



Updating of the Post-COVID-19 Pacific Short-term Aviation Strategy

Consultant's Report

March 2022



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Executive Summary

Introduction

In September 2020, the Pacific Region Infrastructure Facility (PRIF) Transport Sector Working Group requested in an in-depth scoping study of issues, needs and strategies in regard to recovery post-COVID-19 of air transport access to Pacific Island Countries (PICs). That study was completed in January 2021, and identified recovery scenarios, required actions, broad needs, and priority areas of donor support, together with indicative financing instruments and costs to facilitate aviation recovery in the region. Since that study, there have been significant developments including multiple initiatives by PRIF partners and PIC governments. Also, the pandemic has taken a complex trajectory, and is lasting longer than was anticipated. With all these developments, and in alignment with expectations of a June 2021 Regional Aviation Ministers Meeting (RAMM), PRIF has commissioned this update of the 2020 study to continue to promote dialogue and cooperation among stakeholders to ensure effective support to Pacific aviation recovery.

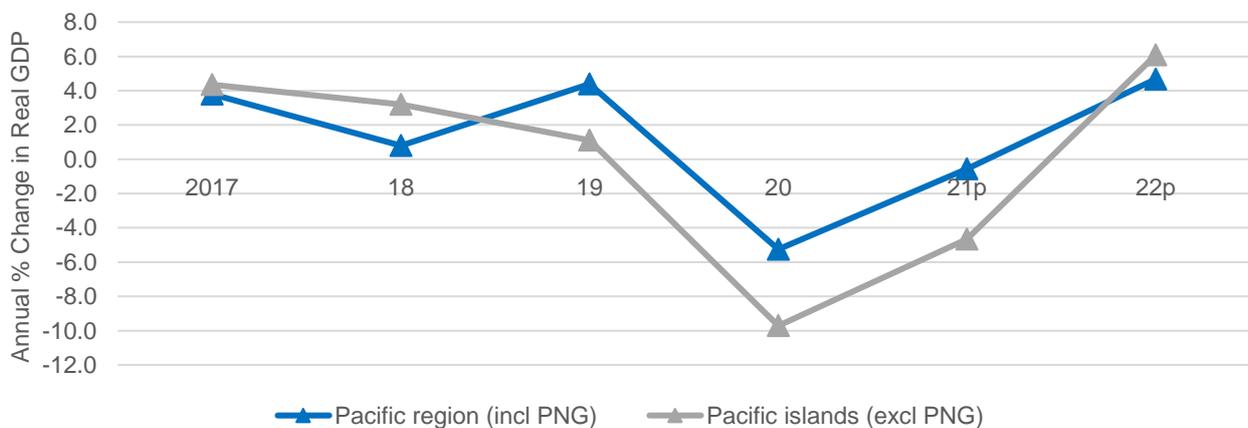
Status of COVID-19 Recovery

Research conducted at the time of the 2020 PRIF report suggested that, at the earliest, Pacific intra-regional and international air traffic might have begun to restart by the end of 2020 on the back of vaccine availability. This optimistic model projected a slow recovery, and it would take until Q3 2022 to recover to pre-COVID-19 levels. However, the most likely scenarios were pointing at a Q1–Q2 2021 restart, and an equally slow recovery to 2019 levels by Q3 2023. COVID-19 conditions and associated traffic levels over the 2021 period have shown that, at a Pacific regional level, even this latter scenario was too optimistic. This can be generally attributed to the lead times for vaccine development, and the difficulty of controlling outbreaks with variants of the virus as it has progressed from the predominant Alpha strain to the more infectious Delta strain and the even more infectious but less severe Omicron strain.

Economic Impacts

Economies have suffered badly by the extended pandemic and ongoing loss of air access. Tourism, representing the bulk of the gross domestic product (GDP) of the larger island economies, has essentially collapsed, with associated multiplier effects throughout the rest of the economy. Remittances from foreign contract workers dried up for a time, and fishing-derived revenues in several PICs were cut by reduced catch sizes driven by disruption in global supply chains. Economic impacts varied among PICs noting that economies without tourism dependence performed much better than others. Overall, the economic impacts as measured at the beginning of 2022 have not been as bad as envisaged at the time of drafting the 2020 report. As ADB data show in **Figure ES-1**, GDP growth in the region was mostly impacted in 2020 with improvements recorded in 2021 and projected for 2022. This is attributed to strict border controls preventing the spread of COVID-19 and therefore limiting the need for lockdowns as well as various economic/fiscal stimulus and social protection packages.

Figure ES-1: Averaged Pacific Island Country GDP Growth Before and During the Pandemic



GDP = gross domestic product, PNG = Papua New Guinea, Source: ADB Pacific Economic Monitor December 2021.

Health System Impacts and Reopening of Borders

At the time of the 2020 PRIF report, border controls were the most common tool to protect the health of the PIC population, as most countries were scrambling to strengthen their health systems for fear of being overrun by COVID-19 outbreaks. Since that time, considerable donor assistance has resulted in the upgrading of health systems in most PICs including the supply of vaccines, upgrading of facilities for hospital treatment of critical cases, development of quarantine facilities, development of testing capabilities, improvements in airport processes, and substantive health worker training on infection control and management. However, it is important to note that most PIC health systems remain small in capacity and could not cope with a steep surge in COVID-19 cases.

Prior to the emergence of the Omicron strain, PICs (as well as other countries in the world) assessed that the border controls, when combined with high vaccination rates of their population, would be the key prerequisites to potentially reopening borders during 2022 to fully vaccinated visitors. However, as recently observed in Kiribati, Samoa, Solomon Islands, Palau, and Vanuatu and as already experienced elsewhere, it is inevitable that the less vaccine-influenced Omicron strain will penetrate closed borders. Thus, some PICs may yet experience significant infection rates which will stretch all health care resources and may invite further border closures. The path of any future variants also adds uncertainty to this situation.

Status of Aviation Enterprises and Institutions

At the time of the 2020 PRIF report, airlines, airports and aviation regulators were facing multiple crises due to lack of revenues, issues with regulatory compliance, and overall lack of support for aircraft and airport maintenance due to border closures. The 2020 analysis identified that support was needed and that there were three stages of recovery against which this should be provided, namely a “hibernation” period while borders remain closed, a “transition to recovery” period covering the work to be done to restore operational readiness, and a “recovery” period after border reopening as traffic progressively restarts but with potentially slow demand growth in the near term, with several years until traffic can grow back to pre-COVID-19 levels. This led to the identification of the following needs:

- Hibernation period: need for cash flow support for aviation enterprises to avoid insolvency;
- Transition period: need for extra funds to generate operational readiness (including maintenance of regulatory certification);
- Recovery period: need for funding (essentially route subsidies) directed towards maintaining viability when services are restored but demand is low.

A broad scale of indicative support needs was identified in 2020 to be around \$90–110 million.

With the extension of the pandemic well beyond the timescale originally envisaged, conditions remain very difficult for the sustainable restoration of regular air services. However, many of the measures outlined above have been implemented and have led to aviation enterprises and institutions performing much better than expected. This can be reasonably attributed to:

- Donor budget support to governments for broad based economic stimulus that has flowed through to airlines and airports, and/or specific assistance to the aviation enterprises for payroll support, and/or cash flow loans or grants directed specifically to airlines and airport projects;
- Revenue earned from international charters for freight, repatriation and transfer of overseas contract workers, including securing contracts/subsidies awarded by the Department of Foreign Affairs and Trade (DFAT), the Ministry of Foreign Affairs and Trade, New Zealand (MFAT) and others to sustain air access on selected critical routes;
- Loans from Government, international finance institutions or commercial banks (with Government or international finance institution guarantee) to airports and airlines);
- Substantive (albeit reduced scale) ongoing domestic operations providing core revenue for stand-alone domestic operators, being one of the key sources of revenue for those airlines with both international and domestic services, and a sole source of revenue for airport operators;
- Technical assistance from donors in the planning and development of COVID-19-ready passenger processing facilities at international gateway airports;
- Continuation or development of Community Service Obligation (CSO) type services in domestic operations;
- Substantial medium-term funding for the Pacific Aviation Safety Office from DFAT and MFAT combined with work-around processes to allow regulatory surveillance to continue when travel restrictions are in place.

In most cases, PICs are working on opening borders when a significant majority of residents are fully vaccinated, the timing of which varies. It is noted that some have already cautiously reopened, while many others have remained virus free and do not wish to hasten exposure. The possibility of any new wave of infection would cause reversion to short-term border closures and re-imposition of quarantine provisions is one of the most significant deterrents to reopening reported by stakeholders consulted.

There was also concern that funds might be directed toward enterprises that are not sustainable, and the previous study identified a “structural adjustment” component to support reform in service provision where needed. Further work on this issue was conducted by members of the Association of South Pacific Airlines, which analyzed scenarios for greater regional commercial collaboration in reducing costs, and the development of a regional airline alliance. These activities are still ongoing and have donor support.

Furthermore, the RAMM established in June 2021, to be followed by a second meeting mid-2022, has emphasized the need for regional collaboration on COVID-19 recovery, and the development of a long-term strategy for Pacific Aviation. Included within that is a framework for the long-term sustainable funding of Pacific Aviation Safety Office (PASO), as well as strengthening the role of PASO as a regional aviation safety and security body.

Environmental Impacts and Opportunities

Before the onset of the pandemic, the environment was a serious issue and PIC governments along with development partners were actively working on ways to mitigate impacts related to climate change and pollution. Similar to the economic and health considerations discussed above, COVID-19 has also affected work being undertaken on the environmental front.

On the one hand, the ongoing COVID-19 pandemic has had a positive impact on the environment. Indeed, with border closures and lockdowns, human activity came to a standstill in many parts of the world resulting in substantially reduced pollution and adverse impacts on the environment across the globe. On the other hand, one clear obstacle driven by COVID-19 is the shift in focus by governments across the region. As many countries and governments are busy battling a very contagious virus and its impact on the economy and livelihood of their inhabitants, environmental considerations and projects have been put on hold or have been downgraded to secondary issues.

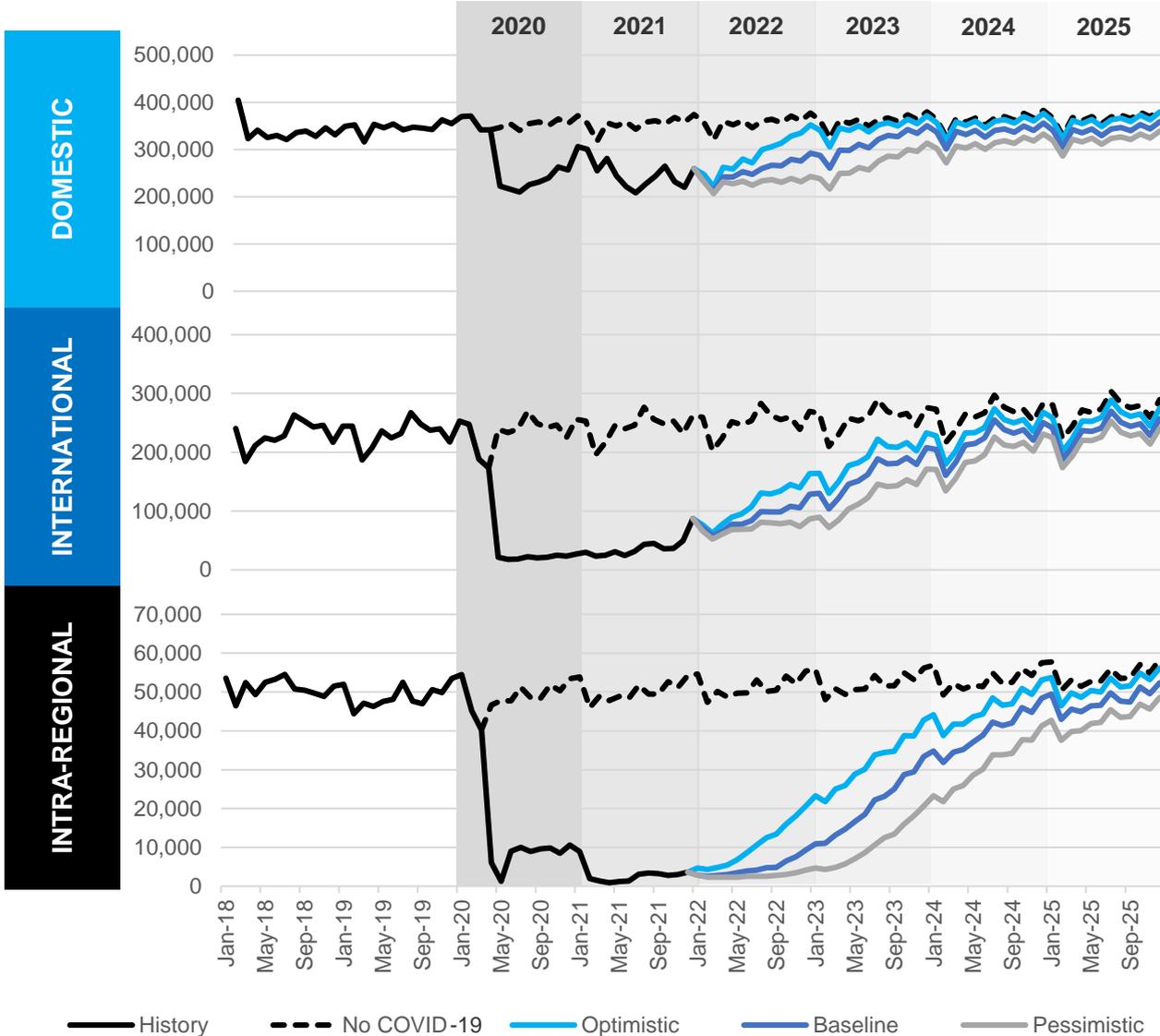
Going forward into the recovery, ecologists and environmental activists believe that COVID-19 is an opportunity to “build back better”. The Secretariat of the Pacific Regional Environment Programme (SPREP) highlighted the opportunity to build back a “Bluer Pacific”: the idea is that we cannot go back to business as usual (or pre-COVID-19 ways of doing things) but rather focus on a post-COVID-19 period defined by key changes in approach to environmental issues across the Pacific.

Updated COVID-19 Recovery Projections

Based on recent information from stakeholder consultation, airline advice and research of global and Pacific trends, domestic, intra-regional, and international capacity forecasts have been updated and are shown in **Figure ES-2**. The optimistic scenario is based on information available at the time of this analysis assuming limited recurrence of the virus, while the baseline and pessimistic scenarios look at the impact of subsequent waves/variants and potential delays in vaccination timelines or needs for booster shots:

- Domestic capacity:
 - Current Traffic: 50-60% of pre COVID-19 capacity
 - Recovery to pre-COVID-19 (2019) levels: Optimistic: Q2 2023/Baseline: Q4 2023/Pessimistic: Q2 2024
- Intra-Regional capacity:
 - Current Traffic: mostly cargo & repatriation flights
 - Recovery to pre-COVID-19 (2019) levels: Optimistic: Q4 2023/Baseline: Q2 2024/Pessimistic: Q4 2024
- International capacity:
 - Current Traffic: follows intra-regional trends
 - Recovery to pre-COVID-19 (2019): levels Optimistic: Q4 2023/Baseline: Q2 2024/Pessimistic: Q4 2024

Figure ES-2: Projected Domestic, Intra-Regional, and International Capacity COVID-19 Recovery in the Pacific



Source: Landrum & Brown analysis

Updated PIC Support Needs Going Forward into the Recovery

Overall, the mechanisms outlined in the 2020 PRIF report have been used effectively by donors and PICs to mitigate the worst of the impacts of the pandemic, although support is still required. A summary of the support needs identified by this study is presented below:

- **Government Budget Support:** Most airlines and airports will need some ongoing cash flow support for some time. While this is a lesser monthly amount than envisaged in the 2020 report, many PIC governments have built up high debt levels and will have lesser capacity to support air access;
- **Direct Financing of Airports and Airlines:** Direct loans or grants to the operator, or loans through a commercial bank backed by a donor guarantee, present a more transparent and economically efficient to get further funds to airlines and airports. This model has been successfully adopted in Fiji and there is interest from other international and domestic airlines, but will be limited in application to those airlines and airports that can demonstrate the prospects of commercial viability on recovery;
- **Air Route Underwriting:** The route subsidization schemes implemented by Australia and New Zealand appear to have been successful although these are not intended to be long term, and alternative frameworks will need to be considered for some of the less viable routes if they are to continue. For domestic air access, the industry encourages development of or improvement in Community Service Obligation schemes;
- **Technical Assistance – Operational Readiness:** The PASO-related short-term Operational Readiness needs are largely being addressed by strong donor funding, although there remain critical regulatory certification and compliance tasks (e.g., training, navaid calibration, critical maintenance) that will still require access by international specialists to PICs with closed borders;
- **Infrastructure Financing:** Bringing forward infrastructure development is seen as an economic recovery tool. Technical assistance will be needed to update infrastructure plans, and project selection and preparation, together with funding for the implementation of any projects brought forward. There is no shortage of such projects, but they need to be justified on the basis of potential economic return;
- **Aviation Restructuring Assistance:** The concept of a regional aviation procurement and technical services hub and a regional airline alliance have been proposed by the industry and supported by donors. Technical assistance will be needed to progress these from concept to implementation, together with seed funding of the model. PRIF and PASO (as RAMM secretariat) are already collaborating on this;
- **Managing Health Care Risks and Readiness:** Health systems are ultimately going to be under-capacity if there are major outbreaks, and support will be needed to continue to increase basic capacity, build-in surge capacity and facilitate distribution of services across the PICs. Consideration of enhanced domestic and international medivac capability is also suggested;
- **Environmental Impacts and Opportunities:** There is a need to mainstream environmental management, and particularly climate change mitigation, into air access recovery projects;
- **Supporting Tourism Recovery:** Recovery is dependent on collateral support in the tourism sector in areas such as destination marketing, route development, operational readiness programs, standards development, and, in the long term, further investment in sustainable tourism products; and
- **General Economic Support:** Some budget support across the region may continue to be needed in the coming months, together with ongoing assistance in fiscal management.

