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Policy research paper COVID-19 and African airlines

overcoming a liquidity crisis

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First printing Decemberl 2020

Designed and printed in Addis Ababa, Ethiopia by the ECA Printing and Publishing Unit. ISO 14001:2015 certified.
Printed on chlorine free paper

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ACKNOWLEDGEMENTS

This paper is a joint product of the Economic Commission for Africa (ECA) and the African Airlines Association (AFRAA). It was prepared under the leadership of Vera Songwe, Executive Secretary of ECA, and the overall guidance of William Lugenwa, Director of the Private Sector Development and Finance Division of ECA, and Abderahman Berthe, Secretary-General of AFRAA. The paper was prepared by Robert Tama Lisinge. Relevant inputs were received at the online meeting convened by the African Institute for Economic Development and Planning (IDEP) on 16 July 2020 on the theme "COVID-19 and the African aviation industry: overcoming a liquidity crisis". Jacquie Ogolah-Baboin of AFRAA played an important role in collecting the data analysed in this paper from members of the association. The author may be contacted at lisinge@un.org.

ABSTRACT

The present paper examines the impact of the coronavirus disease (COVID-19) pandemic on African airlines through a finance lens. It provides insights into the financial requirements of the airlines to survive and recover from the liquidity crisis induced by the pandemic, potential sources of relief and measures to keep them afloat. There are huge differences in the size and structure of the debts of airlines, suggesting that a one-size-fits-all solution may not be appropriate to address their liquidity challenge. Financial support must therefore be tailored to the specific features of airlines. Governments and development finance institutions have generally not channelled COVID-19 relief packages and response funds to airlines. There are multiple measures that they could implement in that regard, such as providing grants, loans and loan guarantees, issuing equity and also deferring or waiving payments of debts, rents, charges and taxes by airlines. It is therefore critical for stakeholders in the industry, notably intergovernmental and air transport organizations, to advocate direct government support for airlines and for them to create a platform to coordinate their efforts towards the survival of the industry, in particular by linking airlines and financial institutions and facilitating access to available funds. Emphasis must also be placed on creating business opportunities for the airlines.

Keywords: Africa, aviation industry, COVID-19, liquidity crisis, financial support.

A. INTRODUCTION

The coronavirus disease (COVID-19) has had a devastating impact on the aviation industry in Africa. Various organizations, individually and collectively, have made efforts to cushion this impact in the short, medium and long term. This has resulted in the articulation of strategies and plans for the survival, recovery and sustainability of the industry. At the same time, development finance institutions have created facilities to help mitigate the impact of the pandemic on vital sectors of the economies of countries on the continent. These streams of action could be complementary but appear to be flowing in parallel, which raises a number of questions such as: how will the proposed recovery strategies and plans for Africa's aviation sector be funded? How could African governments and the aviation system – airlines, airport authorities, civil aviation authorities and air navigation service providers – gain access to existing COVID-19 response funds and benefit from debt relief initiatives? What are the financial requirements of the continent's aviation industry? What would it take for African governments to allocate resources from stimulus packages to the industry and to what use should these resources be put?

The present paper attempts to answer the above questions based on a survey of the indebtedness of African airlines jointly undertaken by the Economic Commission for Africa (ECA) and the African Airlines Association (AFRAA). Analysis of the survey data is complemented with information from policy dialogues on the impact of COVID-19 on the aviation industry in Africa and also from a desk review of strategies and plans for the survival and recovery of the industry from the pandemic. While the aviation system is multidimensional (box 1), the paper focuses on airlines, many of which are facing insolvency as their operations have ground to a halt as a result of travel restrictions to curb the spread of the pandemic. Although the financial requirements of airlines are also multidimensional and include the settlement of bills for utilities such as electricity, water and security, payment of staff salaries, various services charges, maintenance of aircraft, and purchase of jet fuel, among others, the paper focuses on the indebtedness of airlines to different categories of creditors, in particular banks and financial institutions, aircraft leasing companies, and aircraft manufacturers. It therefore sheds light on the financing options and cost structures of the airlines. The value addition of the paper lies in its overarching perspective, which consists in analysing, through a financing lens, the COVID-19-induced challenges faced by African airlines and also the efforts undertaken to address these challenges.

Box 1 Aviation system in Africa

The main stakeholders of the African aviation industry may be categorized into four main groups: the regulatory agencies at continental and regional level; industry partners; strategic partners; and other international partners and investors. The regulatory entities include the African Union Commission, the African Civil Aviation Commission (AFCAC), the regional economic communities, ECA and member States. Industry partners include the International Civil Aviation Organization (ICAO), AFRAA, airport operators, airlines, Airports Council International Africa (ACI-Africa), the International Air Transport Association (IATA), air navigation service providers, the Air Navigation Safety Agency for Africa and Madagascar (ASECNA), and the Civil Air Navigation Services Organisation (CANSO). Strategic partners include the European Union, the European Union Aviation Safety Agency (EASA), the United States Federal Aviation Administration (FAA) and the Ministry of Commerce of China. Other organizations and investors associated with the aviation industry in Africa include the African Union Development Agency (AUDA), the African Development Bank, the African Export-Import Bank (Afreximbank), the Eastern and Southern African Trade and Development Bank and the World Bank.

Source: *Ndoh, 2020.*

The following section of this paper provides a background to the aviation sector in Africa with emphasis on its growth prospects prior to the COVID-19 outbreak and the impact of the pandemic on the sector. Section C presents an analysis of the financial commitments of African airlines in 2020 and 2021, and also

of their employment situation. Section D reviews the liquidity challenge of the airlines, examining the role played by governments, development finance institutions and international and sectoral organizations in addressing the challenge. Section E concludes the paper and provides policy recommendations for airlines on the continent to overcome the COVID-19-induced liquidity crisis.

B. BACKGROUND

The COVID-19 pandemic has tested the health-care systems of countries worldwide to the limit and paralysed many economies. The economic standstill has largely been caused by travel restrictions imposed by governments to curb the spread of the disease, such as lockdowns, the closure of borders and mandatory quarantine. Besides these restrictions, travel demand has declined significantly as a consequence of passenger concerns about contracting COVID-19. Moreover, the lowering or loss of incomes stemming from measures to contain the pandemic has compromised the ability of many people to travel. This situation has severely affected the aviation system. Airlines have grounded their aircraft, leading to a liquidity crisis with implications for debt repayment, leases and remuneration of staff; refunds to passengers for cancelled flights; and maintenance of aircraft, among other financial requirements. The fast-eroding liquidity of airlines threatens their very existence. It puts them at risk of insolvency, underscoring the need for urgent financial support, in particular, direct cash injections, to overcome the crisis. Such support is necessary to ensure that airlines are able to restart operations as countries gradually reopen their economies and borders.

A collapse of African airlines will have dire economic consequences. Air transport supports over 7 million jobs and contributes over $70 billion to the continent's economy. Prior to the COVID-19 crisis, Africa had about 76.6 million annual air travellers and passenger numbers were expected to increase to 303 million by 2035. The continent's commercial aviation market has immense potential for growth. Africa is home to 15 per cent of the global population and makes up 20 per cent of the world's land mass, yet its aviation industry is small, representing only 3 per cent of the global market. Before the outbreak of COVID-19, the top ten fastest-growing markets in the world were forecast to be in Africa, listed in order of their predicted growth rate: Sierra Leone, Guinea, Central African Republic, Benin, Mali, Rwanda, Togo, Uganda, Zambia and Madagascar. Each of these markets was expected to grow by more than 8 per cent per year over the next 20 years (IATA, 2020; ICAO, 2020; and African Development Bank, 2019).

