 Methods of disbursement of revolving fund, direct payment and reimbursement will be used to pay Project expenses. To do this under the revolving Fund method, a special account will be opened in a commercial bank acceptable by the Bank to receive ADF financing resources. The counterpart funds will be deposited as required in a separate account opened by AFCAC in a commercial bank.

Disbursements

4.35 The Project will mainly use the Direct Payment method to pay contractors/suppliers as well as the revolving fund and the reimbursement methods for other eligible project expenses.

4.3.6 A special account will be opened in a commercial bank acceptable by the Bank to receive ADF financing resources. The counterpart funds will be deposited as required in a separate account opened by AFCAC in a commercial bank. The Bank will issue a disbursement letter, which will provide specific guidelines on key disbursement procedures and practices negotiable during negotiations.

Audit

43.7 The financial, accounting and procurement audit of the Project will be carried out by an independent firm registered on the roll of a national or regional order of the member countries of the Bank. The audit firm will be recruited for a period of three years in accordance Bank's audit terms of reference and using the project funds. Approval of the first audit report shall be the condition for continuation of the firm's contract for the following two years. The audit report with an accompanying Management Letter will be submitted to the Bank within six months after the end of the financial year.

4.4 Implementation and Supervision Schedule

4.4.1 The project will be executed over a 3 year-period. The corresponding implementation schedule is summarized at the beginning of this report (see page xiii). Upon approval of the Grant, the Bank will launch the Project and subsequently organize supervision missions.

4.4.2 The Bank will conduct supervision missions in coordination with the AFCAC. Furthermore, a Project Steering Committee will be held once a year (or in accordance with the accepted ToRs) to assess the progress towards achieving Project objectives and provide guidance.

4.5 Monitoring.

4.5.1 The Bank will also field two Supervision Missions every year during the implementation phase. The Project has included a Budget for Monitoring and Evaluation Consultancy services which will cover collection of Baseline Data on Project Indicators, Follow-up surveys and Project Completion Surveys. The results from the Baseline Surveys will be used to provide/refine Baseline Indicators. The Project Implementation Monitoring Schedule is given in Table 4.1,

Table 4.1: Project Implementation Monitoring Schedule

Timeframe	Milestone	Resp. actions
December 2019	Grant Approval	AfDB
January 2020	Effectiveness	AFCAC
February 2020	Launching workshop	AfDB, AFCAC, ICAO, IATA, AFRAA
March 2020 – September 2022	Procurement of goods and services	AFCAC
February 2020 – June 2023	Disbursement of Funds	AfDB
September 2020/ June 2021/ May 2022	Supervision Missions	AfDB
December 2020 / November 2021 / September 2022	Steering Committee Meetings	AUC, AFCAC, ICAO, IATA, AFRAA
December 2022	Project Completion Report	AfDB

4.6 Sustainability

4.6.1 As per its 2009 constitution, the AFCAC shall be funded by contributions made by Member States in accordance with the scale of assessment determined by the Plenary. In addition, AFCAC may receive Grants, Donations and proceeds for its activities as approved by its Bureau.

4.6.2 Considering the financial challenges faced by the Organization in the recent past, the ASECNA (Agency for Air Navigation Safety in Africa and Madagascar) has had to take over the contributions of its 16 Member States to AFCAC as a temporary measure.

4.6.3 The project contains provisions for technical assistance in the areas of Air Transport Economy, Consumer Protection and Competition Regulation that will enhance AFCAC's capacity in the areas related to its mandate as EA for the YD/SAATM. In order to ensure the sustainability of the project's impact, a provision

has also been included for the preparation of a long-term strategy for administrative, financial and human resources planning. This activity will be programmed early enough to enable the EA to incorporate the recommendations of the study in its budgetary cycle prior to the project's completion. Considering the financial sustainability, it is worth noting that a Study recently conducted by the Bank on Market Access has proposed that a tax be collected on international travelers to finance the EA. The feasibility and suitability of this proposal will be examined as part of this study cognizant of the ICAO policies on taxation.

4.6.4 As part of the long-term legal framework for the SAATM the project will support a further progress in the disappearance of BASAs, a major objective of the YD. And the attainment of this objective will also be part of the advocacy effort by the EA.

4.7 Risk Management

4.7.1 Based on lessons learnt during implementation of the Bank financed Transport/aviation Projects, a review of the potential risks that could affect the realization of the Project Objectives and targets has been made. In addition to risks related to governance and sustainability, other major risks at outcomes and output levels have been reviewed and mitigation measures included as detailed below.

4.7.2 The risk at a macro level is related with challenge of the AFCAC meeting its obligation for counterpart funding, which will affect development objectives. Lack of political will by the Countries to embrace the provisions of the SAATM is another potential risk, which will affect the smooth implementation. Market failure despite the actual implementation of the SAATM is another risk area, which the project might face. Once the project is completed, shortage of funding for AFCAC to retain the staff involved in the SAATM related tasks is a most commonly observed risk area.

4.7.3 The AFCAC and AUC commitments to the implementation of the SAATM will help to mitigate the risk of delay in the availability of the counterpart financing. The strong advocacy strategy and communication strategy and activities included in the project will mitigate the lack of political will from Countries and sensitize stakeholders on the other conducive measures for the market stimulation. A provision has been made in the project for the development of a financial sustainability plan for the EA in order to avoid any disruption in the funding of both the SAATM related experts' positions and activities. Furthermore, the staffing will have to be commensurate with the actual workload by the time of the completion of the project.

4.8 Knowledge Building

4.8.1 The project will contribute to establishing the Institutional Framework for implementing the SAATM. It will also build knowledge and experience in consumer protection and competition regulation within the EA as well at Regional (RECs) and National levels. Key activities are the implementation of the SAATM concrete measures. A number of dialogues, consultations, awareness raising, meetings, workshops, training and capacity building activities are also involved, all of which will impart knowledge, build skills, enhance performance, inform and sensitise stakeholders at continental, regional and national levels both in the regulatory and operational environments.