Based on the above, a new set of support needs for the Pacific region has been developed both on a country-by-country and a regional basis to produce a broad scale indicative cost by type of financial instrument as shown below in **Table ES-1**. The list of support needs covers the same items as in the 2020 PRIF report but adjusted by the changes in circumstances identified in this report. Added to this are the support considerations related to general economic and fiscal circumstances, and the needs of PIC healthcare systems and tourism sectors. Also included is consideration of the need to embed consideration of the needs for environmental resilience in the areas of support outlined. The indicative amount of potential support require is based on the baseline forecast scenario presented in **Figure ES-2**.

Table ES-1: Indicative Cost Estimates and Instruments

Needs	Instruments	Relevant PICs	Indicative Amount
Cash Flow Support for Airlines	Government budget support (grants, loans) Direct private sector finance (grants, loans, guarantees)	Cook Islands, Kiribati, Nauru, PNG, Samoa, Solomon Islands, Tonga, Vanuatu	\$35–45m
Cash Flow Support for Airports	Government budget support (grants, loans) Direct private sector finance (grants, loans, guarantees)	Cook Islands, Solomon Islands, Tonga, Tuvalu, Vanuatu	\$8–10m
Restoring Airline/Airport Operational Readiness	Technical assistance grants to PIC governments for onforwarding to airlines/airports	Cook Islands, Fiji, Kiribati, Nauru, Samoa, Solomon Islands, Tonga, Vanuatu	\$2.5–3.5m
Restoring Regulatory Certification/ Compliance	Technical assistance grant to CAAs	Cook Islands, Kiribati, Nauru, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu	\$1–2m
Sustaining Commercial Viability of Reopened Routes	Regional route subsidy grant fund	High priority routes: FSM, Kiribati, Marshall Islands, Nauru, Niue, Palau, Solomon Islands, Tuvalu Medium priority routes: Cook Islands, Samoa, Tonga, Vanuatu Domestic CSO schemes: Cook Islands, Fiji, FSM, Marshall Islands, Solomon Islands, Tonga, Vanuatu	\$15–20m (Regional Routes) + \$3–4m (Domestic CSO)
Airline and Airport Structural Reform	Technical assistance grants to governments for facilitation of structural reform or orderly exit; Direct private sector finance for qualified new ventures	All PICs with international or domestic airlines	\$1–2m (technical assistance component) (includes forthcoming work funded by PRIF to define regional hub concept and regional airline alliance concept)
Airport Infrastructure Needs	Infrastructure loans and grants for airports and associated health facilities (or variation to existing projects)	COVID-19 Recovery: Cook Islands, Fiji, Kiribati, Nauru, Niue, PNG, Solomon Islands, Tonga, Tuvalu Build Back Better: All PICs, including domestic airports and safety equipment etc	\$4–5m (COVID–19 focused) + \$20–30m (Build Back Better)
Ensuring Healthcare Readiness	Existing and future budget support for broader based COVID-19 recovery programs	All PICs	To be included in COVID-19 recovery programs, in particular as part of the “Build Back Better” initiatives (assumed 10% factored in the cost estimates stated above)
Restoring Tourism Industry Readiness		Tourism dependent PICs e.g. Cook Islands, Fiji, Kiribati, Niue, Samoa, Solomon Islands, Tonga, Vanuatu	
Mitigating Environmental Impacts		All PICs	
TOTAL			\$90.5–121.5m

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List of Abbreviations

Abbreviation	Full Description
ADB	Asian Development Bank
AIFFP	Australian Infrastructure Financing Facility for the Pacific
AIP	Airport Improvement Program
AKA	Airport Kiribati Authority
AOC	Air Operator's Certificate
ARFF	Aircraft Rescue and Firefighting
ASPA	Association of South Pacific Airlines
AVL	Airports Vanuatu Limited
CAA	Civil Aviation Authority
CAASI	Civil Aviation Authority of Solomon Islands
CAAV	Civil Aviation Authority of Vanuatu
CAD	Civil Aviation Division
CADIP	Civil Aviation Development Investment Program
CARES	Coronavirus Aid, Relief, and Economic Security
CROP	Council of Regional Organisations of the Pacific
CSO	Community Service Obligation
DFAT	Department of Foreign Affairs and Trade
DRP	Disaster Resilience Program
EDF	European Development Fund
EIB	European Investment Bank
EU	European Union
FAA	Federal Aviation Administration
FEMM	Forum Economics Ministers Meeting
FFA	Forum Fisheries Agency
FSM	The Federated States of Micronesia
FY	Financial Year
GDP	Gross Domestic Product
IAFC	International Air Freight Capacity
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
ICAO CART	International Civil Aviation Organisation – Council Aviation Recovery Taskforce
IFC	International Finance Corporation
IFI	International Finance Institution
JICA	Japan International Cooperation Agency
JV	Joint Venture
LIBOR	London Inter Bank Offered Rate
MFAT	Ministry of Foreign Affairs and Trade (New Zealand)
MIAC	Maintaining International Air Connectivity
MICA	Ministry of Communication and Aviation

Abbreviation	Full Description
MOT	Ministry of Transport
NAC	National Airports Corporation
NGO	Non-Government Organisation
NZAID	New Zealand Agency for International Development
NZGF	New Zealand Grant Funding
OCTs	Overseas Countries and Territories
ODA	Official Development Assistance
OOF	Other Official Flows
PAIP	Pacific Aviation Investment Program
PASO	Pacific Aviation Safety Office
PCR	Polymerase Chain Reaction
PIC	Pacific Island Country
PIF	Pacific Island Forum
PIFS	Pacific Island Forum Secretariat
PLCO	Pacific Liaison Coordination Office
PNG	Papua New Guinea
PPP	Public Private Partnership
PRIF	Pacific Region Infrastructure Facility
PRIF CO	PRIF Coordination Office
RAMM	Regional Aviation Ministers Meeting
RMI	The Republic of the Marshall Islands
RMIPA	Republic of the Marshall Islands Ports Authority
SARPS	Standards and Recommended Practices
SARS	Severe Acute Respiratory Syndrome
SIACL	Solomon Islands Airport Corporation Limited
SIRAP	Solomon Islands Roads and Aviation Project
SIS	Smaller Island States
SOARR	Safety of Aviation for Regional Resilience
SOE	State-Owned Enterprise
SPC	The South Pacific Community
SPREP	South Pacific Regional Environmental Program
SPTO	South Pacific Tourism Organisation
TAIP	Tonga Aviation Investment Project
TAL	Tonga Airports Limited
TC	Tropical Cyclone
UNICEF	United Nations Children's Fund
US	United States
USAID	United States Agency for International Development
VFR	Visiting Friends and Relatives
WFP	World Food Programme

1 Introduction

The COVID-19 pandemic since late 2019 has had a significant impact on Pacific aviation and consequently on Pacific Island Country (PIC) economies and the industries that depend on aviation. Recognizing that the resurgence of the aviation industry is crucial to post-COVID-19 economic recovery in the region, the Pacific Region Infrastructure Facility (PRIF) Transport Sector Working Group requested in September 2020 an in-depth scoping study to take stock of the status of the aviation industry to guide PIC government's recovery plans and donor support. This study, completed in January 2021, identified recovery scenarios, required actions, broad needs, and priority areas of support, together with indicative financing instruments and costs to facilitate aviation recovery in the region.

Notable developments since that study include several initiatives by PRIF partners. ADB provided cashflow support to Fiji Airways and has ongoing support to several countries to improve COVID-19 compliant airport terminal layouts. DFAT approved the Sustainable Pacific Air Connectivity Program as part of Australia's A\$304.7 million Pacific COVID-19 Response Package built into a comprehensive plan to support economic, technical, and regulatory sustainability in the aviation sector in the Pacific and Timor-Leste. MFAT has been operating the NZ\$372 million International Air Freight Capacity Scheme (IAFC) now renamed Maintaining International Air Connectivity (MIAC) Scheme and extended to March 2022. This supports international air carriers to ensure that there are regular freight and essential passenger connections between New Zealand and the Cook Islands, Fiji, Samoa, Tonga, and Niue. The World Bank is planning a Regional Airport Asset Maintenance Program, to be initially implemented in Tonga, Samoa and Solomon Islands. Cook Islands and New Zealand started then stopped a quarantine-free travel bubble in May 2021. Australia and New Zealand experimented with a Trans-Tasman travel bubble in April 2021 6 months after Australia began allowing quarantine-free travel from New Zealand, but this and possible extension of this to several PICs was stopped due to rising COVID-19 cases in Australia. With the emergence of several vaccines and their distribution around the region, several PICs with high vaccine penetration levels have started or are in preparation for controlled reopening of borders and implementing donor-supported long-term economic recovery plans. Other PICs are rigorously protecting their virus free status, out of fear of an outbreak overwhelming the PIC's health services, despite PRIF members supporting substantial strengthening of the health systems across all PICs.

Meanwhile the path of the pandemic becomes more complicated with the emergence of the more transmissible Delta variant of the virus, followed by the even more transmissible Omicron variant with less responsiveness to vaccines, that has the potential to interfere with recovery programs across all sectors. As evidence of this, at the time of writing (January 2022) Kiribati, Samoa, Solomon Islands, and Palau are all experiencing their first community transmission of the Omicron variant.

Pacific governments' place great importance upon the aviation sector for COVID-19 recovery. A Regional Aviation Ministers Meeting (RAMM) was held on 30 June 2021, the first meeting in 17 years. The meeting raised, among other things, the need to address in the near term the transition and recovery needs of Pacific states, the establishment of affordable and sustainable air services post-COVID-19, and in the long term the development of a safe and sustainable regional aviation strategy. The RAMM, through its appointed secretariat, i.e., the Pacific Aviation Safety Office (PASO), requested that this PRIF COVID-19 recovery update be tailored as input to forthcoming second RAMM meeting planned for mid-2022, and that the scope of the study be extended to place the air access impact assessment and strategy development within the context of PIC economies, health sector performance and environmental impacts and opportunities.

With all these developments, PRIF has commissioned an update of the 2020 study to help promote dialogue and cooperation among stakeholders to continue its effective support to Pacific aviation recovery and the achievement of the RAMM meeting's objectives. This study update therefore seeks to:

- Update the current Pacific aviation landscape, within the context of the emerging PIC economic landscape and evolving capacity of health systems to address COVID-19 risk;
- Update aviation forecasts considering economic trends, recent travel bubble experiences, developments in pandemic management, economic recovery strategies and future trends;
- Review PRIF partner support and PRIF member country activities to support Pacific aviation;
- Update recovery scenarios, required actions, broad needs, priority areas of support, together with indicative financing instruments and costs to facilitate aviation recovery in the region; and
- Provide recommendations to the forthcoming 2022 RAMM regarding regional initiatives that might enhance these recovery strategies.

2 2020 Report Findings and Subsequent Developments

At the time of writing of the 2020 PRIF study, the effects of the COVID-19 pandemic were well established across the Pacific, with borders being closed, tourism-dependent economies being disrupted, and with associated large-scale loss of livelihoods. PIC residents (including overseas contract workers) were stranded overseas and expatriates stranded in-country. Foreign and national airlines were facing major financial crises with the future remaining uncertain with air access.

Research conducted at the time suggested that, at the earliest, Pacific intra-regional and international air traffic might have begun to restart by the end of 2020 on the back of vaccine availability. This optimistic model projected a slow recovery and it would take until Q3 2022 to recover to pre-COVID-19 levels. However, the most likely scenarios were pointing at a Q1–Q2 2021 restart, and an equally slow recovery to 2019 levels by Q3 2023. A worst-case assessment suggested a Sept–Oct 2021 restart and recovery by Q3 2024. COVID-19 conditions and associated traffic levels over the 2021 period have shown that, at a Pacific regional level, the first two scenarios were too optimistic and that events are closer to the worst case (see Section 3 of this report). This extended impact can be generally attributed to the lead times for vaccine development, and the difficulty of controlling outbreaks with variants of the virus as it has progressed from the predominant Alpha strain, to the more infectious Delta strain, and the even more infectious but less severe Omicron strain.

Accordingly, the region, like the rest of the world, has had to respond to a much longer recovery timetable than was originally envisaged. As a result, governments, with large scale donor support, have been continuing throughout the pandemic to tightly control borders, deliver economic stimulus, support business, provide social support payments, improve the healthcare systems and processes, and carry out mass vaccinations. In the most cases, PICs are working toward opening up borders when a significant majority of residents are fully vaccinated, the timing of which varies from PIC to PIC. It is noted that some have already cautiously reopened, while many others have remained virus free and do not wish to hasten exposure. At the same time, many PICs are developing new strategies for economic recovery.

2.1 Economic Impacts

Economies have suffered badly by the extended pandemic and ongoing loss of air access. Tourism, representing the bulk of the GDP of the larger island economies, has essentially collapsed, with associated knock-on effects throughout the rest of the economy. Remittances from foreign contract workers dried up for a time, and fishing-derived revenues in several PICs were cut by reduced catch sizes driven by disruption in global supply chains. However, the economic impacts as measured at the beginning of 2022 have not been as bad as envisaged at the time of drafting the 2020 report, and while increased government debt and contingent liabilities have increased vulnerability, there is cautious optimism going forward.