These growth projections could be steeper if Africa opens up its skies through the implementation of the Single African Air Transport Market initiative. For instance, a 2015 study by AFCAC and IATA indicated that full air transport liberalization between 12 African countries (Algeria, Angola, Egypt, Ethiopia, Ghana, Kenya, Namibia, Senegal, South Africa, Tunisia and Uganda) would add $1.3 billion per annum to their gross domestic product (GDP) and create over 155,000 new jobs. Consumers would also benefit from a 75 per cent increase in direct services, and fare savings of between 25 and 35 per cent, worth $500 million.

A 2019 report by the Brazilian aerospace conglomerate Embraer forecasts a need for 555 aircraft in the up-to-150-seat category over the next 20 years for 10 of the 34 countries that have signed the Solemn Commitment to the Single African Air Transport Market (Embraer, 2019).[1] The multinational corporation Airbus estimates a demand for 1,269 passenger and freight aircraft in Africa between 2019 and 2038, as shown in table 1 (Airbus, 2019). It also estimates the average annual traffic growth for the same period at 4.8 per cent. The potential insolvency of African airlines due to COVID-19 could compromise the realization of this positive trajectory.

1 Cabo Verde, Ethiopia, Ghana, Kenya, Morocco, Mozambique, Nigeria, Rwanda, South Africa and Togo.

Table 1 New passenger and freight aircraft deliveries by region (2019–2038)

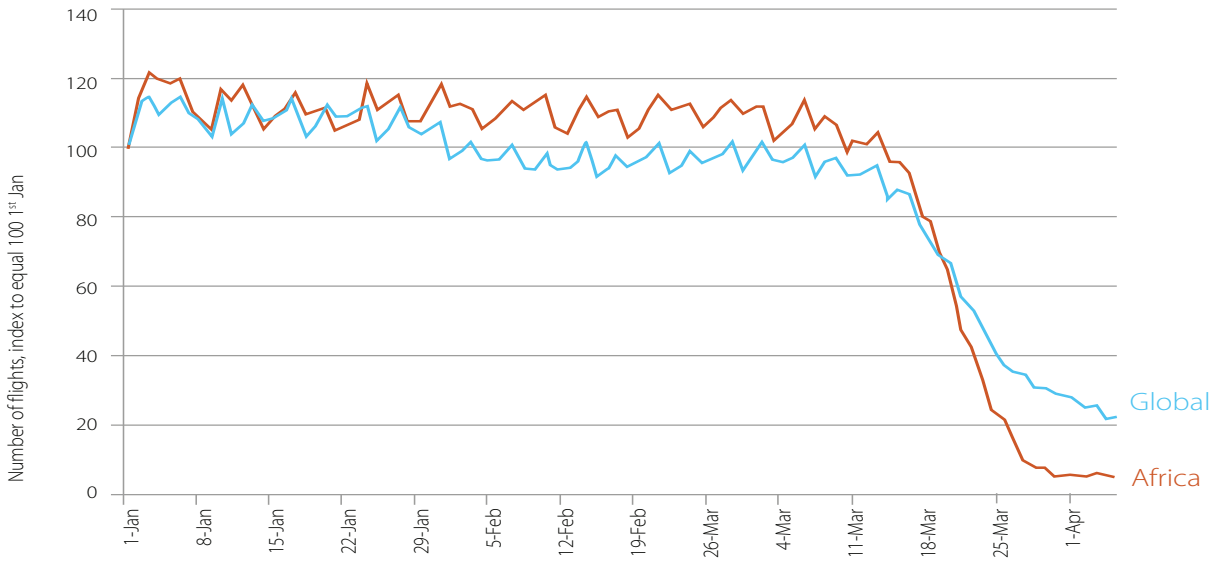
	Africa	Asia-Pacific	CIS	Europe	Latin America	Middle East	North America	Total
Small	960	12 765	1 298	5 760	2 400	1 630	4 911	29 724
Medium	202	2 270	141	1 091	201	487	981	5 373
Large	107	1 508	104	688	95	1 128	486	4 116
Total	1 269	16 543	1 543	7 539	2 696	3 245	6 378	39 213

Source: *Airbus 100+ seats (passenger aircraft) and 10t+ (freighters) (Airbus, 2019).*

Disruption of air travel caused by the pandemic has already placed the industry in a critical situation. Passenger numbers and revenues have fallen drastically. IATA estimates that global RPKs – or revenue passenger kilometres – will have halved in 2020 compared to 2019, which translates to a $314 billion or 55 per cent fall in passenger revenues, and the industry is set to lose up to $400 billion globally in 2020. Flight departures in Africa were estimated to be about 95 per cent lower at the end of the first quarter of 2020, compared to a global decline of 78 per cent (figure 1). African airlines are forecast to lose over $6 billion of revenue and the contribution of the aviation industry to the GDP of countries on the continent may drop by $28 billion. Moreover, 3.1 million jobs linked to the industry are also at risk in Africa.

Table 2 shows the estimated economic impacts in the continent's largest aviation markets as of April 2020. Analysis by ICAO corroborates the findings of IATA related to the decline in passenger numbers and loss of airline revenue. In this regard, ICAO estimates a reduction in airline capacity of between 42 and 59 per cent; a drop in passenger numbers of between 48 and 61 million; and a revenue loss ranging between $10 billion and $13 billion in 2020 (ICAO, 2020).[2]

Figure 1 Africa flight departures some 95 per cent lower at the end of the first quarter of 2020



Source: *IATA, 2020. Economic analysis based on data provided under license by FlightRadar 24.*

2 The ICAO economic impact analysis with these figures was released on 1 June 2020. ICAO regularly updates its analysis of the effect of COVID-19 on civil aviation.

Table 2 Economic impacts in the largest African aviation markets

Country	Loss of airline revenue (millions of US dollars)	Employment risk* (Full-time equivalents)	Loss of GDP contribution* (millions of US dollars)
South Africa	3 020	252 088	5 097
Nigeria	994	125 370	885
Ethiopia	430	500 521	1 903
Kenya	732	193 342	1 578
UR of Tanzania	310	336 182	1 513
Mauritius	544	73 694	2 035
Mozambique	131	126 418	199
Ghana	380	284 255	1 575
Senegal	329	156 224	634
Cabo Verde	204	46 652	478

***** *Direct, indirect, induced and tourism catalytic.*

Source: *IATA (2020).*

Airlines face bankruptcy if their liquidity crisis is not addressed with urgency. Indeed, a number of airlines around the world are already insolvent. In Africa, for instance, Air Mauritius has entered into administration. It is worth highlighting that some carriers on the continent were already struggling prior to the spread of COVID-19. Given the importance of air transport to economic development and job creation, many countries have bailed out their ailing carriers. For example, the German Government has provided a bailout package of 9 billion euros to Lufthansa. In the United States of America, the $2.2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act is a stimulus bill that includes a $61 billion relief package for United States airlines.

While there are various COVID-19 support initiatives in Africa, at both national and regional levels, airlines on the continent have generally received no direct financial support from their governments, unlike those in the United States of America and Europe. It may therefore be wondered who will bail out African airlines and what existing opportunities and mechanisms could throw them a lifeline. The objective of the present paper is to answer these questions.