4.8.2 Dealing with environmental protection, the project will complement AFCAC's role in developing national capacities for development/review of State Action Plans for CO₂ mitigation from international aviation as well as for the implementation of the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

V. Legal and Compliance Section

5.1 Legal Instrument

5.1.1 The instrument that will be used to finance this Project will be the ADF Grant Protocol of Agreement under the ADF14 Regional Public Goods window amounting to UA 5 million.

5.2 Conditions Associated with the Bank's Intervention

A. Conditions Precedent to Loans Effectiveness

A.1 Conditions Precedent to ADF Grant Effectiveness

The Protocol of agreements shall each become effective on signature between the Fund and the Recipient.

B. Conditions precedent to first disbursement of the Grant

The Grant resources shall be subject to fulfilment by the Recipient of the following conditions to the complete satisfaction of the Bank:

B.1. Condition precedent to first disbursement of ADF Grant

- a. The obligation of the Fund to make the first disbursement of the Grant shall be conditional upon the entry into force of the Protocol of Agreement and the fulfillment by the Recipient, to the satisfaction of the Fund, of the following conditions. The AFCAC shall have: Submitted evidence of the recruitment, designation or appointment of the following staff for the Project Implementation Team (PIT) with qualifications and terms of reference acceptable to the Fund as follows: (i) a Project Coordinator / Air Transport expert; (ii) a Consumer Protection Officer, (iii) a Competition Regulation Officer (iv) a Procurement Specialist and (v) an Accountant; and
- b. The execution and delivery of the Project Implementation Agreement between the International Civil Aviation Organization (ICAO) and the Executing Agency confirming the participation of ICAO in the implementation of the specified project activities related to safety, security and environmental protection in form and substance satisfactory to the Fund

C. Undertakings:

The recipient undertakes the following:

- (a) Not later than three (3) months after the beginning of each Financial year for the Executing Agency during the Project implementation period, submit evidence of an allocation of the counterpart funding in the Executing Agency's budget.
- (b) Not later than three (3) months at the beginning of each Financial year for the Executing Agency during the Project implementation period, submit a yearly work plan period specifying the objectives, activities, outcomes for the activities to be undertaken in the different States in the area of Safety, Security and Environmental protection;
- (c) Not later than three (3) months after the entry into force of this Agreement, submit to the Fund the composition and terms of reference (ToRs) of the Project Steering Committee;
- (d) Not later than six (6) months after the entry into force of this Agreement, submit evidence of the signature of Memorandum of Cooperation with each African Regional Economic Community (REC);
- (e) Not later than six (6) months after the completion of the study, submit a report on the progress for the implementation of the recommendations of the long term the strategy for enhanced administrative, financial and human resources planning.
- (f) Submit evidence of the consultancy services agreement between the International Air Transport Association (IATA) and the Executing Agency for the provision of the operational assistance to airlines in the area of safety and operational maintenance

5.3 Compliance with Bank Policies

The proposed Project complies with all the applicable Bank policies with no exceptions.

VI. Conclusion and Recommendation

6.1 Conclusion

6.1.1 This project is critical to the successful implementation of the SAATM, a flagship project of the AU 2063 Agenda and a facilitator of regional integration. Alongside the AfCFTA, The SAATM, which has strong synergies with the Hi 5s, will greatly contribute to enhance air connectivity, increase direct air services, induce competition on air routes resulting in airfare reductions and contribute to the growth of tourism in Africa and jobs creation. The project will also contribute to improving safety, security and environmental protection in international air transport.

6.2 Recommendation

6.2.1 Management recommends that the ADF Board of Directors approve the proposed ADF Grant of UA 5 Million to the AFCAC, to finance the Project described in this report and in accordance with the conditions set out above.

AFRICAN DEVELOPMENT FUND

BOARD OF DIRECTORS

Resolution N° F/[●]/2020/[●]

Adopted by the Board of Directors, on a lapse-of-time basis, on [●] 2020

Multinational: Grant to the African Civil Aviation Commission to finance part of the Institutional Support to the African Civil Aviation Commission for the Implementation of the Single African Air Transport Market (SAATM)

THE BOARD OF DIRECTORS,

HAVING REGARD to: (i) Articles 1, 2, 11, 12, 14, 15, 16, 26 and 30 of the Agreement Establishing the African Development Fund (the “Fund” or “ADF”); (ii) the Report on the Fourteenth General Replenishment of the Resources of the Fund (“ADF-14”); (iii) the applicable ADF-14 Country Resource Allocation; (iv) the Guidelines for the Financing of Multinational Operations; (v) the Strategic and Operational Framework for Regional Operations and (vi) the appraisal report contained in document ADF/BD/WP/2020/13/Approval (the “Appraisal Report”);

NOTING the availability of sufficient resources to enable the Fund to commit the amount of the Grant;

DECIDES as follows:

1. To award to the African Civil Aviation Commission (the “Recipient”), from the resources of the Fund, a grant of an amount not exceeding the equivalent of Five Million Units of Account (UA 5,000,000) (the “Grant”) to finance part of the costs of the Institutional Support to the African Civil Aviation Commission for the Implementation of the Single African Air Transport Market (SAATM);
2. To authorize the President to conclude a protocol of agreement between the Fund and the Recipient (the “Protocol of Agreement”) on the terms and conditions specified in the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund and the Appraisal Report;
3. The President may cancel the Grant if the Protocol of Agreement is not signed within ninety (90) days from the date of approval of the Grant by this Board; and
4. This Resolution shall become effective on the date above-mentioned.