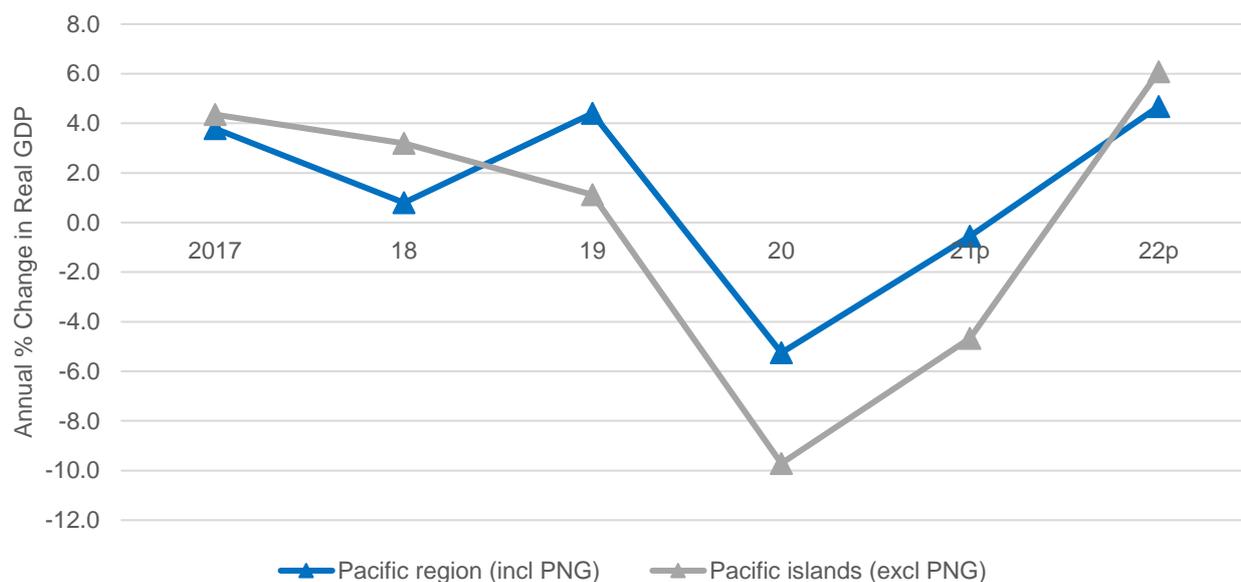
Figure 2-1 shows the trajectory of real GDP across the Pacific including ADB's estimated results for 2021 and forecasts for 2022. These show that the worst regional economic contraction occurred in 2020 at around 10% (or 5% if PNG is included). Thereafter, the situation has been turning around with a smaller contraction estimated for 2021 and most of the PICs projected to experience GDP growth in 2022 of between 0.4% per annum (for Samoa) and 8.8% per annum (for Fiji and Palau).

The reasons ascribed to this by various commentators are summarized as follows:

- Border controls have largely kept the pandemic at bay until December 2021, avoiding infections of the local community, avoiding the need for lockdowns, while allowing time for the manufacture and delivery of vaccines to such a high level that have positioned most PICs for border reopening in 2022¹;
- The economic stimulus/fiscal support and social protection packages invariably adopted by the PICs have worked as they have been able to mitigate the impact of border closure and movement restrictions. Most PICs have implemented income support and debt relief arrangements for individuals and businesses and a range of other measures that have kept the economies going and ready for recovery;
- Those PIC economies without much dependence on tourism were much less affected and some have actually experienced GDP growth during the pandemic.

¹ Subsequently a number of PICs with limited prior exposure have experienced significant infections due to the Omicron outbreak.

Figure 2-1: Averaged PIC GDP Growth Before and During the Pandemic²



GDP = gross domestic product, PNG = Papua New Guinea
 Source: ADB Pacific Economic Monitor December 2021.

2.2 Health System Impacts and Reopening of Borders

At the time of the 2020 PRIF report, border controls were the most common tool to protect the health of the PIC population, as most countries were scrambling to strengthen their health systems for fear of being overrun by COVID-19 outbreaks. Since that time, considerable donor assistance has resulted in the upgrading of health systems in most PICs including the supply of vaccines, upgrading of facilities for hospital treatment of critical cases, development of quarantine facilities, development of testing capabilities, improvements in airport processes, and substantive health worker training on infection control and management.

Notwithstanding this, most PIC health systems remain small in capacity. Prior to the emergence of the Omicron strain, PICs (as well as other countries in the world) assessed that the border controls, when combined with high vaccination rates of their population would be the key pre-requisites to potentially reopening borders during 2022 to fully vaccinated visitors. However, as recently observed in Kiribati, Samoa, Solomon Islands, Vanuatu and Palau and as already experienced elsewhere in the world, it is inevitable that the less vaccine-influenced Omicron strain will penetrate closed borders, and that some PICs will experience significant infection rates which will stretch all health care resources, and may invite further or extended border closures. The path of any future variants of the virus also adds uncertainty to this situation.

2.3 Status of Aviation Enterprises and Institutions

2.3.1 Synopsis of 2020 Report

At the time of the 2020 PRIF report, airlines, airports and aviation regulators were facing multiple crises. For airlines and airports, revenues had rapidly dried up while fixed costs remained near pre-pandemic levels resulting in high negative cash flows for an unknown duration while borders were closed. Regulatory compliance quickly became an issue due to the lack of funds to support aircraft and airport maintenance as well as the lack of safety surveillance capability from the Pacific Aviation Safety Office and local regulators, resulting in many constraints on maintaining aircraft, airport and navigation system safety compliance, and sustaining crew currency. Whilst these issues arose from constraints to international passenger aviation, they flowed on to domestic aviation, air freight and other services like ground handling.

² Note that GDP forecast growth data does not factor in the impact of recent social unrest in the Solomon Islands and the impact of the Volcano eruption in Tonga.

The 2020 analysis identified that support was needed and that there were three stages of recovery against which this should be provided, namely a “hibernation” period while borders remain closed, a “transition to recovery” period covering the work to be done to restore operational readiness, and a “recovery” period after border reopening as traffic progressively restarts but with potentially slow demand growth in the near term, with several years until traffic can grow back to pre-COVID-19 levels. It was identified that the hibernation period needed cash flow for aviation enterprises to avoid insolvency, while the transition period needed extra funds to generate operational readiness (including maintenance of regulatory certification) and the recovery period also needed funding (essentially route subsidies) directed towards maintaining viability when services are restored but demand is low. There was also concern that funds might be directed towards enterprises that are not sustainable, and the previous study identified a “structural adjustment” component to support reform in service provision where needed.

Further, the 2020 PRIF report identified seven forms of financing application spread across the three periods, namely direct government budget support for flow down to state owned enterprises (SOEs), direct cash flow financing of airlines/airports, technical assistance funding, infrastructure development financing, air route subsidization and structural adjustment financing. A broad scale of indicative support needs was identified in 2020 to be around \$90–110 million. This number is revised later in this updated report.

2.3.2 Updated Situation Q1 2022

With the extension of the pandemic well beyond the timescale originally envisaged, conditions remain very difficult for the sustainable restoration of regular air services. However, many of the measures outlined above have been implemented and have led to aviation enterprises and institutions performing much better than expected. This can be reasonably attributed to:

- Donor budget support to governments for broad based economic stimulus that has flowed through to airlines and airports, and/or specific assistance to the aviation enterprises for payroll support, and/or cash flow loans or grants directed specifically to airlines and airport projects;
- Revenue earned from international charters for freight, repatriation and transfer of overseas contract workers, including securing contracts/subsidies awarded by DFAT, MFAT and others to sustain air access on selected routes;
- Loans from Government, international finance institutions (IFIs) or commercial banks (with Government or IFI guarantee) to airports and airlines (e.g., Fiji Airways and Fiji Airports – see section 5 of this updated report);
- Substantive (albeit reduced scale) ongoing domestic operations providing core revenue for stand-alone domestic operators, being one of the few key sources of revenue for those airlines with both international and domestic services, and a sole source of revenue for airport operators;
- Technical assistance from donors in the planning and development of COVID-19-ready passenger processing facilities at international gateway airports;
- Continuation or development of Community Service Organization (CSO) type services in domestic operations; and
- Substantial medium-term funding for the Pacific Aviation Safety Office from DFAT and MFAT combined with work-around processes to allow regulatory surveillance to continue when travel restrictions are in place.

In some PICs such as Fiji and Cook Islands, the high level of vaccination, testing and development of the quarantine and infection control processes, are allowing the reopening of borders. Offsetting this is the possibility of any new wave of infection causing reversion to short-term border closures and reposition of quarantine provisions—one of the most significant deterrents to reopening reported by stakeholders consulted.

2.3.3 Sustainability

Notwithstanding the better situation than envisaged, stakeholders have reported sustainability remains an issue as the pandemic drags on. Ongoing cash flow support is sought, as transition activity intensifies, although direct IFI financing of airlines coupled with ongoing access to (progressively reducing) subsidies is seen as a potentially more effective method. Separately, members of the Association of South Pacific Airlines have been, with PRIF support, analyzing scenarios for greater regional commercial collaboration in reducing costs, and the development of a regional alliance, activities that are ongoing and have donor support.

Significantly, the Regional Aviation Ministers Meeting established in June 2021, to be followed by a second meeting mid-2022, has emphasized the need for regional collaboration on COVID-19 recovery, together with the development of a long-term strategy for Pacific Aviation. Included within that is the search for a framework

for the long-term sustainable funding of PASO as well as strengthening the role of PASO as a regional aviation safety and security body.

Overall, the mechanisms outlined in the 2020 PRIF report have been used effectively by donors and PICs to mitigate the worst of the impacts of the pandemic, although support is still required. The following sections of this updated report provide more in-depth discussion of the priorities for this support.

2.4 Environmental Impacts and Opportunities

Before the onset of the pandemic, environment was a serious issue and PIC governments along with development partners were actively working on ways to mitigate impacts related to climate change and pollution. Similar to economic and health considerations discussed above, COVID-19 has also affected work being undertaken on the environmental front.

On one hand, the ongoing COVID-19 pandemic has had a positive impact on the environment. Indeed, with border closures and lockdowns, human activity came to a standstill in many parts of the world resulting in substantially reduced pollution and adverse impacts on the environment across the globe. This pandemic has also clearly highlighted the intricate relationship that exists between humans and nature and that adverse human behavior, in the likes of environmental pressures, ecological degradation, growing human populations, changing demands of our societies, and the impacts of climate change and sea level rise, are starting to backfire.

Similar to the sustainability discussion above, ecologists and environmental activists believe that COVID-19 is an opportunity to “build back better”. The Secretariat of the Pacific Regional Environment Programme (SPREP), which is the lead agency in the Pacific region for managing and protecting the environment, highlighted the opportunity to build back a “Bluer Pacific”: the idea is that we cannot go back to business as usual (or pre-COVID-19 ways of doing things) but rather focus on a post-COVID-19 period defined by key changes in approach to environmental issues across the Pacific. It is crucial that PIC governments “must include a green recovery component in our economic stimulus support packages as part of our current and post COVID-19 response” (SPREP, June 2020), covering the following environmental initiatives:

- Pacific tourism recovery turned towards sustainable environment will have positive economic impacts in the long term;
- Economic, infrastructure, tourism developments should be accompanied with robust environmental impact assessments to ensure long-term benefits across the Pacific rather than short-term economic gains;
- Prevention of future viruses and pandemics as recent outbreaks have stemmed from human/animal conflicting interaction through deforestation, mining, infrastructure development and exploitation of wildlife.

On the other hand, environmental risks and challenges are still very much present since the onset of the pandemic. One clear obstacle driven by COVID-19 (and linked to SPREP’s recommendation above) is the shift in focus from governments across the region. As many countries and governments are busy battling a very contagious virus and its impact on the economy and livelihood of their inhabitants, environmental considerations and projects have been put on hold or been downgraded to secondary issues. For the Pacific region specifically, several key issues must be addressed in parallel to or as part of the COVID-19 recovery strategy of each PIC:

- Ocean poaching and overfishing (which has seen increasing trends during the pandemic);
- Climate change and rising sea levels (with focus on resilience and transition to renewable energy);
- Natural disasters (including the need for a regional disaster waste management programme);
- Medical waste (particularly related to the ongoing pandemic);
- Eco-tourism (and how to rebuild and direct growth to this sector which has been heavily impacted by the pandemic).

In its outlook for 2022, SPREP reiterated the region’s commitment to environmental development and sustainability and emphasized that resilience will be paramount to any plans for 2022 and consider the ongoing COVID-19 pandemic. Environmental management and sustainable development in the region will take place in four priority areas: Biodiversity and Ecosystem Management, Waste Management and Pollution Control, Climate Change and Environmental Monitoring and Governance.

3 Update of COVID-19 Impact on Air Service Across the Pacific Region

This section provides a summary of scheduled passenger and freight services in the Pacific prior to and during the COVID-19 pandemic. As this study provides an update to the PRIF 2020 study, the analysis focuses on changes in air service levels across the region during 2021. For detailed analyses of pre-COVID-19 traffic trends in the Pacific, please refer to the PRIF 2020 Study. Detailed assessments of individual country's aviation sector are provided in Section 4.

3.1 Air Access During the COVID-19 Pandemic

Air access into the Pacific has been reduced to only a handful of services operated by a few airlines capable of providing the capacity. Governments have closed their borders to foreigners with access to PICs by air becoming increasingly difficult. Repatriation flights have become the predominant source of both inbound and outbound passengers for most countries, although cargo flights have been on the rise throughout 2020 and 2021. **Table 3-1** provides an updated summary of each PIC's border and travel restrictions as of March 2022.

Table 3-1: Travel Restrictions in Each Pacific Island Country as of March 2022

Country	Current International Restrictions	Current Domestic Restrictions
Cook Islands	Two-way quarantine-free travel with New Zealand effective 13 January 2022. Fully vaccinated citizens, permanent residents, and permit holders who have spent the past 10 days in New Zealand before travelling are allowed to enter Cook Islands.	Limited Inter-Island services provided by Air Rarotonga
Fiji	Fiji reopened to fully vaccinated travellers from more than 50 travel partner countries on 1 December 2021. Entry requirements include 3-day hotel quarantine with rapid antigen test 48h after arrival in Fiji.	Inter-islands transport resumed with Fiji Link providing limited services
Federated States of Micronesia	Only travellers approved by the FSM National COVID-19 Task Force may enter. Passengers must be fully vaccinated and quarantine for 14 days	Limited domestic charter operations by Caroline Islands Air
Kiribati	Borders reopened on 10 January 2022, but restrictions were quickly reinstated after several passengers from Fiji tested positive.	N/A
Marshall Islands	Complete ban on inbound travellers, with exception of charter flights for repatriation and then under a strict quarantine regime at departure and arrival. Also, exemptions to personnel at Kwajalein. Monthly outgoing flights have been permitted. Restrictions extended to 31 March 2022.	Domestic services remain operational
Nauru	Entry restricted to specific countries with 5-day quarantine on arrival. Currently (March 2022) excludes three Australian states	N/A

Country	Current International Restrictions	Current Domestic Restrictions
Niue	Only residents and essential workers approved by the Government allowed to enter. One-way quarantine-free travel from Niue to New Zealand for fully vaccinated travellers.	N/A
Papua New Guinea	Quarantine free entry is available to residents and fully vaccinated travellers. Pre-departure and on-arrival PCR tests are required. Those tested positive on arrival are required to undergo 7-day quarantine.	Domestic air travel permitted for non-high-risk provinces unless traveller is symptomatic. Travel to high-risk provinces is permitted for fully vaccinated travellers with a valid reason to travel.
Palau	Palau is accepting incoming quarantine-free travel by vaccinated travellers with testing requirements.	N/A
Samoa	All international arrivals to/from Samoa by plane are suspended unless approved by Cabinet. Passengers must not arrive from or transit through certain designated countries.	N/A
Solomon Islands	Limited international services between Honiara and Brisbane with approval required for non-nationals and substantive vaccination, testing and (21 days) quarantine obligations.	All domestic passenger services suspended until 27 March 2022 due to pandemic outbreak in Honiara. Limited domestic freight-only services are operating.
Tonga	Tongan borders are closed to all entry by foreign nationals unless approved by Government. Nationals and permanent residents and approved persons are permitted to enter subject to testing requirements and 21 days quarantine.	Domestic services resumed with Lulutai Airlines in Nov 2020.
Tuvalu	State of Emergency is in effect. National borders are currently closed to foreign nationals with approved exemptions. Any person granted exemption will undergo 14 days of quarantine with testing obligations.	N/A
Vanuatu	All inbound international passenger flights suspended pending, due to recent infection outbreak. Previously all ports of entry are restricted to citizens, residents, diplomats, business owners and technical people on Government priority projects. Travel subject to approval of local authorities, vaccination requirements. 14 days of quarantine required for inbound travellers.	As of 6 March 2022, all domestic transport services to and from the island of Efate have been suspended due to recent infection outbreak. Prior to this recent event domestic traffic was unrestricted.