C. INDEBTEDNESS AND EMPLOYMENT SITUATION OF AFRICAN AIRLINES

1. HUGE DIFFERENCES IN THE SIZE OF COMMITMENTS OF AFRICAN AIRLINES

Out of 16 airlines that responded to the ECA-AFRAA survey, 15 provided information on their indebtedness in 2020 and 2021. The total aggregated debt of the airlines for the two years amounts to $3.2 billion. There are significant differences in the debt level of the airlines, which indicates their heterogeneity in terms of size and ambition. For instance, the financial commitments of three airlines overshadow those of the others. These three have aggregated debt, respectively, of $1.8 billion, representing 56.3 per cent of the total commitment of the 15 airlines that provided the required information; $423 million, or 13.2 per cent of the total commitment; and $399 million, or 12.5 per cent of the total commitment. Each of the other airlines have commitments of less than $100 million. It is a big challenge for the airlines to meet these commitments in addition to their operational expenses at a time when they have incurred heavy revenue losses due to the collapse of passenger flights. It is therefore not surprising that expansion plans involving the purchase of aircraft have been put on hold.

The full financial requirements of African airlines would be much higher than $3 2 billion if the aggregated debt of all airlines on the continent plus their operating costs and other commitments were added to this figure. The actual requirement would include creditor payments and the cost of refunds, personnel, services related to maintenance, repairs and operations, together with air navigation, airport, and catering services, among others. African airlines would find it difficult to meet these requirements if they lost over $6 billion of revenue as a result of COVID-19, as forecast by IATA (IATA, 2020).

Things will be even tougher for them if their revenue losses in 2020 are between $10 billion and $13 billion, as forecast by ICAO (ICAO, 2020). The appeal by key organizations of the travel and tourism sector[3] for $10 billion in support for the sector, in addition to the $25 billion advocated by the African Union Commission-AFCAC task force for the recovery of the aviation industry from COVID-19, would seem consistent with the financial requirements of airlines and the aviation industry in general.

All the 16 airlines that responded to the survey provided information on their employment situation (table 3). Together they employ a total of 27,012 staff. One of the airlines has 16,426 staff members, while another has 4,656, constituting 60.8 and 17.2 per cent, respectively, of the total staff complement of all the airlines. This further underscores the huge difference in the size of these airlines. Irrespective of their size, however, the vast majority of these airlines have taken measures to address liquidity problems arising from COVID-19. To this end, 18.8 per cent have laid off staff; 56.3 per cent have slashed salaries; and 56.5 per cent have sent staff on paid or unpaid leave. Only two airlines, 12.5 per cent, have not laid off staff, nor cut their salaries, nor sent them on paid or unpaid leave. This demonstrates the heavy toll that COVID-19 has exacted on the employees of airlines.

3 IATA, AFRAA, Airlines Association of Southern Africa (AASA), World Tourism Organization, and World Travel and Tourism Council.

Table 3 Employment situation of airlines

COVID-19 measures				
Airline*	No of staff	Layoffs	Salary cuts	Paid/unpaid leave
1	16 426	Y	N	Y
2	4 656		Y	Y
3	411	Y	Y	Y
4	662		Y	
5	393	N	N	N
6	1 192	Y		Y
7	468	N	N	Y
8	355		Y	
9	391	N	Y	Y
10	200	N	Y	Y
11	195		Y	
12	238	N	N	N
13	84	N	Y	N
14	214	N	N	Y
15	347		N	Y
16	780		y	
Total	27 012			

Note: *Y = Yes; N = No; *Numbers represent different airlines, which are not identified for business confidentiality reasons.*
Source: *ECA-AFRAA survey.*

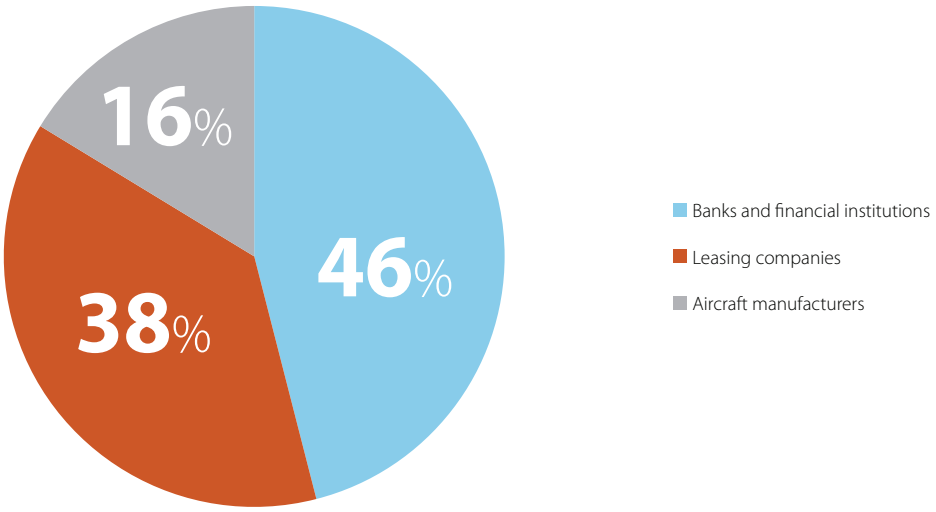
Cost-cutting measures implemented by airlines have been severe. For instance, salary reductions have ranged between 10 and 68 per cent. Pay cut levels have generally depended on the seniority of staff, with senior staff members taking larger cuts in their pay. One airline indicated that salary arrears would be paid back when it recovers from COVID-19, which increases the company's commitments. The two airlines that have paid the full salaries of their staff have done so either with the help of a bank or government support.

Some airlines are also cutting costs by suspending staff benefits and allowances, including crew extra hours and transport; non-mandatory training and travel; and non-compulsory staff welfare expenses. In addition, staff members who have been sent on leave are either clearing their accrued vacations or are on advance vacations. Where layoffs are concerned, outsourced staff, retirees working under contract and part-time workers have been the worst affected. Non-permanent employees and those deemed to provide non-essential services have suffered most from layoffs enacted to reduce workforce expenses.

2. BANKS, FINANCIAL INSTITUTIONS AND LEASING COMPANIES: LEADING CREDITORS OF AFRICAN AIRLINES

The bulk of the indebtedness of the airlines that participated in this survey is to banks and financial institutions ($1.5 billion), and leasing companies ($1.2 billion). The share of their indebtedness to aircraft manufactures constitutes only 16 per cent of the total aggregated debt ($0.5 billion), as shown in figure 2.

