Webinar on COVID-19 and African Airlines: Overcoming a Liquidity Crisis

16, July 2020
Presentation Outline

1. COVID-19 related intervention by AFCAC

2. Establishment of High Level Task Force on COVID-19

3. HLTF Recommendations

4. Financial Recovery Strategies/Plans

5. Conclusion and Way Forward
COVID-19 Related Intervention by AFCAC

- AFCAC/AUC coordinated a Post COVID-19 Recovery Action Plans for the African Aviation Industry

- Aimed at persuading Governments/States through the AUC for intervention to support the African aviation industry (airlines, airports, air navigation service providers, maintenance organizations, ground-handling & catering companies).

- Resolutions of the Extra-ordinary Meeting of the Bureau of the Sub-Committee on Transport of the STC-TTIET released on 23 April, 2020.
COVID-19 related intervention by AFCAC

COVID-19 Related Intervention by AFCAC

Financial recommendations of the action plans are:

- States are to address the impacts of fluctuations of rates of local currencies for airlines, airports ANSPs etc;
- Value Added Tax (VAT) refunds on services, spare parts, and equipment to improve cash flows of business operations;
- Direct financial support to carriers;
- Loans, loan guarantees and support for the corporate bond market by the Government or Central Bank to the airlines;
- Rebates on payroll taxes of employees of the Industry - Airlines, Airports, Air Navigation Service Providers;
- Jet Fuel and Diesel tax rebates by State owned and/or controlled Suppliers; and
- Tax breaks and relief on tenancy/leasing agreements etc.
Establishment of the High Level Task Force on COVID-19

African Union (AU) Bureau of Heads of State and Government Meeting
3 April 2020

Underscored need for a comprehensive and coordinated continental approach to COVID-19
One voice on Africa’s priorities

Bureau of the STC TTIET
(Sub-Committee on Transport)
23 April 2020

Adopted the COVID-19 recovery actions for the African aviation sector as proposed by the African Union Commission and its specialized agency - the African Civil Aviation Commission (AFCAC)

African Directors General of Civil Aviation during meetings organized by ESAF, WACAF & AFCAC

Recommended on the need to establish a High Level Task Force under the coordination of AFCAC

Established the HLTF

Developed comprehensive post COVID-19 Recovery Strategies that will re-establish a stable and sustainable civil aviation sector in Africa
**Recommendation EX/2**
African States and the AUC should ensure access to sufficient financial, human resources and equipment to support operations through the establishment of a stimulus Continental fund to support the recovery plans in the short, medium- and long-term for the aviation sector towards fostering the development of sustainable and resilient air connectivity and seamless travel on the continent.

**Recommendation EX/3**
The AU should mobilize African States, the AfDB, World Bank, Africa Exim Bank and other financial institutions, international partners and stakeholders to contribute to the financial package to competitively reposition and enable African aviation sector to survive as well as recover from the COVID-19 pandemic and inevitable challenges from external market forces in the short, medium and long-run.

**Recommendation EX/4**
Governments should give an adequate level of priority to the aviation industry in utilising resources leveraged from COVID-19 response facilities created by Development Finance Institutions and other organisations, including other initiatives such as the African Union COVID-19 Response Fund and the debt “standstill” in 2020 agreed by the G20 to support their aviation industry.
**Recommendation EX/5**

African States should strengthen dialogue amongst themselves to implement the fiscal and monetary relief measures to the aviation sector currently under threat from the COVID-19 pandemic, in order to contribute to the sustainable development of air transport in the African continent, in line with the African Union (AU) Agenda 2063 and other civil aviation policies.

**Recommendation EX/7**

African States and the AU to effectively lobby governments for the African aviation sector to be given the adequate level of priority in the utilisation of resources leveraged from the different institutions. It is equally important that they harness other COVID-19 related initiatives such as the African Union COVID-19 Response Fund to support the aviation industry which is critical for the restart of economies on the continent. In addition, African countries that are eligible to the debt “standstill” in 2020 agreed by the G20 could use their improved liquidity to support the aviation industry.
Financial Recovery Strategies/Plans

States must contain the COVID-19 pandemic through implementation of ICAO CART and HLTF measures to ensure that the industry re-starts. There is also need for States to implement business continuity plans to ensure industry resilience in the face of the unfolding economic downturn;

States to note AfDB’s efforts to embark on a sector budget support and to actively pursue all the financial institutions and partners to make available loan guarantees for the aviation industry to access needed resources;

Economic and financial measures should be inclusive, targeted, proportionate, transparent, temporary and consistent with ICAO’s policies, while striking an appropriate balance of interests without prejudice to fair competition;

States are urged to pursue sector reforms through the deregulation of the air transport market through SAATM as this is the key to sustainable development of air transport in Africa.
Conclusion and Way Forward

- Governments to allocate funds earmarked and/or obtained from Various financial institutions’ COVID-19 response packages for Africa including amongst others, the AfDB, African Export Import Bank, Afreximbank, etc;
- African States and the AU to effectively lobby governments for the African aviation sector to be given adequate level of priority in the utilisation of resources leveraged from the different institutions.
- It is equally important that they harness other COVID-19 related initiatives such as the African Union COVID-19 Response Fund to support the aviation industry which is critical for the restart of intraAfrica air transport essential to revival of the economies on the continent.
- In addition, African countries that are eligible for the debt “standstill” in 2020 agreed by the G20 could use their improved liquidity to support the aviation industry.
- If we are late, the impacts on SAATM and other Pilot projects of Agenda 2063 has the potential to be seriously affected;
- African Airlines will find themselves in a more dare situation to compete with Airlines of 3rd parties which received substantial financial support;
- Start up and smaller airlines can’t go out of the financial liquidity crisis by themselves.
THANK YOU

For more information:

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