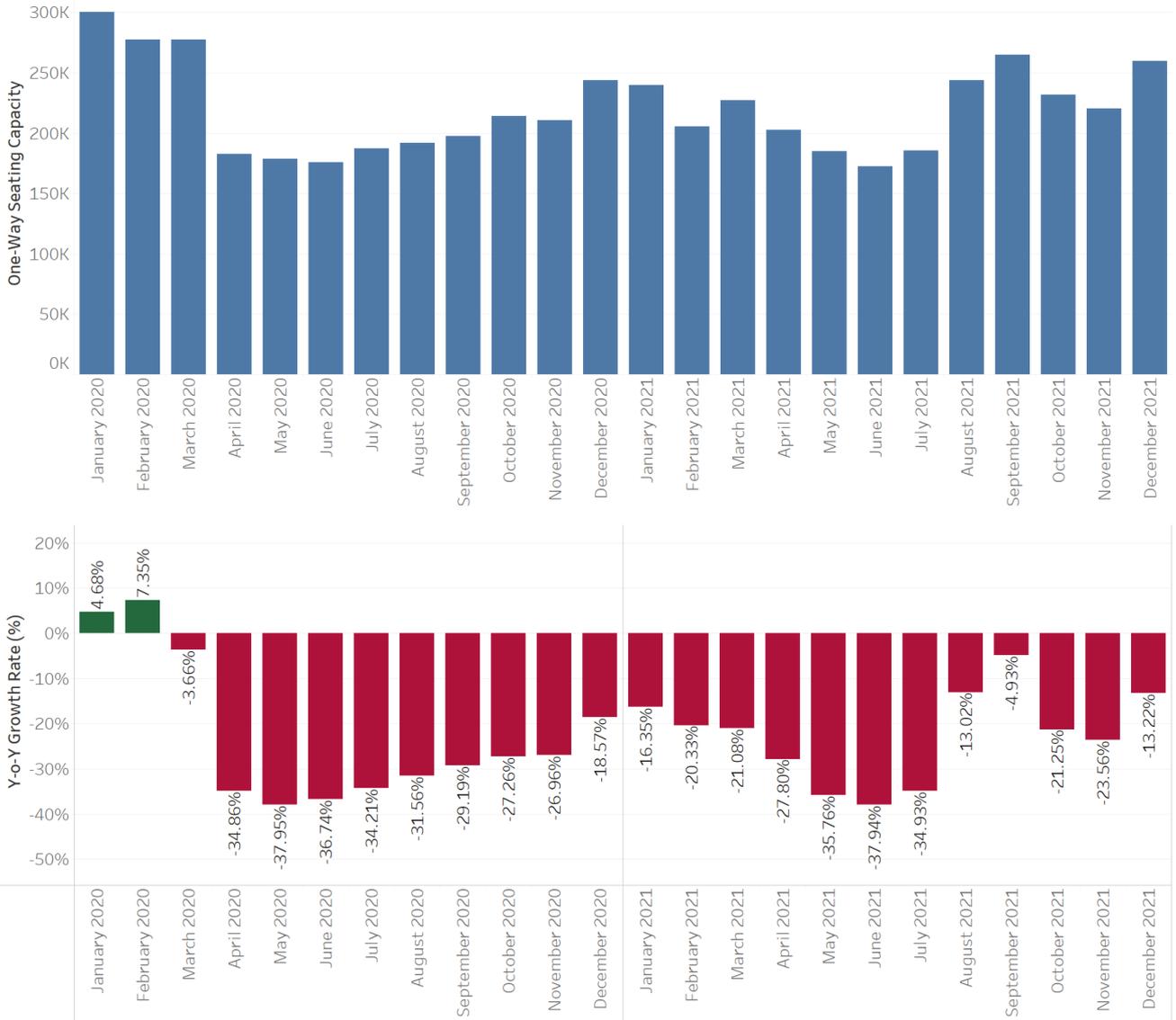
Source: Governments of the Cook Islands, Fiji, Kiribati, FSM, Nauru, RMI, Niue, Palau, Solomon Islands, PNG, Tonga, Tuvalu, Vanuatu, and Samoa.

3.2 Passenger Air Access in the Pacific

Domestic capacity has performed reasonably well overall during since the onset of COVID-19 as show in **Figure 3-1**. However, performance of each individual PIC is uneven. PNG, with its large domestic network, has remained strong over the past several months, leading the recovery for domestic traffic when averaged across the Pacific region. This is also the case for Fiji, showing levels in Q4 2021 at about 50-55% of pre-COVID-19 levels. Other countries like Tonga lost its national airline and showed limited to no domestic activity up until December 2021. It should be noted that Lulutai airlines replaced Real Tonga in late 2020 to provide essential domestic connectivity across the PIC.

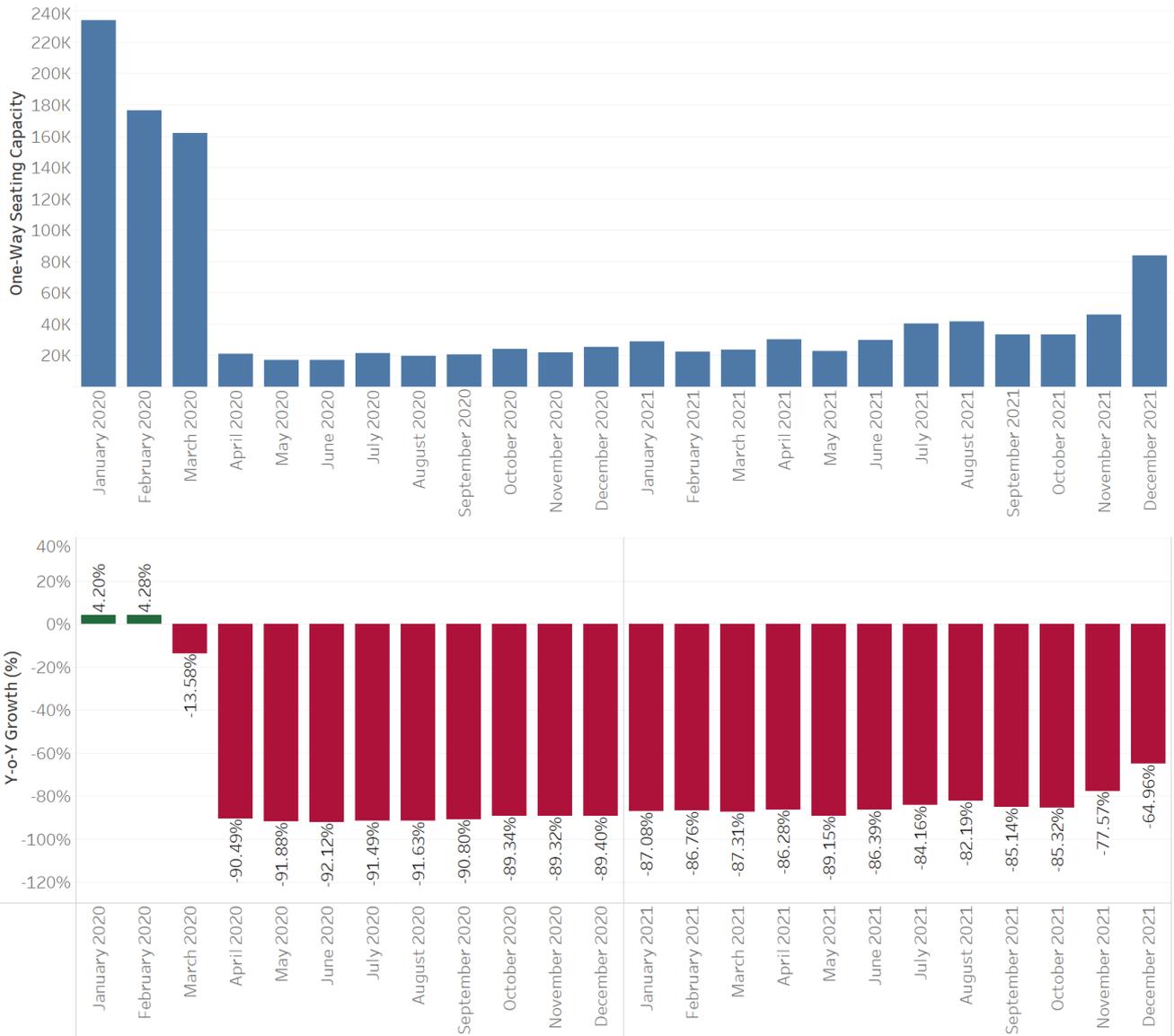
Due to border closures and travel restrictions, international and intra-regional capacity remained very much depressed throughout 2021 (see **Figure 3-2** and **Figure 3-3**). From April 2020 through November 2021, international seating capacity has ranged from 10% to 15% of pre-COVID-19 levels, with most of the activity being composed of repatriation, transfer (for overseas contract workers from several PICs travelling to and from New Zealand and Australia, as seasonal worker schemes are progressively reintroduced), and cargo flights as well as flights under the DFAT and MFAT subsidy programs (see Section 5). Following the reopening of Fiji to international scheduled flights in December 2021, several airlines have reopened services from Fiji to Australia; Hong Kong, China; Japan; New Zealand; Singapore; and the US. On the other hand, intra-regional capacity has been hovering around 5-10% of pre-COVID-19 (2019) levels throughout 2021.

Figure 3-1: Study Focus Countries Monthly One-Way Domestic Seating Capacity



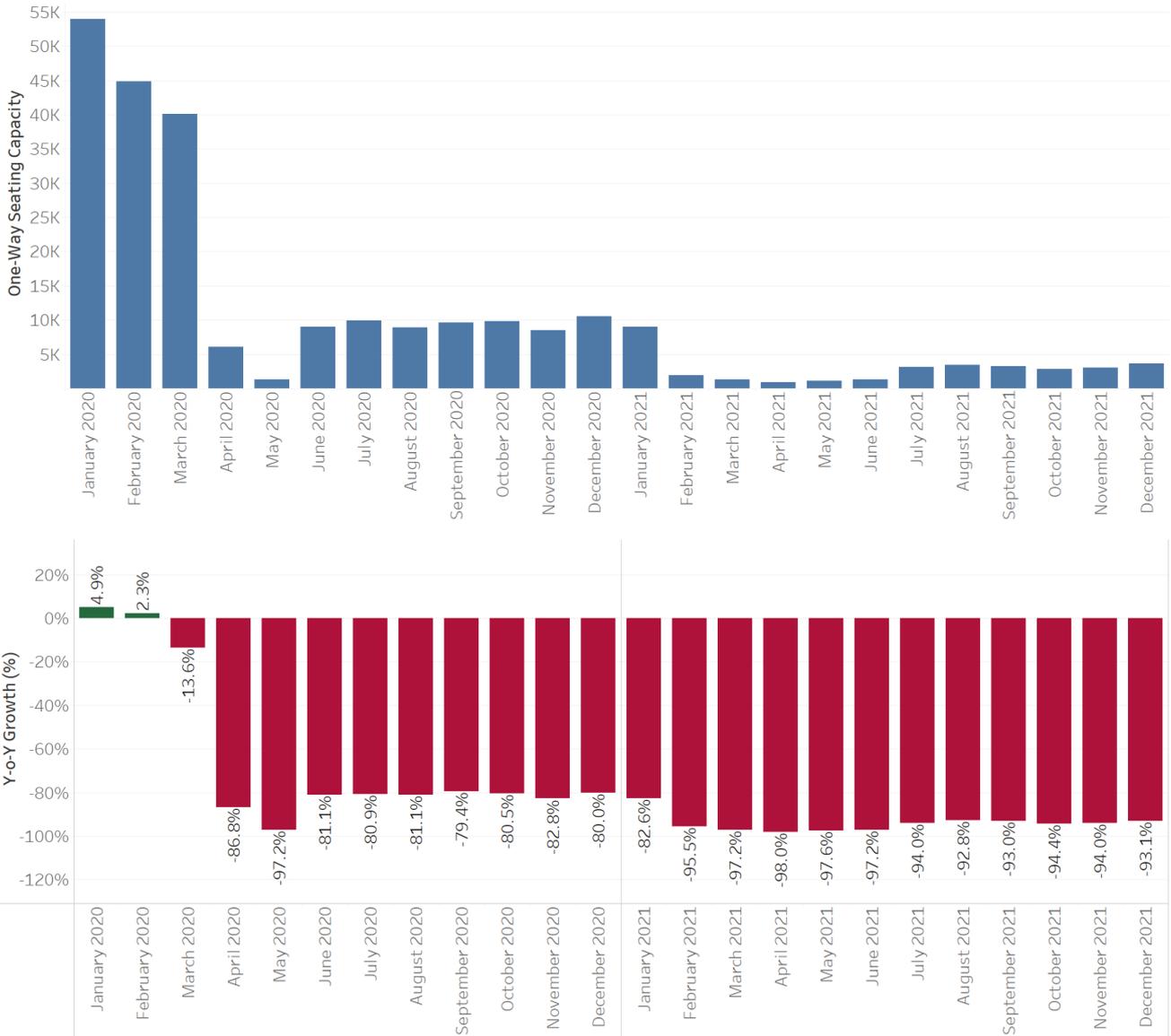
Note: 2020 and 2021 growth rates calculated against pre-COVID-19 (2019) levels.
 Source: Diio Mi by Cirium schedule data.

Figure 3-2: Study Focus Countries Monthly One-Way International Seating Capacity



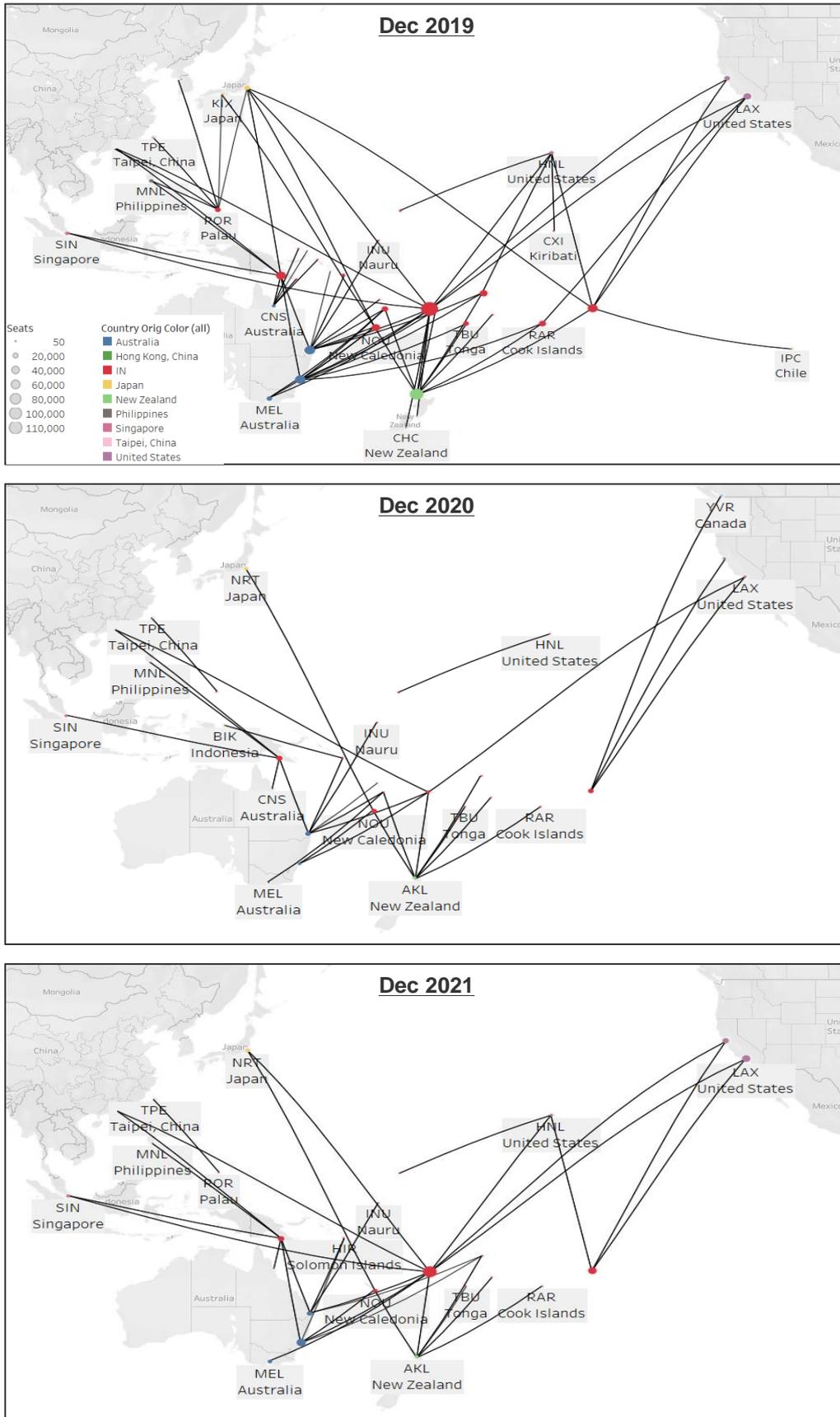
Note: 2020 and 2021 growth rates calculated against pre-COVID-19 (2019) levels.
 Source: Diio Mi by Cirium schedule data.