Figure 2 Share of debt to different categories of creditors



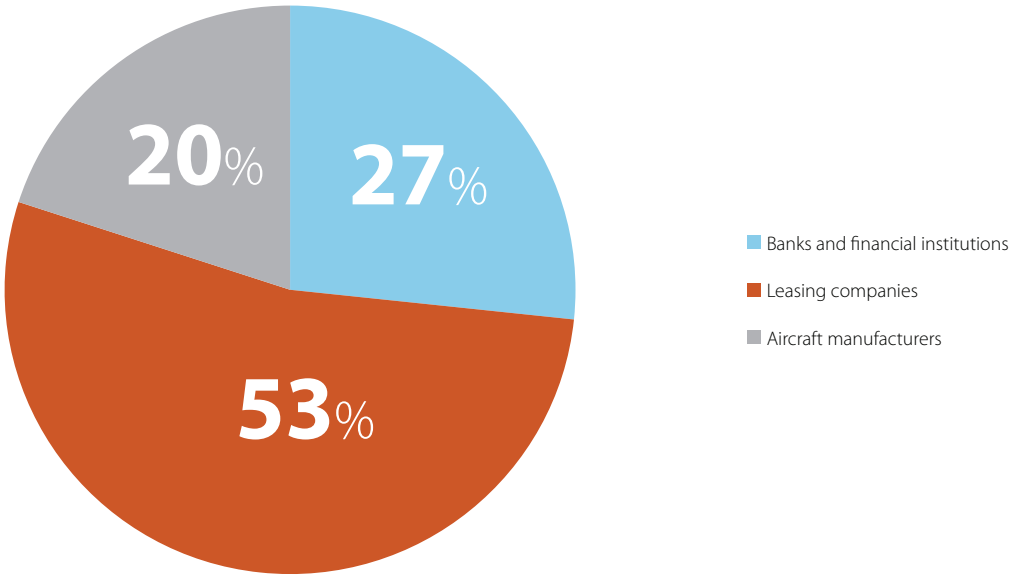
Source: *Author's computation.*

While banks and leasing companies are the dominant creditors, a large share of the indebtedness of some airlines is to aircraft manufacturers. This is illustrated by the fact that the entire debt of one of the airlines is to an aircraft manufacturer (figure 3). Indeed, the aggregate size of indebtedness to different categories of creditors hides the dominant financing mode of airlines on a case-by-case basis. For instance, while the aggregate debt to banks and financial institutions is higher than the aggregate debt to leasing companies and to aircraft manufacturers, more airlines have bigger debts to leasing companies than to banks and financial institutions. This shows that the bigger airlines in this survey are more indebted to banks and financial institutions than to leasing companies, while the smaller airlines, which constitute the majority, are more indebted to leasing companies. Only 20 per cent of the airlines have higher debt to aircraft manufacturers than to the other two categories of creditors (figure 4).

Figure 3 Share of category of debt by airline

Note: *Figures in the Y-axis represent different airlines which are not identified for business confidentiality reasons.*
Source: *Author's computation.*

Figure 4 Dominant financing mode by airline



Source: *Author's computation.*

The above findings are in line with trends in financing aircraft, as shown in box 2. They are also generally in line with findings of other studies, which estimate that the industry share of the global fleet on operating lease is 41 per cent while 59 per cent is owned by commercial airlines.

The slightly lower share of the aggregate debt of African airlines to leasing companies compared to banks and financial institutions, as shown in figure 2, could be attributed to the fact that several airlines on the continent operate at the regional level with small aircraft. Historically, leasing regional aircraft (with up to 150 seats) has not been as active as leasing larger aircraft. While the number of aircraft in service under leasing as a proportion of all aircraft in the global industry is 41 per cent, only 30 per cent of the regional aircraft in service are under leasing. The leasing of both regional and large aircraft is growing, however. The leased fleet in service in the regional segment increased by 140 per cent between 2004 and 2018, while the fleet in service of larger aircraft grew by 117 per cent over the same period (Boeing, 2018; Embraer, 2019).

Box 2 Aircraft financing

The aircraft financing market constitutes one of the most important pillars of the aviation industry. Passenger aircraft are expensive. For example, a brand new Airbus A380 sells for $445 million before volume discounts. Commercial airlines sometimes purchase the aircraft that they operate, but often they prefer leasing. Many airlines have mixed fleets of owned and leased aircraft. 2018 saw the following capital market volumes for aircraft purchase transactions: lessors – $21 billion; United States airlines – $2.8 billion; and non-United States airlines – $5.8 billion. Purchases account for approximately 60 per cent of the world's commercial airline fleets. Buyers may be airlines or aircraft leasing companies. Governments of such countries as Canada and the United States offer loan guarantees for the domestic purchase of aircraft. Equity investments in leasing companies and purchases of asset-backed security (ABS) portfolios dominate private equity financing (Asset America, 2020).

D. ADDRESSING THE LIQUIDITY PROBLEM OF AFRICAN AIRLINES

African governments, financial institutions, intergovernmental and sectoral organizations have been involved in developing strategies and plans or creating funds in response to the COVID-19 crisis. These actions have financial implications as strategies and plans require resources for their implementation, while funds could help address the liquidity challenge of the aviation sector induced by COVID-19. This section examines, through a financing lens, the contribution of different stakeholders of the aviation industry to its survival, recovery and sustainability.

1. ROLE OF GOVERNMENTS: MAINSTREAMING AIRLINES IN NATIONAL COVID-19 RESPONSE STRATEGIES

Many argue that governments must shoulder some responsibility for the survival and recovery of airlines from COVID-19. This view is premised on the fact that the liquidity crisis of airlines was triggered by the abrupt travel restrictions imposed by governments to curb the spread of the pandemic. These restrictions led in turn to the cancellation of flights, for which airlines have to refund passengers for tickets purchased while incurring revenue losses. Moreover, they have to continue servicing their debt and meeting operational expenses. The significant contribution of air transport to national GDPs and job creation represents another reason why African governments should provide the airlines with financial support as they grapple with the liquidity challenge induced by COVID-19. Besides, air transport has a critical role to play in the recovery of economies from the pandemic.

Leading industry partners – global and African organizations in the travel and tourism industry – are calling for the provision of $10 billion in relief to support the industry, as mentioned in section C above, primarily to help protect the livelihood of those it supports directly and indirectly. The African Union Commission is also championing the establishment of a $25 billion fund to support COVID-19 recovery plans for the aviation industry of Africa.

While governments on the continent have provided fiscal support packages to address the economic and social impacts of COVID-19 in general, as shown in table 4, most of them have not provided direct support to their airlines. They have generally not even indicated their intended support for the airlines as part of COVID-19 relief packages. The few exceptions include Senegal, which announced a $128 million relief package for its tourism and air transport sector; Seychelles, which waived all landing and parking fees for the period from April to December 2020; and Côte d'Ivoire, which waived its tourism tax for transit passengers. As part of its economic support intervention, South Africa has also deferred payroll, income and carbon taxes across all industries, which benefits airlines established in the country. Securing direct financial support from governments, and also their involvement in mobilizing resources from financial institutions, requires a diligent and steadfast advocacy campaign by key stakeholders of the industry.

Table 4 Fiscal support packages of African countries

Country	Announced or estimated fiscal support package (millions of US dollars)	Country	Announced or estimated fiscal support package (millions of US dollars)
Benin	17	Ghana	100
Botswana	163	Malawi	130
Burkina Faso	67	Mali	27.5
Cameroon	1	Mauritius	300
Côte d'Ivoire	1 000	Morocco	1 000
Djibouti	5	South Africa	700
Egypt	6 400	Togo	130
Ethiopia	154	Tunisia	800
Gabon	2	Zambia	3.1
Gambia	9		

Source: *International Growth Centre (2020), based on government sources.*

Unlike in Africa, governments in other parts of the world have provided relief packages for their airlines, including direct support, loans and loan guarantees, issue of equity, and waving of rents, among others (table 5). In addition, the European Union Commission has put forward proposals that include relaxation of the air carrier licensing rules in the event of financial distress caused by COVID-19, and a simplification of the procedure regarding the restriction of traffic rights. African governments therefore have a broad range of options to choose from if they decide to support their airlines.

Table 5 Government support to airlines: measures taken by non-African countries

Country	Relief package for airlines	Country	Relief package for airlines
United States	CARES Act, $2.2 trillion stimulus bill, includes $61 billion for airlines	Germany	€9 billion support for Lufthansa
Sweden and Denmark	Guarantee of 3 billion Danish kroner for Scandinavian Airlines (SAS)	Austria	Austrian Airlines requires government guaranteed loan of €400 million and €367 million in equity
Sweden	5 billion Swedish krona loan guarantee scheme	Switzerland	1.5 billion Swiss franc loan guarantees to Swiss International Air Lines and Edelweiss Air
Finland	Guarantee of up to €600 million for Finnair; €500 million rights issue of new equity planned by Finnair	United Kingdom	EasyJet received £600 million loan under COVID Corporate Finance Facility
Italy	€500 million earmarked for Alitalia	Norway	Suspension of national aviation taxes; package of 3 billion kroner for Norwegian Air Shuttle ASA as part of 6 billion kroner package for Norwegian carriers; loan guarantees for Norwegian Air Shuttle ASA
France	Guarantee of 90% of €4 billion loan to Air France-KLM and Air France; direct loan of €3 billion to Air France-KLM	Iceland	Payment to Icelandair of up to 100 million krónur (approximately €600,000)
New Zealand	$NZ 900 million bailout package as a soft loan facility to be repaid	Latvia	Increase of AirBaltic's capital by €36.1 million by converting a treasury loan to equity
Canada	$17.3 million offered to Government of Yukon, North West Territories; waiving of ground rent and lease rents	Australia	Australian airlines to receive $A 715m government rescue package; all fees and levies on airlines waived; airlines reimbursed the $A 159m collected from them since February 2020

Source: *Compiled by author from various sources, including: pillsburylaw.com; centreforaviation.com.*

2. ROLE OF FINANCIAL INSTITUTIONS AND INTERNATIONAL ORGANIZATIONS

Development finance institutions within and outside Africa are involved in financing African airlines. Within the continent, the African Development Bank, Afreximbank and the Trade Development Bank have financed the expansion and modernization of airlines, including the purchase of aircraft by Ethiopian Airlines, Kenyan Airways, Air Côte d'Ivoire and RwandAir. Outside the continent, the Export-Import Bank of the United States has also financed the purchase of aircraft by Ethiopian Airlines (box 3). It seems logical, therefore, for African airlines to engage with these banks to explore ways of solving their liquidity problems. Afreximbank, for instance, offers transactions such as direct cash advances, term loans and line credits; refinancing of credits, guarantees; and cross-currency interest rate swaps.

Box 3 Financing airlines in Africa

Several banks are involved in financing Africa's airlines. For instance, the African Development Bank has invested in the expansion of airline fleets, such as those of Ethiopian Airlines and Air Côte d'Ivoire. In 2011, the Bank approved a corporate loan of $400 million to Ethiopian Airlines for the financing of its investment plan from 2010 to 2018. The loan targeted the purchase of five Boeing 777-200LR long range passenger jets. Regarding the expansion and modernization of Air Côte d'Ivoire, the Bank approved a loan of 98 million euros to help to fund the purchase of five new Airbus A320s by the airline in 2017 (AfDB, 2011; Reuters, 2017).

Kenya Airways and Afreximbank signed a fleet financing agreement in 2012 for the purchase of nine new Boeing 787-800s, one Boeing 777-300, and ten Embraer-190 aircraft (Kenya Airways, 2012).

The Trade and Development Bank and the German KfW IPEX-Bank collaborated to provide $171.6 million to RwandAir for the purchase of two wide-bodied Airbus aircraft. To facilitate the purchase of the aircraft, the Trade and Development Bank also financed a pre-delivery payment of $88 million. The Trade and Development Bank had previously provided RwandAir with $60 million for the acquisition of two Boeing aircraft, in addition to $13 million for two CRJ900 aircraft (Trade and Development Bank, 2020).

In 2013, the Export-Import Bank of the United States authorized financing of $130 million to support the export of Boeing long-range aircraft with installed GE-90 engines to Ethiopian Airlines. Over the period from 2003 to 2013, the Bank approved financing of more than $2.2 billion for exports of United States-manufactured aircraft and aircraft engines to Ethiopian Airlines. In May 2012, the Bank authorized financing to support the provision of 10 Boeing 787 Dreamliner aircraft to Ethiopian Airlines. Four of the aircraft were funded through a capital-markets bond issuance in November 2012. The Export-Import Bank of the United States was also involved in financing the purchase of Boeing 777 aircraft by Angola Airlines, with the Ministry of Finance of Angola as guarantor (Ex-Im Bank, 2013).

Engaging with development finance institutions appears to be an appealing option, in particular as some of them have created funds to support efforts to survive and recover from the COVID-19 crisis. The onus is therefore on governments and airlines to optimize their use of these facilities. This requires efforts to raise their awareness of the funds and the modalities for gaining access to them. The African Development Bank and Afreximbank have created funds to address the impact of COVID-19 on vital sectors of the continent's economies, including the aviation sector. The African Development Bank, for instance, has unveiled a $10 billion COVID-19 Response Facility. In addition, the Bank has launched a $3 billion Fight COVID-19 Social Bond and provided a $2 million grant to the World Health Organization for its efforts on the continent. For its part, Afreximbank has introduced a $3 billion facility known as the Pandemic Trade Impact Mitigation Facility to contribute towards mitigating the challenges of pandemics such as COVID-19.

Other financial institutions have also set up COVID-19 response packages for Africa, including the Bill and Melinda Gates Foundation ($100 million), the West African Development Bank (BOAD) (soft loans of 120 billion CFA francs), IMF ($1 trillion lending capacity), and the World Bank Group ($14 billion in immediate

support). While these packages are usually cross-sectoral and primarily directed towards governments, it is important to advocate the allocation by governments of a share of the resources leveraged from the different institutions to the aviation sector. This advocacy is required because governments have not necessarily used the resources received from these facilities to support the aviation industry. This situation may be attributable to the prevailing practice for governments to engage development finance institutions through their ministries of finance, while responsibility for the aviation industry resides with their ministries of transport. The goal of such advocacy efforts, therefore, is to put the recovery of airlines on national agendas and to ensure that its funding is prioritized through relief packages.

There are other initiatives that African airlines could harness for their survival and recovery from the COVID-19 crisis. For example, the African Union has set up a COVID-19 Response Fund to support the implementation of the African continental strategy on the pandemic. Implementation of the strategy was expected to cost $420 million over a period of six months from May 2020. The Group of 20 has also agreed to a debt standstill for the poorest countries in 2020. African countries, except for Algeria, Angola, Egypt, Libya, Morocco, South Africa and Tunisia, are eligible for the time-bound suspension of debt service payments.