Figure 3-3: Study Focus Countries Monthly One-Way Intra-Regional Seating Capacity



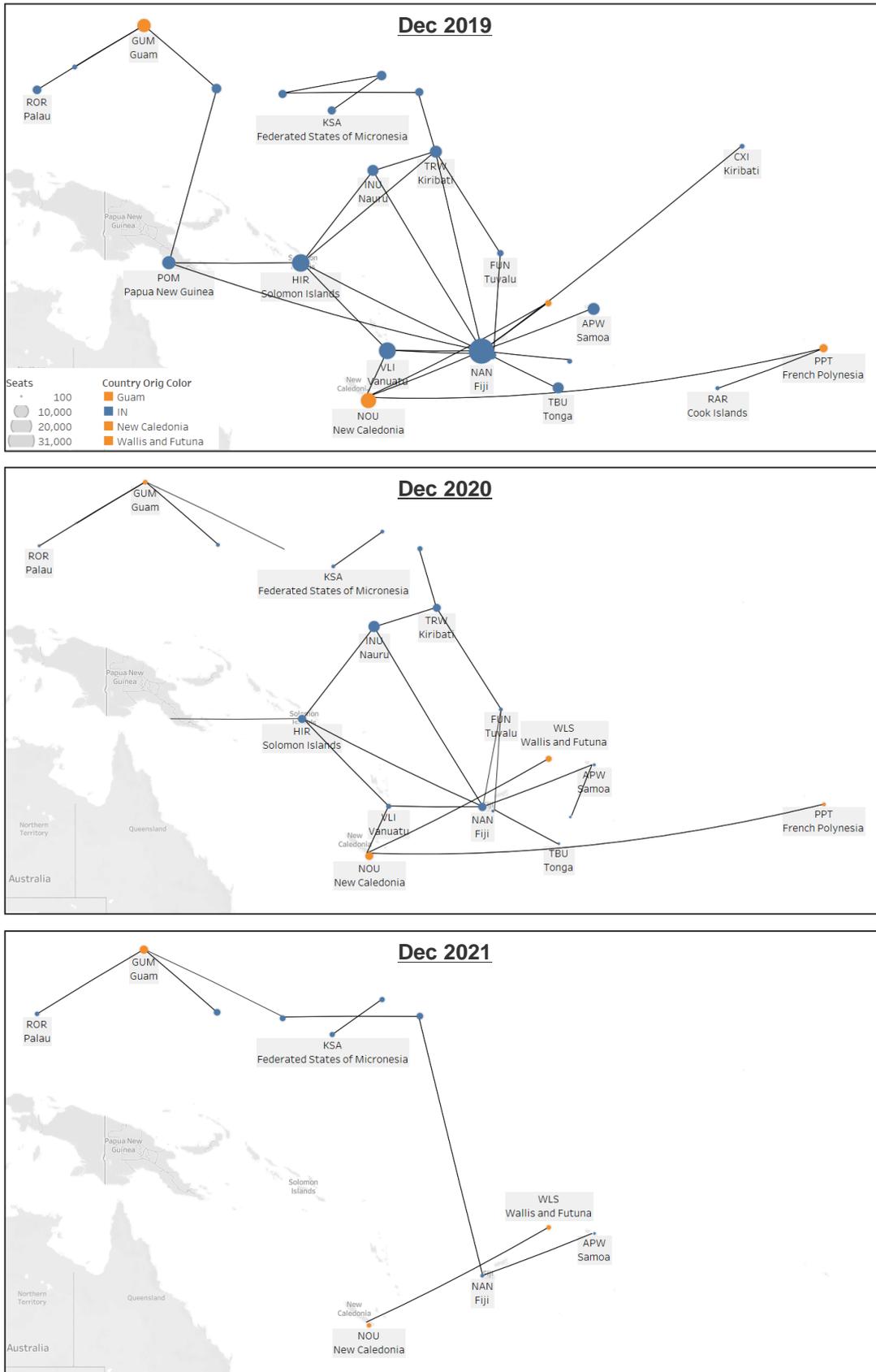
Note: 2020 and 2021 growth rates calculated against pre-COVID-19 levels.
 Source: Diio Mi by Cirium schedule data.

Figure 3-4: International Routes into the Pacific – Dec 2019 vs Dec 2020 vs Dec 2021



Source: Diio Mi by Cirium schedule data.

Figure 3-5: Intra-Regional Routes into the Pacific – Dec 2019 vs Dec 2020 vs Dec 2021



Source: Diio Mi by Cirium schedule data.

3.3 Air Freight During the COVID-19 Pandemic

Throughout the COVID-19 pandemic, the overall air freight capacity in the Pacific has more or less disappeared as underbelly capacity on passenger flights vanished. This has in part been overcome by freight charter services and later freight/passenger charter services. Many of these have been contracted by DFAT Australia, and the New Zealand Ministry of Transport (renamed MIAC to reflect the shift since November 2021 to combined freight and passenger flights). Many PICs indicated that the cost of air freight per unit has significantly increased due to shortage in capacity supply. For many countries, this means an increased reliance on sea freight. Some countries imposed a quarantine period for any inbound freight due to fear of transmission of COVID-19 by contact with goods. These factors have led to delays and disruptions in the supply chain.

Within the PICs, air freight is transported on domestic passenger air service networks that are still operating at reduced capacity. Internationally, across the region, some airlines operate cargo-only flights using passenger aircraft on a regular or on-demand basis. Such cargo-only flights are not financially viable due to thin demand and the one-way nature of air cargo in the Pacific, meaning one of the sectors will most likely be flying empty as, for example, some small island states may not have a large export market.

This situation has seen some airlines, e.g., Fiji Airways and Nauru Airlines, convert some of their existing passenger aircraft to freighter aircraft as they recognize that the demand for air freight will be high for the foreseeable future. This is done through temporary refit of the passenger cabin using “Seatpacks” (an accessory allowing cargo to be placed between seats and easily loaded/unloaded), the removal of passenger seats, or a permanent passenger-to-freighter conversion. In the case of Air Niugini and Air Nauru, the airlines have stepped up their freight operations to service a wider regional market that is short of air freight capacity, with Air Niugini serving the Asia-Australia freight market, and Nauru Airlines (legally an Australian air operator) providing substantial services in the Australian overnight air freight market.

Table 3-2: Regular Intra-Regional and International Passenger and Freight Services During COVID-19 as of March 2022

PIC	Route	Operator (Aircraft)	Frequency	Comment
Cook Islands	Auckland – Rarotonga	Air New Zealand (B787)	1x daily	1x week subsidized by NZ MIAC scheme
Fiji	Auckland – Nadi	Air New Zealand (B787)	1x weekly	Air New Zealand service subsidized by NZ MIAC scheme
		Fiji Airways (A350)	2x weekly	
Fiji	Brisbane – Nadi	Fiji Airways (B737)	4x weekly	Source: Diio Mi by Cirium
Fiji	Hong Kong – Nadi	Fiji Airways (A330/A350)	2x weekly	Source: Diio Mi by Cirium
Fiji	Honolulu – Nadi	Fiji Airways (B737)	1x weekly	Source: Diio Mi by Cirium
Fiji	Los Angeles – Nadi	Fiji Airways (A330/A350)	1x daily	Source: Diio Mi by Cirium
Fiji	Melbourne – Nadi	Fiji Airways (B737)	1x weekly	Source: Diio Mi by Cirium
		Virgin Australia (B737)	3x weekly	
Fiji	Narita – Nadi	Fiji Airways (A330/A350)	Fortnightly	Source: Diio Mi by Cirium
Fiji	San Francisco – Nadi	Fiji Airways (A330/A350)	2x weekly	Source: Diio Mi by Cirium
Fiji	Singapore – Nadi	Fiji Airways (A330/A350)	Fortnightly	Source: Diio Mi by Cirium

PIC	Route	Operator (Aircraft)	Frequency	Comment
Fiji	Sydney – Nadi	Fiji Airways (B737/A330/A350) Jetstar (A320) Qantas (B737) Virgin Australia (B737)	1-2x daily 4x weekly 2x weekly 3x weekly	Source: Diio Mi by Cirium
FSM/Marshall Islands	Kwajalein – Kosrae	United (B737)	1x weekly	Source: Diio Mi by Cirium
FSM/Marshall Islands	Kwajalein – Pohnpei	United (B737)	1x weekly	Source: Diio Mi by Cirium
FSM/Guam	Guam - Chuuk	United (B737)	3x weekly	Source: Diio Mi by Cirium
FSM/Marshall Islands/ Guam	Guam – Chuuk – Pohnpei – Kosrae – Kwajalein – Guam	Asia Pacific Airlines (B757 Freighter)	2x weekly	Source: Asia Pacific Airlines
FSM/Palau/Guam	Guam – Koror – Yap – Guam	Asia Pacific Airlines (B757 Freighter)	1x weekly	Source: Asia Pacific Airlines
Marshall Islands	Guam – Majuro – Honolulu – Guam	Asia Pacific Airlines (B757 Freighter)	2x weekly	Source: Asia Pacific Airlines
Nauru	Brisbane – Nauru	Nauru Airlines (B737)	2x weekly	Source: Diio Mi by Cirium
Niue	Auckland – Niue	Air New Zealand (A320)	Fortnightly	Subsidized by NZ MIAC scheme
Palau	Taipei – Koror	China Airlines (B737)	1x weekly	Source: Diio Mi by Cirium
Palau	Guam – Koror	United (B737)	2x weekly	Source: Diio Mi by Cirium
PNG	Brisbane – Port Moresby	Air Niugini (B767)	6x weekly	Source: Diio Mi by Cirium
PNG	Cairns – Port Moresby	Air Niugini (B767)	2x weekly	Source: Diio Mi by Cirium
PNG	Hong Kong – Port Moresby	Air Niugini (B767)	2x weekly	Source: Diio Mi by Cirium
PNG	Manilla – Port Moresby	Air Niugini (B737)	2x weekly	Source: Diio Mi by Cirium
PNG	Singapore – Port Moresby	Air Niugini (B767)	4x weekly	Source: Diio Mi by Cirium
PNG	Sydney – Port Moresby	Air Niugini (B767)	1x weekly	Source: Diio Mi by Cirium
Samoa	Auckland – Apia	Air New Zealand (B787)	1x weekly	Subsidized by NZ MIAC scheme
Solomon Islands	Brisbane – Honiara	Solomon Airlines (A320)	1x weekly	Source: Diio Mi by Cirium
Tonga	Auckland – Tonga	Air New Zealand (B787)	1x weekly	Subsidized by NZ MIAC scheme

FSM = Federated States of Micronesia, NZ = New Zealand, PIC = Pacific Island country, PNG = Papua New Guinea.

Note: Information as of March 2022.

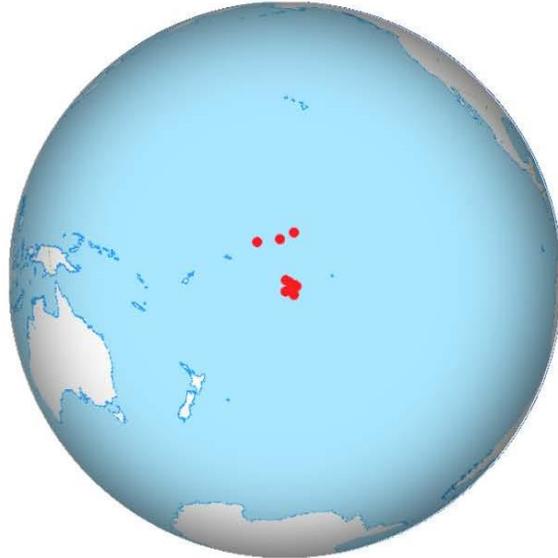
Sources: Diio Mi by Cirium; New Zealand Ministry of Transport; SPTO; Airline Consultations; Routesonline; Austrade.

4 Pacific Island Country Updates

In elaboration of the previous sections, the following material is presented as a country-by-country update of the status of each PRIF PIC. This looks at the status of the country's air access, the status of airlines, airports and aviation safety and security regulatory compliance and progress toward recovery to 2019 levels of activity. Further, in order to meet the needs of the forthcoming 2022 Regional Aviation Minister's Meeting (RAMM), this section also provides a brief overview of the status of the PIC's health system preparedness to deal with a COVID-19 outbreak. This is accompanied by a country-by-country overview of the economic impact of the pandemic, where possible, including a summary of the type of donor-supported interventions to date, and long-term economic recovery strategies and forecasts. As with previous sections, while this material seeks to paint a picture of the whole trajectory of the pandemic to date, it is primarily focused on updating the 2020 report up to and including December 2021 or later. The text is annotated where only less recent data is available. For consistency, this report has adopted the economic forecasts presented by ADB Pacific Economic Monitor December 2021 edition except where otherwise noted.

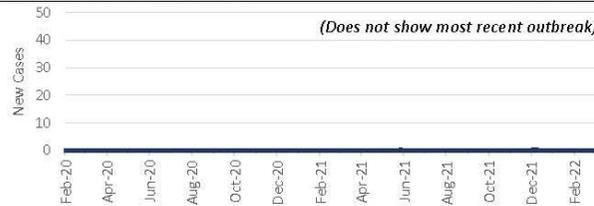
The following material has been assembled through desktop research, analysis of databases held by the consultants, limited consultation with key PIC officials, a survey of PICs and other stakeholders, and by participation in PRIF workshops. As there are a multitude of COVID-19 mitigation/recovery activities, the snapshot presented here is of high level, and does not purport to list all of the activities nor ongoing needs of each PIC in detail.

4.1 Cook Islands



(Source: 2019 Diio Mi Scheduled Traffic)

Covid-19 Cases - **338 Total**
 (Source: WHO & Our World in Data) 14 Mar 2022



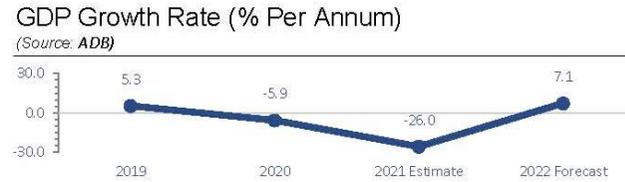
Population Vaccinated* - **81%**
 Of Total Population (Source: Our World in Data) 14 Mar 2022

70% Vaccinated* Milestone - **Dec 2021**
 (Source: Our World in Data, or estimate based on) Actual

*Received All Required Doses Of Covid-19 Vaccine

Population - **17,600**
 (Source: World Bank) 2020

GDP (US\$ Millions) - **307**
 Converted from NZ\$ (Source: Gov. of Cook Islands) 2021 Estimate



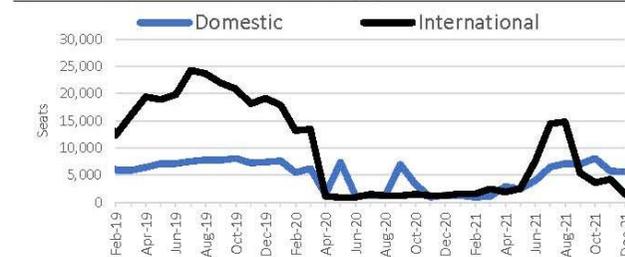
Number of Airports - **2**
 Of ICAO Importance (Source: Diio Mi Scheduled Traffic)



Air Traffic Recovery
 Available Seats Relative To 2019 Monthly Average (Source: Diio Mi Scheduled Traffic)



Scheduled Air Traffic
 Seats Per Month (Source: Diio Mi Scheduled Traffic)



From March 2020 to May 2021, Cook Islands borders were closed. With zero local transmission, a two-way travel bubble with New Zealand was then operated from 17 May 2021 until closing again on 17 August 2021, due to a rise in COVID-19 cases in New Zealand when the first Delta variant was detected there. There have been occasional managed repatriation and cargo flights since. A one-way bubble to New Zealand remained for passengers that did not have COVID-19 symptoms, with those travellers departing Cook Islands during the border closure being deemed ineligible for return on repatriate flights. On 13 January 2022, Cook Islands recommenced two-way quarantine-free travel with New Zealand based on the country reaching a vaccination rate of 96% of the eligible population. The government has also mentioned the possibility that travel to and from Australia could be re-established later in 2022.