3. ROLE OF INTERGOVERNMENTAL AND SECTORAL ORGANIZATIONS (INDUSTRY PARTNERS)

The COVID-19 response epitomizes a multidimensional integration of partnership and policy in the aviation sector that includes airlines, airport authorities, civil aviation authorities (regulators) and air navigation service providers, along with activities at the national, subregional, regional and global levels. The partnership between the different stakeholders is driven by a desire to achieve the shared goal of the survival, recovery and sustainability of the aviation industry. The stakeholders recognize that mutual cooperation and a shared responsibility to save the industry would be beneficial to each of them. Partnership, through collaborative platforms such as task forces, has allowed stakeholders with vested interests to participate in developing a COVID-19 response strategy for Africa in the aviation sector. It has also provided a framework for more inclusive governance of the aviation sector during the COVID-19 crisis. Moreover, partnership between air transport stakeholders has enabled integrated planning at the horizontal level – between airlines, airport authorities, civil aviation regulators and air navigation service providers. It has also enabled vertical integrated planning in terms of coordination of policies at different geographical levels – national, continental and global.

(a). Developing restart and recovery strategies for the aviation sector

From the situation outlined above, it is evident that African intergovernmental and air transport organizations have been taking action, collectively and individually, since the outbreak of COVID-19 to cushion the impact of the pandemic on the continent's aviation sector. They have primarily been concerned with developing strategies and plans for the survival, rebound and sustainability of the sector. For instance, the bureau of the transport subcommittee of the African Union Specialized Technical Committee on Transport, Transcontinental and Interregional Infrastructure, Energy and Tourism has adopted a declaration setting out COVID-19 recovery actions for the aviation industry. The actions were proposed by the African Union Commission and its specialized agency AFCAC, with inputs from ECA.

The African Union Commission and AFCAC have also created a high-level task force on restart and recovery strategies during and after the COVID-19 pandemic for the African aviation sector. The members of the task force include: the African Union Commission, AFCAC, ICAO, AFRAA, IATA-Africa, ACI-Africa, CANSO-

Africa, ECA and the Africa Centres for Disease Control and Prevention. The task force is intended to serve as a platform for cooperation and collaboration among stakeholders to seek the required assistance for the aviation industry at the international, regional and national levels. It advocates the allocation of adequate resources to support the plans by the African aviation industry for its recovery after the COVID-19 crisis.

The work of the task force builds on efforts of its members. For instance, AFRAA has developed a recovery plan for the African airlines industry that provides a framework for immediate and consistent actions for the survival and rebound of the industry. The recovery plan includes actions and measures under nine pillars: government and State regulators; suppliers and service providers; customers; maintenance, repairs and operations; cost management; cargo operations; workforce; and strategies to maintain business continuity. IATA has also developed a restart plan for the aviation industry. The overall objective of the industry restart project is to resume operations by reducing the risk of aviation serving as a vector for the spread of COVID-19. This will allow passengers to travel with confidence, enabling aviation to drive economic recovery. The plan has four components:

(a). Systems capability: ensuring that airlines are able to restart operations once markets reopen;

(b). Travel experience: ensuring that the processing of passengers supports the safe reopening of markets;

(c). Restoring confidence: ensuring that governments and passengers are confident to resume air travel;

(d). Stimulating demand: boosting travel demand with stimulus, incentives and lower cost.

ICAO, through its Council Aviation Recovery Task Force, has resolved to work in partnership with its member States, international organizations and industries to tackle challenges arising from the COVID-19 crisis and to provide global guidance for a safe, secure and sustainable restart and recovery of the aviation sector. One of the key principles of this restart is to support financial relief strategies to help the aviation industry. The report of the task force[4] provides guidance on measures related to aviation safety, public health, security and facilitation, along with economic and financial measures. Its stresses that economic and financial measures should be inclusive, targeted, proportionate, transparent, temporary and consistent with ICAO policies, while striking an appropriate balance of interest without prejudice to fair competition.

(b). Advocacy of financial support

The African Union has committed $12.5 million and is persuading its member States each to assign $4.5 million to efforts to counter the pandemic and assist with the recovery of the continent's aviation sector (Ndoh, 2020). For its part, the African Union Commission-AFCAC task force for the recovery of the aviation industry from COVID-19 is advocating the provision of support in the amount of $25 billion.

IATA, AFRAA, the Airline Association of Southern Africa (AASA), the World Tourism Organisation and the World Travel and Tourism Council are jointly calling on international financial institutions, country development partners and international donors to support the African travel and tourism sector by:

4 Available at https://www.icao.int/covid/cart/Pages/CART-Report---Executive-Summary.aspx.

(a). Providing $10 billion in relief to support the travel and tourism industry, helping to protect the livelihood of those that the industry supports directly and indirectly;

(b). Providing access to as much grant-type financing and cash-flow assistance as possible to inject liquidity and provide targeted support to severely affected countries;

(c). Providing financial measures, such as deferral of existing financial obligations or loan repayments, that can help to minimize disruptions to much-needed credit and liquidity for businesses;

(d). Ensuring that all funds flow down immediately to save the businesses that need them urgently, with minimal application processes and without impediment from normal lending considerations such as creditworthiness.

ECA, in line with its role as a continental think tank, has contributed to shaping the discourse on COVID-19 in Africa through its research on the impact of the pandemic on the continent's economies. On the basis of this research, the Commission hosted two online conferences of African ministers of finance in March 2020. These meetings provided a platform for the ministers collectively to chart the way forward to mitigating the spread and impact of the pandemic in a coordinated manner. In this context, they emphasized the importance of the tourism and airline industries and other service sectors to the economies of African countries and called for special efforts to address the needs of these sectors. They further emphasized the need for a collective voice for African airlines and for measures to preserve and protect them, given their significant contribution to the GDP of the continent.

ECA is advocating the following policy measures, agreed upon by the ministers, to moderate the effect of COVID-19 on African economies:

(a). Mobilizing $100 billion as a fiscal stimulus to address health and social safety net and other economic issues;

(b). Mobilizing a further $100 billion for the private sector in Africa via special drawing rights to provide liquidity and access to foreign exchange;

(c). Initiating a temporary debt service standstill for two years for all African countries.

The resources thus mobilized could be used to implement measures that will provide countries and businesses (including in the aviation industry) with immediate fiscal space and liquidity.

The material presented in this section has shown that African governments and financial institutions, and also international and sectoral organizations, are engaged in various ways in efforts to mitigate the impact of COVID-19 on the economies of the continent in general and the aviation sector in particular. It has also demonstrated that different stakeholders could apply a wide range of measures and tools to solve the liquidity crisis of airlines on the continent, as summarized in table 6. These measures could be clustered under two broad strategies: providing funds and facilitating the provision of funds (grants, loans, loan guarantees, equity); and deferring or waiving payments of debt, charges or taxes. In essence, the support of States and development finance institutions to airlines could take a variety of forms.