The main health facility is the Rarotonga Hospital which has a 32-bed isolation ward for COVID-19 cases (out of a total of 170 beds); at the beginning of the pandemic, there were only three ventilators. ADB estimates the facilities are about half the potential requirement. Medivac facilities to the outer islands, and potentially to New Zealand, are available through Air Rarotonga. There has been significant training of the health care workforce in pandemic response, but there are concerns that the response would be resource-constrained if infection ever takes hold.

The country has established “CookSafe”, the official contact tracing system for Cook Islands. This includes a smartphone app that uses Bluetooth to determine close contacts and provides health advice to the phone user.

Rarotonga Airport has worked with ADB assistance to accommodate processing of passengers in accordance with the International Civil Aviation Organisation – Council Aviation Recovery Taskforce (ICAO CART) framework and hotels designated to provide screening and quarantine. Most COVID-19 testing is undertaken in New Zealand as there is a single testing machine in Rarotonga.

With the ongoing border closures, a rapid decline in employment and household income driven by the mainstay tourism sector led to a decline in GDP by 5.9% in 2020 (fiscal year ending 30 June) and a further 26% in 2021. In response, the government (assisted by donors) implemented an Economic Response Plan which included a fiscal stimulus package that increased capital expenditure/GDP from 11.4% in 2020 to 14.6% in 2021. This helped put a floor on the economic decline, although it has largely been funded by debt, and there is limited capacity to continue this level of support. Anticipating the return of visitors and thus tourism revenue as borders reopen, to replace the Economic Response Plan, the government has designed a COVID-19 Economic Recovery Roadmap to focus on GDP growth addressing eight key areas:

- Reducing the cost of borrowing through lowering of interest rates;
- Managing the burden of government debt;
- Infrastructure investment;
- Reducing barriers to competition and business investment;
- Productivity growth;
- Improved public sector efficiency;
- Growing the labor force and preventing depopulation; and
- Attracting foreign investment.

The aviation sector will benefit from all these initiatives, but the most direct impact on the sector will come from the infrastructure investment theme. The government plans to work with development partners for funding and expertise to invest in priority infrastructure, such as identified in the 2021 update of the National Infrastructure Investment Plan (NIIP). For air transport, the NIIP identifies high-value projects to be carried out till 2024/25 in order of priority:

- Northern Airport Improvements (NZ\$19.7 million);
- Rarotonga Airport Upgrades (NZ\$67.1 million);
- Southern Airport Improvements (NZ\$13.4 million);
- Atutaki Airport Improvements (NZ\$3.2 million).

These projects are forecast to provide high economic return by removing barriers to recovery and growth of domestic and international air travel by allowing larger and more efficient aircraft to access the islands. This will also augment employment, and level off spending on infrastructure for fiscal stimulus.

The NIIP average annual commitment is reported to be in excess of government capacity, such that donor/IFI support for this priority program will be fundamental. The New Zealand Government recently announced a fund of NZ\$60 million to support the Cook Islands, which includes NZ\$20 million for budget support and NZ\$40 million for infrastructure initiatives.

AIRLINES

Pre-pandemic, the Cook Islands were serviced out of Auckland by Air New Zealand, Virgin Australia, and Jetstar, as well as from Sydney on a Government-subsidized Air New Zealand service. Air New Zealand also provided Government-subsidized services to Los Angeles as a stop on its Los Angeles-Auckland route. Local, privately owned carrier Air Rarotonga provided its sole international service to Tahiti as well as domestic services from Rarotonga to eight outer islands.

The initial international travel restrictions led to all these services being suspended in March 2020, with the exception of a weekly service from Auckland under what is now the New Zealand Government's MIAC Scheme. When the New Zealand bubble opened in May 2021, Air New Zealand increased this to two flights per week and had plans to increase this to daily flights until thwarted by the border reclosure in August 2021. In response to the 13 January 2022 two-way quarantine-free opening with New Zealand, Air New Zealand recommenced daily flying (ex Auckland), while Jetstar and Virgin Australia are examining the feasibility of introducing services ex Australia when the rules allow.

Regarding domestic travel, pre-COVID-19, Air Rarotonga was carrying around 90,000 passengers annually running around 25 flights per week to Aitutaki, daily flights to Mangaia and Atiu, and three flights per week to Mitiaro and Mauke. About 70% of the traffic was international tourism, mostly to Aitutaki. Since the onset of the pandemic, these inter-island air services have been running on significantly reduced capacity, with the load dropping to around 20,000 passengers in 2020. The network has been serving three flights a week between Rarotonga and Aitutaki, and ad hoc services to other islands in accordance with demand for cargo, medivac, charter and other local demand.

The airline has received Government support in the form of salary support, a business continuity loan and CSO subsidies for the services to the outer islands. This has helped during hibernation, but the airline is still experiencing cash flow pressures. The airline anticipates it will take 2 years to recover, and, in anticipation of the January 2022 border reopening, it has developed a multi-faceted recovery strategy, built around a planned return to profitability mid-2022. This centers on diversifying by placing a higher focus on sustainable CSO services, developing the medivac services, re-establishing the Tahiti service when practical, widening the services to the surrounding region, and investing significantly in human capital to achieve this.

In July 2020, a New Zealand businessman announced plans for the establishment of a new airline, Pasifika Air, proposed to open after the establishment of the travel bubble with New Zealand and serving the Christchurch-Rarotonga route and later Wellington. The proposal was cancelled mid-2021.

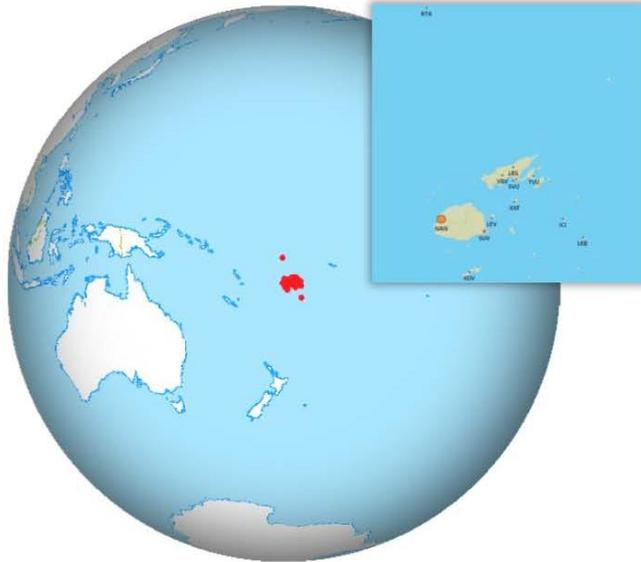
AIRPORTS

Prior to the pandemic, Rarotonga International Airport was facing numerous capacity constraints, congestion and safety compliance issues. With limited options for expansion and development of its passenger terminal at its current location, the terminal size and configuration are a restraint to recovery of air services. A study funded by ADB has identified a need for major short-term changes in existing terminal size and operational processes to provide the capacity to accommodate ICAO-recommended COVID-19 passenger safety measures. This, together with inputs from the health sector, led to a \$2 million grant from ADB's Japan Fund for Poverty Reduction for the "Supporting Safe Recovery of Travel and Tourism Project" in November 2021. The project shall include short-term terminal development, together with the refurbishment of a Rarotonga health center and the installation of a medical waste treatment facility.

In regard to the longer-term issues for the development of Rarotonga Airport, during the pandemic, Cook Islands Airport Authority has progressed pavement slab repairs, and ADB has been undertaking preparations for the "Rarotonga Airport Infrastructure Upgrade Project". This project aims at upgrading the master plan and preparing a longer-term development plan against this, which will form part of the NZ\$67.1 million allocated under the NIIP for Rarotonga International Airport.

The NIIP \$36.3 million outer island airport upgrade, described previously, focuses on the longer term to reduce travel costs to the outer islands and extend tourism beyond Rarotonga and Aitutaki.

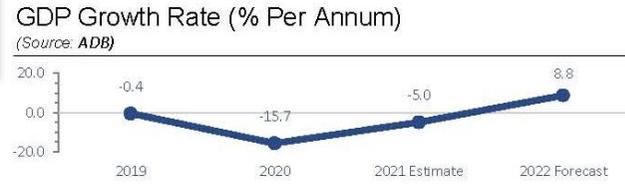
4.2 Fiji



(Source: 2019 Diio Mi Scheduled Traffic)

Population - 896,440
(Source: World Bank) 2020

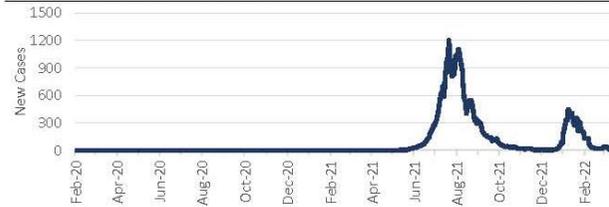
GDP (US\$ Millions) - 4,639
Converted from NZ\$ (Source: IMF) 2021 Estimate



Number of Airports - 13
Of ICAO Importance (Source: Diio Mi Scheduled Traffic)



Covid-19 Cases - 64,067 Total
(Source: WHO & Our World in Data) 14 Mar 2022



Air Traffic Recovery
Available Seats Relative To 2019 Monthly Average (Source: Diio Mi Scheduled Traffic)

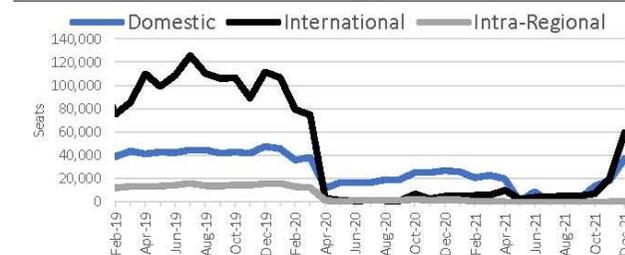


Population Vaccinated* - 69%
Of Total Population (Source: Our World in Data) 14 Mar 2022

70% Vaccinated* Milestone - Mid 2022
(Source: Our World in Data, or estimate based on) Estimate

*Received All Required Doses Of Covid-19 Vaccine

Scheduled Air Traffic
Seats Per Month (Source: Diio Mi Scheduled Traffic)



In the initial stages of the pandemic, Fiji had low occurrence of COVID-19 infections reaching only 117 cases by the end of April 2021. Caseloads increased rapidly with the arrival of the Delta variant in May 2021, peaking at 1,405 daily cases in July 2021. Following a successful vaccination program, this daily incident rate was reduced to 35 new cases by mid-November 2021. COVID-19 cases started picking up again in January 2022 with the Omicron variant. As a result, the Fiji government decided to reinstate some restrictions from 13 January but lifted these by 7 February.

Borders were progressively closed from the beginning of the pandemic, with all scheduled passenger flights ceasing from April 2020. The remaining flights have been for repatriation and humanitarian freight services subject to quarantine provisions. In the initial stages of the pandemic, consideration was given to travel bubbles to open certain routes to other Pacific countries in a controlled manner. With the high growth in cases with the delta variant in Fiji and many key destinations, these initiatives were deferred, with a focus instead on achieving control of the disease through vaccination, contact tracing and the like.

Following progression of vaccination to the point where over 85% penetration of the adult population was achieved, the Fiji Government reopened its borders on 2 December 2021 to fully vaccinated travelers from a number of lower-risk countries, which, as of March 2022, extends to 66 countries from the Pacific, Asia, Europe, the Middle East, and North and South America. Accordingly, Fiji Airways, Qantas, Jetstar, Virgin Australia and Air New Zealand reopened services in mid-December. Presently, arriving passengers must have a negative COVID-19 test either 24 hours (rapid test) or 3 days (PCR test) before departure, may undergo a random rapid test on arrival and must receive a negative rapid test within 2 days of arrival.

The Fiji health system is administered by the Fiji Ministry of Health and Medical Services, and is decentralized across each of Central, Northern, Eastern and Western divisions, with key divisional hospitals, sub-divisional hospitals, primary care health centers, and nursing stations. The two largest hospitals, in Suva and Lautoka, were converted temporarily into dedicated COVID-19 facilities, with temporary field hospitals set up to treat patients not infected with coronavirus. At the peak in July 2021, these facilities were reported to be at or over capacity, although the situation has eased since and the two major hospitals have since reverted to usual practice. The vaccination program has been strongly supported by Australia, New Zealand, Japan, and the US.

A contact tracing system was initially assisted by a phone application, careFIJI, but its effectiveness was limited by information technology infrastructure constraints and since February 2022 is only used by the tourism industry. The Fijian National University has developed an infection model that has been used to drive Government decision making.

According to the ADB Pacific Economic Monitor December 2021 edition, the dramatic downturn of the tourism industry contracted Fiji's GDP by 15.7% in 2020, with a (pre-Omicron) forecast for an additional 5.0% contraction in 2021. This has had significant impact, with over 100,000 jobs lost, as well as drastic losses to businesses, delays to investment activity, and subsequent loss of around 50% of Government revenue. In response, the Government has kept traditional recurrent expenditure constant, while committing to widespread fiscal stimulus and social support payments, including unemployment support, concessional business loans, and other forms of cash flow relief. This has led to a significant deficit which has been mostly financed by a significant increase in Government debt. The budget papers predict that Government debt will be about 91.6% of GDP by end of FY2022 compared to 79.2% the previous financial year. To date, most of this debt has been financed by loans from the international development partners (World Bank, ADB, European Investment Bank and bilateral donors). Included in the debt figures is a guarantee offered by Government for concessional loans (F\$670.9m) taken out by Fiji Airways with ADB.

Government's economic recovery strategy is embodied in the "Fijian COVID-19 Safe Economic Recovery Framework", based on the reopening of various sectors of the economy in a manner that protects the community against a large-scale viral outbreak. Under this framework, the reopening of international travel and tourism was triggered by the achievement of high vaccination rates in Fiji and selected source markets.

In this context, ADB forecasts that Fiji's economy will start to recover in 2022, with expected GDP growth of 8.8%. This projection assumes early to mid-2022 reopening of borders, ongoing stimulus of the domestic economy (including a strong emphasis on support of the tourism sector and on diversifying the economy). A medium-term priority is restoring fiscal stability through reduction of the debt to GDP ratio. This is proposed to be aided by revenue reforms through the tax system, Government spending restraint, continued access to budget support grants from donor partners, and further divestment of shares in SOEs, (Amalgamated Telecommunications Holdings Ltd, Fiji Airports, Ltd., and other smaller SOEs) estimated to generate F\$157 million.

AIRLINES

Fiji Airways initially cancelled all normal international passenger flights from April 2020 but have since carried out various freight services and repatriation flights, while subsidiary Fiji Link has continued to provide limited domestic services. Flights were further curtailed in June 2021 in response to stricter Government border controls and domestic lockdowns in the face of the significant disease outbreak at that time. With border openings approved, Fiji Airways reopened to international services in December 2021.

Up until the reopening, the airline has been reported to continue to suffer severe cash flow shortfalls, particularly in the face of significant fixed lease costs for Airbus A350s acquired pre-pandemic. However, as of August 2021, Fiji Airways was reported by the IMF to have been able to further reduce monthly operating costs to around half the amount reported in the 2020 PRIF study. Around 51% of its workforce (758 people) were laid off initially, and the remainder had a pay cut, although the airline commenced re-hiring with the domestic service between Nadi and Suva reopening in September 2021 and with the December 2021 reopening to international services.

Significant work has been undertaken by the airline under its Travel Ready program aimed to ensure safe, infection free travel and to help reduce the spread of COVID-19. The company was recently awarded a Skytrax 5-star COVID-19 Airline Safety Rating covering all aspects of check-in, departure, and onboard and arrival/transfer.

Regarding financial assistance, Fiji Airways received liquidity support from ADB to fund its fixed costs during hibernation and working capital requirements for the planned restoration of regular flights. This comprises a secured non-sovereign loan based on the London Interbank Offered Rate (LIBOR)-of up to \$40 million from ADB's ordinary capital resources supported by a Government guarantee.

A parallel loan of up to \$25 million is under consideration by the Leading Asia's Private Infrastructure Fund (LEAP), a special infrastructure fund financed by JICA and administered by ADB. Also undergoing approval processes is a \$3 million grant to be shared with Fiji Airports. The Fiji Airways component is to establish, in collaboration with the Ministry of Health and Medical Services, a tourism and travel-related testing facility.

AIRPORTS

Fiji Airports has reopened for international traffic since December 2021. Despite the revenue generated, the company is operating in an environment of increased expenses, low revenues, and slower and higher risk of non-payment from airlines, customers, tenants and concessionaires. The company has therefore continued cost-saving measures introduced at the onset of the pandemic, including reduction of management pay, reduced staff working hours, and reduction or cessation of various outsourced services, together with measures on other items such as utilities. From September 2020, a voluntary redundancy/early retirement scheme was introduced. A safety case to reduce the provision of fire services at airports has been put to the safety regulator as a further cost-cutting measure.

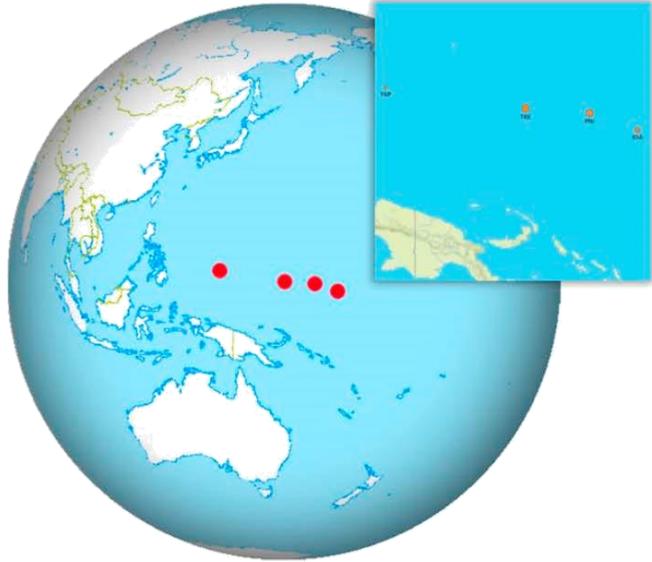
Capital expenditure has been drastically curtailed with Fiji Airports only progressing those projects essential for safety or where contractual obligations exist. Some locally denominated commercial loans were also converted to interest-only. Offsetting these cost savings, Fiji Airports continues to work in a mutually supportive arrangement with commercial partners offering flexibility in commercial dealings.

Further, since reopening, the company is incurring additional COVID-19-specific cleaning, disinfection and staffing. Fiji Airports continue to draw down on its cash reserves to survive, and on the basis of current conservative growth forecasts, it will be 6 months before a stable financial position is obtained.

In regard to financial assistance, Fiji Airports has received support from the Australian Infrastructure Financing Facility for the Pacific (AIFFP), which has co-financed with ANZ Bank Fiji a loan of F\$106 million (A\$68 million). This is comprised of a F\$96 million guarantee from AIFFP to ANZ Fiji for an ANZ F\$96 million loan to Fiji Airports, together with a direct F\$10 million loan from AIFFP to Fiji Airports. This arrangement is understood to be a refinancing of existing Fiji Airports foreign currency debt into local currency as a risk reduction strategy. The existing debt is understood to be funding capital works at Nadi airport and other outer islands' airports committed to prior to the pandemic, including remote aprons to improve aircraft parking capacity and upgrading air traffic management systems. Further, the Fiji Airports share (\$1.56 million) of the shared ADB \$3 million grant mentioned previously is to cover equipment and minor works to improve COVID-19 safety at the Nadi International Airport. A similarly sized grant is being explored with UNDP. A secondary set of COVID-19 recovery projects is planned to enable contactless processing.

Beyond these activities, outer islands terminal and pavement maintenance works continue to be a significant burden.

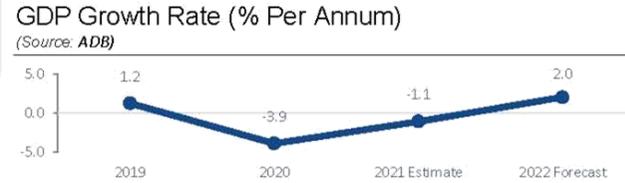
4.3 Federated State of Micronesia



(Source: 2019 Diio Mi Scheduled Traffic)

Population - 115,020
(Source: World Bank) 2020

GDP (US\$ Millions) - 404
Converted from NZ\$ (Source: IMF) 2021 Estimate

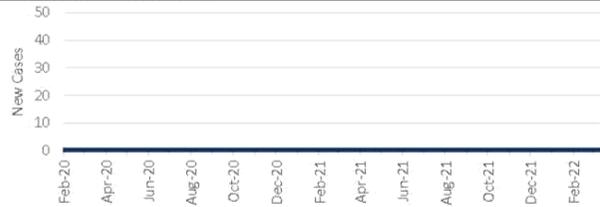


Number of Airports - 4
Of ICAO Importance (Source: Diio Mi Scheduled Traffic)

Airlines

Registered	GOVT.	PRIVATE	INT.	DOM.
No National Airlines				

Covid-19 Cases - 0 Total
(Source: WHO & Our World in Data) 14 Mar 2022



Air Traffic Recovery
Available Seats Relative To 2019 Monthly Average (Source: Diio Mi Scheduled Traffic)

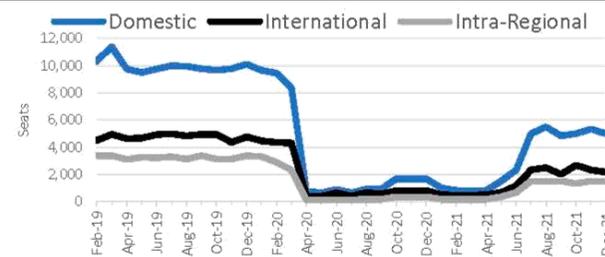


Population Vaccinated* - 45%
Of Total Population (Source: Our World in Data) 15 Mar 2022

70% Vaccinated* Milestone - Early 2023
(Source: Our World in Data, or estimate based on) Estimate

*Received All Required Doses Of Covid-19 Vaccine

Scheduled Air Traffic
Seats Per Month (Source: Diio Mi Scheduled Traffic)



BORDERS AND HEALTH

The FSM borders have remained effectively closed throughout the pandemic and, as of March 2022, the country has had no reported incidents of COVID-19 infections. At the onset of the pandemic, the national and state governments introduced travel restrictions banning entry or requiring 14-day self-quarantine prior to entry into the FSM and restricting residents from traveling abroad. Outward travel restrictions were relaxed in November 2020. Repatriation of citizens to Yap and Kosrae commenced in August 2021 and to Chuk in November 2021.

The management and regulation of the health care system is the responsibility of the four individual states. There is a main public hospital in each of the states as well as a single private hospital. For basic treatment, municipal and island dispensaries double as health clinics. There is limited capacity in that there are fewer than 20 beds available for segregation of COVID-19 patients, isolation rooms are only available in one of the hospitals, and there are limited contact tracing resources.

The national government, substantially assisted by the US Government, ADB, and other donors has implemented a \$20 million COVID-19 Response Framework, directed at development of quarantine and isolation facilities across the FSM, providing mandatory infection control training for all first responders, increasing testing capacity and providing ventilators for each island state. Donors have also supplied vaccines, personal protective equipment and essential medical supplies.

The capacity to undertake infectious disease surveillance and contact tracing is reported to be limited, with inadequate routine reporting of severe acute respiratory illnesses and influenza-like illnesses.

AIRLINES

Pre-pandemic, United Airlines was the major international operator providing regular scheduled services through its island-hopping network between Guam and Hawaii. The airline initially suspended services in March 2020 but at the time of writing (February 2022) has restored some services on the route for repatriation and cargo services, subject to rigorous quarantine and testing requirements.

Caroline Islands Air Inc. is a Government-owned domestic airline that primarily operates charter services across the FSM and has been continuing to service its network throughout the pandemic on a limited schedule with its single Y12 aircraft. According to 2019 accounts, the airline was loss-making pre-pandemic, and was supported by subsidies from the national Government.

While Air Niugini has indefinitely suspended its previous service between Chuk/Pohnpei to Port Moresby, the airline advises that this route would be re-examined among other limited viability routes when borders reopen.

ECONOMIC IMPACT AND RECOVERY STRATEGY

The FSM GDP declined by 3.9% in 2020, and 1.1% estimated in 2021, with ADB projecting growth of 2.0% in 2022.

FSM has a narrow economic base, with the public sector comprising about a third of GDP, and less than 15% of the population participating in formal employment. Government revenues have a high dependence on the sale of fishing licenses in the FSM Exclusive Economic Zone, together with limited tourism and services to marine and air transport. The FSM is also highly dependent on external funding sources, particularly the US Compact of Free Association.

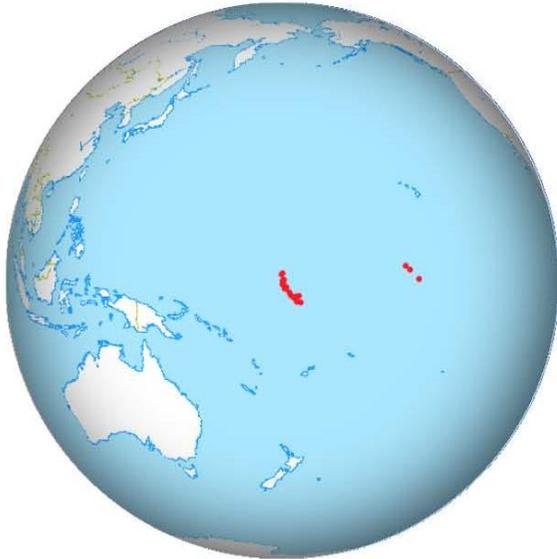
While FSM has been able to achieve zero infections, there are impacts still felt in the economy from restrictions in air travel and reduced fishing activity. There are also concerns about the relatively weak social and economic resilience should the virus ultimately arrive.

Accordingly, in April 2020, the national government approved an economic stimulus package of \$15 million funded by the US Department of Labor. This included support to affected businesses, including wage subsidies, debt relief, as well as social security tax and other tax rebates. Also incorporated was a Tourism Sector Mitigation Fund. The business support elements have subsequently been extended until the end of June 2022. This package was supplemented in April 2020 by a \$36 million Pandemic Unemployment Assistance Program and in December 2020 by a \$14 million social protection scheme for low-income households and vulnerable persons. Again, these were supported by the US Government, ADB and other donors.

AIRPORTS

No additional information to that reported in the 2020 study.

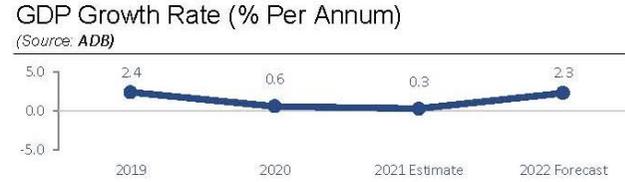
4.4 Kiribati



(Source: 2019 Diio Mi Scheduled Traffic & Wikipedia)

Population - 119,450
(Source: World Bank) 2020

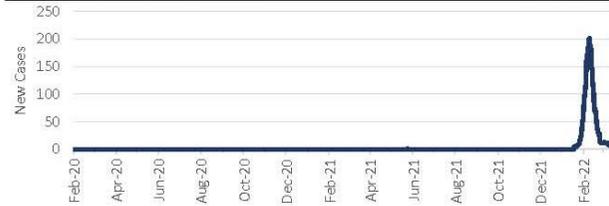
GDP (US\$ Millions) - 232
Converted from NZ\$ (Source: IMF) 2021 Estimate



Number of Airports - 20
Of ICAO Importance (Source: Wikipedia)



Covid-19 Cases - 3,027 Total
(Source: WHO & Our World in Data) 14 Mar 2022



Population Vaccinated* - 42%
Of Total Population (Source: Our World in Data) 7 Mar 2022

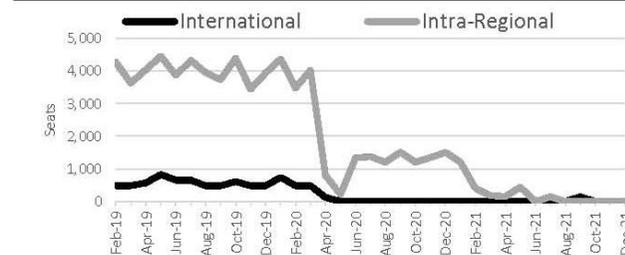
70% Vaccinated* Milestone - Late 2022
(Source: Our World in Data, or estimate based on) Estimate

*Received All Required Doses Of Covid-19 Vaccine

Air Traffic Recovery Available Seats Relative To 2019 Monthly Average (Source: Diio Mi Scheduled Traffic)



Scheduled Air Traffic Seats Per Month (Source: Diio Mi Scheduled Traffic)



BORDERS AND HEALTH

As of the beginning of January 2022, Kiribati has no recorded case of community transmission of COVID-19. This changed in February 2022, when a repatriation flight brought in imported cases of the Omicron variant which led to community transmission, and the Government has since implemented a community lockdown and closed the borders to all air traffic.

With a vulnerable pre-pandemic health system, the Government strategy has been, prior to this recent outbreak, to rely on border closures, together with quarantine of the few approved international travelers.

Again prior to the recent outbreak, the Government had announced that it would reopen Kiribati national borders from January 2022, based on achievement of vaccination targets. At the time of writing (early March 2022), only 42% of eligible Kiribati residents have received two doses of vaccine (60% single dose). Vaccines have been mainly provided by donors. With the lockdown in place, it is not yet known what the Government position will be on the opening of borders.

The Kiribati health system has four hospitals, 37 health centers, and 72 clinics, all with varying capacities, the main referral hospital being the 120-bed Tungarua Central Hospital in Tarawa.

ECONOMIC IMPACT AND RECOVERY STRATEGY

Border closures and restricted movements have had a significant impact on the livelihoods of many I-Kiribati, particularly foreign contract workers, seafarers, and those stranded overseas. The country has also lost its tourism income, suffered reduced overseas remittances for a time and experienced declining royalties from fishing rights. However, contrary to the trend with other PICs, ADB reports in its December 2021 Pacific Economic Monitor that Kiribati actually posted a positive 0.6% real GDP growth in 2020 and is estimating 0.3% for 2021 and (prior to the recent outbreak) forecasting 2.3% in 2022. This growth forecast is largely attributed to the majority of the workforce being employed in Government service, the comparatively small size of the tourism industry, and positive (albeit reduced) growth in overseas remittances. Added to this is significant Government expenditure on a stimulus package comprising to date of a total package of A\$31 million, of which an initial A\$11.5 million was mostly donor-funded emergency budget support. The Government-funded component includes unemployment support, private business stimulus, and SOE stimulus. Both Airports Kiribati and Air Kiribati have been beneficiaries of this overall package.

In anticipation of border opening, the Tourism Authority of Kiribati has developed a Tourism Restart Program, a key component of which is the development of COVID-19 safety protocols for accommodation providers based on the “New Normal” post-COVID-19 environment. Industry-wide training on these protocols was being conducted in time for the originally planned January 2022 border opening. Also, part of the restart program is a Digital Marketing Strategy aimed at a 3-month lead in destination marketing program to coincide with reopening. Separately, major donor-funded infrastructure projects delayed by the COVID-19 restrictions on movements are expected to drive growth after borders reopen.

AIRLINES

Pre-pandemic, international services were provided by Air Kiribati, Air Nauru, and Air Pacific. All of these services ceased in March 2020, and since then the country has only been serviced by some limited humanitarian charter flights for cargo and repatriation. Some domestic flying by Air Kiribati continued but this has been limited by maintenance issues and lack of access to spare parts. As a result, regular domestic services ceased in July 2021, but were re-established in September 2021 with the leasing of a Solomon Airlines Twin Otter aircraft.