Table 6 Measures to minimize disruptions to the liquidity of airlines: options for support to airlines

Governments	Financial institutions and development partners*	Intergovernmental and sectoral organisations (industry partners)

Financing
• Direct support (grants)
  • Subsidizing operations
  • Wage subsidies
• Loans
• Loan guarantees
• Equity
 	
Deferrals and waivers
• Deferring financial obligations and loan repayments
• Waiving rents and charges
  • Airport and air traffic control charges
• Waiving taxes
  • Corporate and indirect taxes
  • Value added taxes
  • Taxes on passengers or fuel
	Financing
	• Direct cash advances, grant-type financing and cash flow assistance, term loans, lines of credit
	• Confirmation and refinancing of credit
	• Guarantees
	• Cross-currency interest rate swaps
	• Activate liquidity lines for central banks
	• Pre-delivery payment
	• Bond issuance
	• Budget support
	
	Deferrals and waivers
	• Deferral of financial obligations or loan repayments
	• Waive interest payments on:
	  • Public debt
	  • Sovereign bonds
	  • Trade credits
	  • Corporate bonds
	  • Lease payments
	• Reprogramming and rescheduling
		Strategic measures
		• Developing strategies, plans, guidelines
		• Quantifying financial requirements
		• Providing business opportunities to airlines
		• Organizing policy dialogues and building consensus
		• Creating funds
		• Raising awareness of COVID-19 funds
		• Encouraging governments and financial institutions:
		  • To allocate relief packages to aviation
		  • To support post-COVID-19 recovery plans

** Beneficiaries include governments, central banks, commercial banks, national and subregional development banks and corporations.*

Overall, the common goal of pulling the African aviation industry out of its COVID-19-induced financial quagmire has resulted in a complex web of interactions among various stakeholders. For instance, airlines are lobbying governments and development finance institutions to allocate stimulus packages to the industry but have to provide accurate information on their financial requirements. International and sectoral organizations are collaborating on the development of COVID-19 response strategies and plans and advocating the provision by governments and development finance institutions of financial support to the aviation industry. They are also helping governments and airlines to quantify their financial requirements. In this regard, they have quantified the impact of COVID-19 on the aviation industry and are using this information in advocacy campaigns. For their part, the development finance institutions have created COVID-19 response facilities and are engaging with airlines, governments and international and sectoral organizations on the use of these facilities.

What appears to be missing in this complex web is a single platform that brings together all stakeholders to facilitate their interactions in a transparent manner. Such a platform would provide information on what each actor is offering in support of the aviation industry and how beneficiaries can gain access to the support that is being offered.

E. CONCLUSIONS AND WAY FORWARD

As indicated in the present paper, 15 African airlines require a total of $3.2 billion to meet their commitments to creditors in 2020 and 2021. The financial requirements of these airlines for the two years will be even higher if their operational expenses, such as payment of staff salaries, refunds to passengers for cancelled flights and the cost of maintenance of aircraft, are taken into consideration. The paper demonstrates the huge differences in the size and structure of the debt and also in the staff complement of African airlines. In addition, it highlights the challenges faced by airlines in gaining access to available COVID-19 recovery facilities, notably those created by development finance institutions.

In the light of these conclusions, the following actions are recommended for the survival and recovery of African airlines from the COVID-19 crisis:

(a). Selecting appropriate options for the provision of financial support to airlines;

(b). Tailoring financial support to the specific features of airlines;

(c). Allocating a portion of COVID-19 relief packages to airlines;

(d). Coordinating engagement between development finance institutions and airlines;

(e). Creating business opportunities for airlines.

1. SELECTING APPROPRIATE OPTIONS FOR THE PROVISION OF FINANCIAL SUPPORT TO AIRLINES

African countries have an array of options to support their ailing airlines. These include the provision of grants, loans – including soft and interest-free loans – and loan guarantees to enable the airlines to borrow in commercial markets. Governments could also defer the payment of term loans, provide aid to airline contractors, purchase corporate bonds and increase their ownership of airlines by converting treasury loans to equity. Other measures that could relieve the liquidity stress of airlines include the implementation of tax holidays, the waiving of ground and lease rents and the waiving or lowering of fees, ticket taxes and other government-imposed levies. Loan repayment waivers and the provision of favourable leasing terms for aircraft have also been implemented in other parts of the world.

Governments need carefully to appraise the kind of assistance that they should provide to their airlines. The decision to provide grants or loans, for instance, should hinge on the capacity of the airlines to recover from loans. In this regard, it may be helpful to hold high-level dialogues on financial support for the aviation industry at the national level, involving airlines, ministries of transport and finance and the office of the prime minister or presidency as appropriate.

2. TAILORING FINANCIAL SUPPORT TO THE SPECIFIC FEATURES OF AIRLINES

Section C of the present paper demonstrated that African airlines are heterogeneous in terms of the size of their indebtedness, structure of their debts – distribution of debt among different categories of creditors, and size of their workforce. In addition, while some of these airlines are State-owned, others are

owned by the private sector. Moreover, some airlines already had financial problems and were struggling to survive prior to the COVID-19 pandemic. Given these differences, a one-size-fits-all solution may not be appropriate to address the liquidity challenge of the airlines. In this regard, airlines with strong balance sheets and cash flow projections may explore corporate loans, as these are likely to be more attractive to financial institutions, while governments may have to step in for weaker companies. To this end, governments may provide loan guarantees or obtain sovereign loans to be used in supporting their airlines. In essence, it may be more appropriate for governments and financial institution to deal with the liquidity problem on a case-by-case basis.

It is worth noting that the creditors of African airlines – banks and financial institutions, leasing companies, and aircraft manufacturers – are also affected by COVID-19 to different extents and they may not all have the same appetite for the negotiation of new transactions with airlines. In essence, some of these creditors are also facing a liquidity crisis, which limits the options of airlines to mobilize resources and suggests the need for different strategies to engage different categories of creditors.

3. ALLOCATING A PORTION OF COVID-19 RELIEF PACKAGES TO AIRLINES

Governments have an important role to play in stimulating the aviation industry. In particular, they need to allocate resources to the industry from stimulus packages that they create for their economies or provide direct financial support to their airlines. To this end, governments that are eligible for the debt standstill agreed upon by the Group of 20 could use part of the resources thus made available to support their airlines. African governments and airlines have not taken sufficient advantage of the COVID-19 recovery facilities to address the liquidity challenge of the continent's aviation industry. In this regard, strengthening their engagement with development finance institutions with a view to harnessing the facilities of these institutions may be worthwhile for a number of reasons. First, the interest rates of such institutions are lower than those of commercial banks. Second, some institutions provide financial services to governments and the private sector, and also to other financial institutions (such as central banks, commercial banks and regional development finance institutions).

The task force convened by the African Union Commission and AFCAC to develop strategies for the restart and recovery of Africa's aviation sector from the impact of COVID-19, discussed in the previous section of the present paper, highlights the importance of financial support for the sector. In that regard, the task force recommended that:

(a). African States and the African Union Commission should ensure access to sufficient financial, human resources and equipment to support the recovery and rebound of the air transport industry through the establishment of a $25 billion continental stimulus fund;

(b). The African Union Commission should mobilize African States, the African Development Bank, the World Bank, Afreximbank and other financial institutions, international partners and stakeholders to contribute to the $25 billion financial package;

(c). Governments should give adequate priority to the aviation industry in making use of the resources leveraged from COVID-19 response facilities created by development finance institutions and other organizations. They should also harness initiatives such as the African Union COVID-19 Response Fund and the 2020 debt standstill agreed upon by the Group of 20 to support their aviation industry, which is critical to the revitalization of economies on the continent.

4. COORDINATING ENGAGEMENT BETWEEN DEVELOPMENT FINANCE INSTITUTIONS AND AIRLINES: CREATING A PLATFORM LINKING AIRLINES AND FINANCIAL INSTITUTIONS

There appears to be a lack of awareness among airlines and their associations of facilities created to support African economies to recover from the impact of COVID-19. This suggests the need to raise awareness and facilitate access by airlines to existing facilities, and to coordinate the actions of development finance institutions and other organizations that are active on the African aviation landscape. An accelerated and coordinated solution to the financial problems of African airlines could be achieved by creating a platform that brings together these stakeholders – in particular, airlines and financial institutions. The platform would provide the airlines with information on how to gain access to the facilities offered by development finance institutions. Meetings of airlines, their associations and development finance institutions organized by ECA have provided useful forums for dialogue on the access requirements for existing funds.[5] These dialogues have also furnished useful insights into the concerns of airlines, such as the speed of disbursement of funds, access to funds by private airlines, interest rates, tenors, debt limits, guarantees and collaterals, among others.

5. ACCELERATING FINANCIAL TRANSACTIONS AND SUPPORT FROM DEVELOPMENT PARTNERS

Many airlines are on the verge of becoming insolvent and urgently need liquidity. The speed of financial transactions is therefore critical for their survival. Efforts are needed to ensure the immediate flow of all funds to save airlines that need them urgently. In this regard, it is imperative to simplify application processes and minimize impediments imposed by normal lending considerations such as creditworthiness. One means of expediting transactions is to pursue the option of sovereign loans, which could be faster to negotiate than corporate loans, in particular when the airline is a new client for a financial institution. Private airlines face additional challenges in obtaining loans from banks, such as the high risks associated with their businesses, which lead to high interest rates. Financial transactions, including the provision of budget support, could be accelerated by using fast disbursement facilities such as the Crisis Response Window and the Pandemic Emergency Financing Facility housed at the World Bank. Another way to speed up financial transactions is for development partners and financial institutions to reschedule their support programmes to fast-track the disbursement of funds. There is scope to solicit support from development partners such as the European Union in the context of existing initiatives, including the European Union-Africa Partnership on Infrastructure, which has air transport as one of its components.

6. CREATING BUSINESS OPPORTUNITIES FOR AFRICAN AIRLINES

African airlines, to varying extents, have adopted different strategies to reduce revenues losses due to the COVID-19-related collapse of passenger flights. Airlines such as Ethiopian Airlines, Kenya Airways, South African Airways and TAAG Angola Airlines have increased their cargo operations for essential

5 ECA convened an online meeting on 28 May 2020 with the aim, first, of improving understanding of the role of key organizations in the air transport industry in supporting the survival and recovery of the industry from the devastating impact of COVID-19; and, second, raising awareness and improving understanding of existing opportunities and mechanisms to support African airlines in addressing their liquidity challenge as a result of COVID-19. AFRAA, IATA and ECA also organized a webinar on 4 June 2020, on the issue of financial support to the African airline industry to cushion the impact of COVID-19. Among other things, the webinar provided a platform for airlines to share their expectations and views on financial support by the industry stakeholders and to discuss the compilation of a pipeline of financial requirements of African airlines to facilitate engagement with development finance institutions.

goods and, in particular, medical supplies, by adapting aircraft to carry cargo in the passenger cabin. Some of these airlines have also been involved in repatriation flights, arranged to fly stranded passengers back to their home countries. Cargo operations and repatriation flights provide opportunities for African airlines to put their grounded aircraft back into the air and cushion the impact of heavy restrictions on air travel. Ethiopian Airlines has been particularly proactive in adapting to the depressed travel market and generating resources from other sources. For instance, it has also stepped up its maintenance operations, in addition to operating cargo and repatriation flights.

African airlines must explore all options to stay afloat. To this end, they should seek to be involved in initiatives such as the African Medical Supplies Platform, designed as a consolidated online marketplace to facilitate the sourcing and timely supply of COVID-19 related medical products in Africa. The platform complements an initiative mounted by Afreximbank, ECA and the Africa Centres for Disease Control and Prevention to support the capacity of African suppliers, manufacturers and importers of food and priority health-care commodities, including pharmaceutical and medical supplies. The AFRAA COVID-19 recovery plan includes a component on the coordination of the cargo operations of its member airlines during the pandemic. This component of the plan could serve as a building block for the logistics to support the operations of the platform.

7. BUILDING BACK BETTER

The COVID-19 pandemic provides an opportunity to rethink the functioning of the African aviation industry, with a view to making it more sustainable and enhancing its contribution to the continent's economic development and job creation. To this end, the emergence of the industry from the crisis induced by the pandemic could be strategized in three phases – short, medium and long term. The short-term focus would be on keeping supply lines for essential goods and services on the continent open, while curbing the spread of COVID-19 and protecting airline staff from exposure to the pandemic. It would also involve developing comprehensive stimulus packages to sustain the civil aviation industry after the COVID-19 crisis. In addition, immediate and short-term actions, typically to be implemented over a time frame of one to three years, aim to help airlines to stay afloat by avoiding defaults in payments to creditors and bankruptcy. This could be achieved by using the COVID-19 response facilities of development finance institutions to defer the loan obligations of governments and airlines, and to support payment of obligations to other creditors, thereby avoiding an increase in liabilities.

The medium-term strategy needs to focus on the provision of financial support to the civil aviation industry and the associated value chain to ensure liquidity and sustain businesses, while the long-term strategy should deal with the sustainable development of the industry. This could be achieved through the implementation of policies and measures for sustainable growth of the aviation market, including the creation of opportunities to acquire aircraft at an affordable cost, in the context of the African Continental Free Trade Area, the Decision relating to the Implementation of the Yamoussoukro Declaration concerning the Liberalization of Access to Air Transport Markets in Africa (Yamoussoukro Decision), and the Single African Air Transport Market.

Despite the enormous growth potential of the aviation sector in Africa, it still remains difficult for African States and aviation stakeholders to secure funds at an affordable cost if at all and thereby to ensure financing for the modernisation and expansion of their aircraft and infrastructure. The liquidity crisis induced by COVID-19 has rekindled the debate on the appropriate financing structure of airlines. In this context, it might make sense to consider the creation of African leasing companies, such as that envisaged by Afreximbank as part of its long-term strategy for the sustainability of airlines on the continent.

In order to seize the opportunities that the Single African Air Transport Market is expected to create and to facilitate access by African carriers to finance for the acquisition of aircraft, the African Development Bank has also engaged in catalysing efforts to create a robust leasing company or platform for African airlines, aiming to foster leasing opportunities in particular for small African carriers. The bank is currently undertaking a study to that end. In essence, long-term actions seek to help airlines to scale up their operations, notably by overcoming the challenge to purchase aircraft due to the lack of capital, including for pre-delivery payments. An option in this regard is the creation of leasing platforms – establishing leasing companies – that create opportunities for aircraft acquisition. In this business model, African banks such as the African Development Bank and Afreximbank will finance aircraft to be leased and operated by the continent's airlines in line with their expansion plans.

8. HARNESSING ALLIANCES AND STRATEGIC PARTNERSHIPS

The idea of consolidating the African airline business also merits serious thought. In this regard, the COVID-19 pandemic has provided an opportunity for a thorough reflection on all options for financing African airlines and the sustainability of the continent's aviation industry in general. For airlines, the post-pandemic era offers an opportunity to enter into cooperative arrangements as a survival strategy, as provided in article 11.3 of the Yamoussoukro Decision, which deals with cooperative arrangements. The article states that, "in operating the authorized services on the agreed routes, a designated airline of one State Party may enter into cooperative marketing arrangements such as blocked-space, code sharing, franchising or leasing arrangement, with an airline or airlines of the other State Party".

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