Coral Sun Airways previously offered charter flights throughout Kiribati, and also connections to the Solomon Islands but is understood to have ceased operating during the pandemic.

Prior to border closure, Air Kiribati leased a single ATR 72 for international services (Tarawa-Funafuti route), and two Twin Otter aircraft for domestic services. In December 2019, the airline also took delivery of the first of two planned acquisitions of an Embraer E190-E2 jet. National accounts show that the aircraft was purchased outright, financed from the National Development Fund for A\$59 million, assisted by development partner funds of A\$44 million. The aircraft was placed on the Australian register in February 2020, and initially operated under a contract by charter operator Pionair Australia Pty Ltd and based at Brisbane Airport. It is understood that the aircraft is yet to be certified for extended twin-engine operations necessary for long-range operations across the Pacific although a number of proving flights have been undertaken. It is also understood that the Pionair agreement is no longer active and the Embraer is currently parked at Toowoomba's Wellcamp Airport undergoing replacement of an engine. The purchase of the second Embraer is reported to have been deferred.

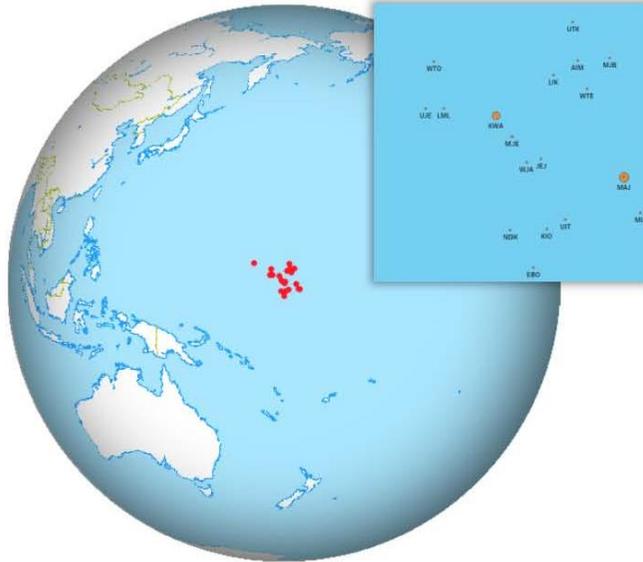
Air Kiribati's leased ATR was at the time of writing undergoing major maintenance (C check) and as indicated above Solomon Airlines aircraft has been contracted to assist with domestic flights.

An Auditor General's report in July 2021 identified many financial management and governance issues within Air Kiribati. The airline has undergone major management changes during the pandemic period.

AIRPORTS

Due to the low frequency of operations at Tarawa's Bonriki International Airport, facilities are reported to be adequate for processing in terms of addressing infection control requirements. The other international airport at Kiritimati (Christmas Island) is reported to need further development. The airport at Kanton Island is proposed for redevelopment funded by the People's Republic of China.

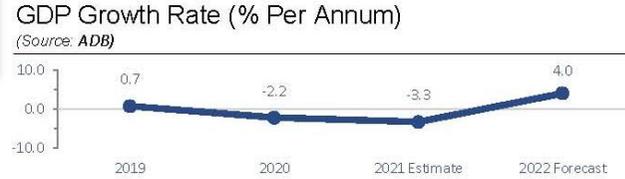
4.5 Marshall Islands



(Source: 2019 Diio Mi Scheduled Traffic)

Population - 59,190
(Source: World Bank) 2020

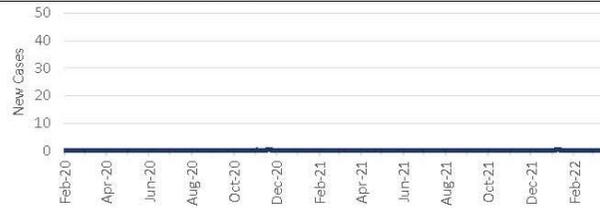
GDP (US\$ Millions) - 241
Converted from NZ\$ (Source: IMF) 2021 Estimate



Number of Airports - 21
Of ICAO Importance (Source: Diio Mi Scheduled Traffic)



Covid-19 Cases - 4 Total
(Source: WHO & Our World in Data) 14 Mar 2022



Population Vaccinated* - 42%
Of Total Population (Source: Our World in Data) 9 Mar 2022

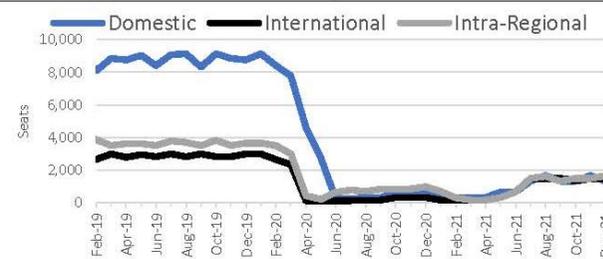
70% Vaccinated* Milestone - Early 2023
(Source: Our World in Data, or estimate based on) Estimate

*Received All Required Doses Of Covid-19 Vaccine

Air Traffic Recovery
Available Seats Relative To 2019 Monthly Average (Source: Diio Mi Scheduled Traffic)



Scheduled Air Traffic
Seats Per Month (Source: Diio Mi Scheduled Traffic)



BORDERS AND HEALTH

As of March 2022, The Marshall Islands has had zero community transmission of COVID-19 infections, and only four cases detected in overseas travelers. Since March 2020, the Government has placed a ban on incoming international travel with the exception of charter flights for repatriation and then under a strict quarantine regime at departure and arrival. Monthly outgoing flights have been permitted. The Government states that reopening depends on the country's vaccine rollout, as well as offshore outbreaks, especially in the Marshall Islands' main points of entry.

The Marshall Islands has two hospitals, one each in Majuro and Ebeye plus 56 health care centers. The total capacity of the system is approximately 150 beds, with 11 intensive care unit beds and 20 ventilators. In mid-2020, the Government constructed a special ward in the Majuro hospital with eight isolation rooms with negative air flow to expand capacity for critical care.

Since April 2020, the government has been implementing a \$48.7 million Coronavirus Disease Preparedness and Response Plan that includes construction of 3 quarantine units in Majuro and Ebeye, purchases of medical equipment including testing facilities, installment of washing stations, and funding for overtime of health workers. The Plan also provides assistance to education and logistics and economic relief to the private sector.

In June 2020 Government allocated an additional \$21.1 million to strengthen the health system's capacity for enhanced surveillance, infection control, and case management, particularly in Majuro and Ebeye/Kwajalein.

Vaccination has been proceeding with donation of vaccines from the US Government sufficient for the whole population.

ECONOMIC IMPACT AND RECOVERY STRATEGY

According to ADB's Pacific Economic Monitor (December 2021), the Marshall Islands real GDP declined by 2.2% in 2020 and is estimated to have declined a further 3.3% in 2021, before returning to a projected +4.0% in 2022 on the back of the reopening of borders. This outcome is more favorable than initially predicted at the onset of the pandemic. The Marshall Islands economy is relatively narrow, with a strong dependence on both Government expenditure, and fisheries services (aquarium fish exports, tuna loining, purse seining operations, shore-based support to the longline fishing industry and licensing activity of the Marshall Islands Marine Resources Authority). Travel and other restrictions related to COVID-19 have led to significantly reduced fisheries derived contribution. The tourism industry, while substantially impacted, represents only 2.3% of GDP. Fiscal balances were positive the first 2 years of the pandemic (4.4% and 1.4% of GDP in 2020 and 2021, respectively), attributed largely to donor funding inflows, and cost savings associated with limitations on people movement.

The Marshall Islands economy remains highly dependent on donor partners, significantly from grants under the US Free Compact of Association, as well as US federal programs, and multilateral and bilateral finance institutions. The impact of the pandemic is seen to have been contained through the above-mentioned Coronavirus Disease Preparedness and Response Plan, which was largely funded by budgetary support from ADB, the US, the EU, and the World Bank.

AIRLINES

Prior to the pandemic, United Airlines was the major international operator for the Marshall Islands, providing regular scheduled services through its island-hopping network between Guam and Hawaii. The airline suspended services in March 2020 but, since December 2021, is again offering two flights a week to/from Honolulu and two flights a week to/from Guam. Outbound flights are operating normally. Inbound flights are only authorized for returning Marshall Islanders who must deplane in Kwajalein to complete mandatory quarantining.

Air Nauru also previously provided twice-weekly services connecting with Nauru and Tarawa and onward to Australia and Fiji, but scheduled services ceased in March 2021. Air Nauru has in the meantime offered a number of charter services for freight and repatriation.

Air Marshall Islands (AMI), the Government owned domestic carrier, is still providing domestic services between Majuro and the 24 outer islands using two Dornier 228 and a Dash 8. Domestic air travel between Majuro and Kwajalein on international airlines is also no longer permitted.

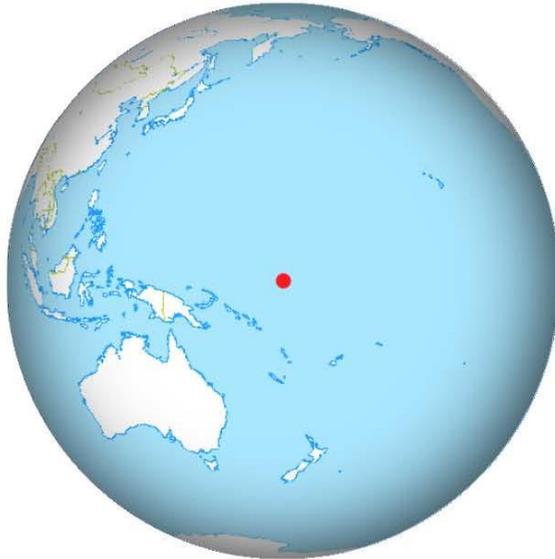
Given that there is a low tourism base in Marshall Islands, the drop in international travel during the pandemic has had little impact on domestic air access. In fact, according to the AMI's 2020 audited accounts, average passenger load factors actually increased from 50% in the FY ending September 2019 to 52% in 2020. Air traffic demand was strongly supported by extra charter work, including COVID-19 preparedness travel, regional repatriation flights and medivac flights associated with a Dengue Fever outbreak. Given that the airline has been running at an operating loss for some years, the net impact was that the 2020 accounts reported 30% lower loss (\$212k) compared to the previous year. AMI generated an overall surplus of \$841k in 2020 after receipt of a Government subsidy covering aircraft-related capital expenses and community services obligations.

The major ongoing operational difficulties for AMI are excessive aircraft-on-ground time due to maintenance issues, and the poor condition of outer island airports and airstrips.

AIRPORTS

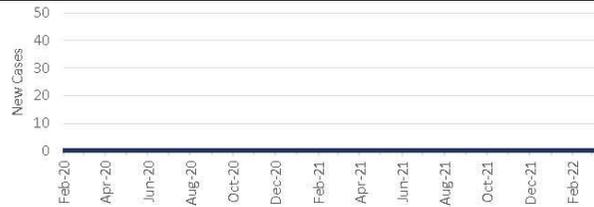
No additional information to that reported in the 2020 study.

4.6 Nauru



(Source: 2019 Diio Mi Scheduled Traffic)

Covid-19 Cases - **0 Total**
 (Source: WHO & Our World in Data) 14 Mar 2022



Population Vaccinated* - **68%**
 Of Total Population (Source: Our World in Data) 18 Jan 2022

70% Vaccinated* Milestone - **Mid 2022**
 (Source: Our World in Data, or estimate based on) Estimate

*Received All Required Doses Of Covid-19 Vaccine

Population - **10,830**
 (Source: World Bank) 2020

GDP (US\$ Millions) - **133**
 Converted from NZ\$ (Source: IMF) 2021 Estimate

GDP Growth Rate (% Per Annum)
 (Source: ADB)



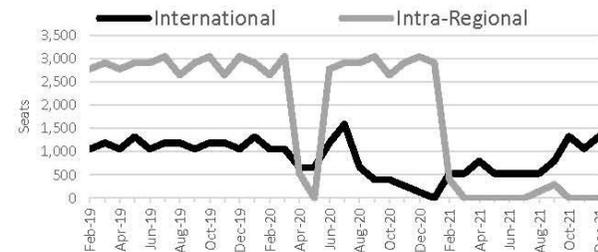
Number of Airports - **1**
 Of ICAO Importance (Source: Diio Mi Scheduled Traffic)



Air Traffic Recovery
 Available Seats Relative To 2019 Monthly Average (Source: Diio Mi Scheduled Traffic)



Scheduled Air Traffic
 Seats Per Month (Source: Diio Mi Scheduled Traffic)



BORDERS AND HEALTH

Nauru has no reported incidents of COVID-19 infections. A near-total ban on entry by air into Nauru was implemented in March 2020, together with screening and mandatory 14-day quarantine for the small number of approved travelers. Cargo flights have remained operational but subject to approved procedures for handling and contact with crew. Government has subsequently introduced a list of approved countries, testing for arrivals and reduced the mandated quarantine period to 5 days.

Removal of travel restrictions will depend on the Government's assessment of risk and the completion of the COVID-19 vaccine roll-out program to the 10- to 17-year-old group with currently planned between April to June 2022. But this timeline will be carefully assessed in the coming months.

Nauru has received considerable support from donors (Australia; Taipei, China; Japan; New Zealand; and ADB, among others) in providing funding, capacity building, medical equipment and other resources. Nonetheless Nauru's health system is reported to have limited capacity to accommodate a major outbreak of infections, particularly in the area of critical care.

ECONOMIC IMPACT AND RECOVERY STRATEGY

ADB estimates in its December 2021 Pacific Economic Monitor that Nauru's economy grew 0.8% in 2020, and 1.5% in 2021 and will drop back to 1.0% growth in 2022. The limited economic impact of the pandemic is attributed to Nauru having little dependence on tourism, strong government income derived from the Australian Regional Processing Centre for refugees, income from royalties on fishing rights, and the continued albeit reduced scale of operation of Nauru Airlines. Apart from phosphate mining, Nauru does not produce any exports and relies heavily on air and sea transport for import of basic necessities. The small economic decline forecast in 2022 is largely attributed to plans for closing down the refugee Regional Processing Centre.

Nauru is also on a sound fiscal footing with positive pre-COVID-19 reserves and a history of generating budget surpluses, providing headroom for any future revenue shocks. Nauru, however, has a high debt-to-GDP ratio and is implementing a Debt Action Plan to reduce this.

Nauru's COVID-19 recovery strategy continues to focus on control and containment of the virus through border control and quarantine processes, continued support to the hospital and health care sector, and maximizing the take up of vaccination. The need to maintain transport connectivity during the pandemic for food and economic security is also central to the strategy, with plans to continue to fund Community Service Obligations for Nauru Airlines (A\$4.7 million per annum) and the port utility.

AIRLINES

As documented in the 2020 report, at the onset of the pandemic, Nauru Airlines reduced its scheduled services access to the Pacific, and embarked on a cost-cutting and revenue diversification strategy. In the latter case, the airline has been continuing more limited services to Nauru, securing sizeable freight charter work in Australia unconnected with Nauru (taking advantage of its Australian registration), as well as undertaking humanitarian freight and repatriation services across the Pacific, some of which has been secured under DFAT Australia's route subsidy scheme. This framework has generated significant operational income and allowed the ongoing maintenance of its Air Operators Certificate. Notwithstanding this, according to IMF and budget papers, the government spent A\$5.9 million in emergency cash flow support for the airline over the 2019/20 to 2020/21 financial years and has budgeted A\$2.2 million for 2021/22. A\$2.5 million of this was allocated to a once-off redundancy of Australian based staff.

Also, the 2021/22 supplementary budget documented a loan from Exim Bank of [Taipei, China] of \$17.2 million as the first tranche of an aircraft replacement program for Air Nauru. In this regard, the airline recently acquired a new B737 700 Freighter for flying many Qantas night freighter services within Australia and the region, as well as increased charter flights to Nauru. Additional aircraft purchases are planned.

Nauru Airlines has reported significant additional costs associated with reopening of borders by removal of movement restrictions and quarantine requirements, namely:

- Airworthiness certification and major maintenance (C-Checks) coming up, insufficiently budgeted for due to the low level of provisions as a result of low utilization;
- Re-setup cost at all ports not operational for 2 years (information technology, infrastructure, training, etc.);
- Safety audits on service providers in remote ports where border closures continue.

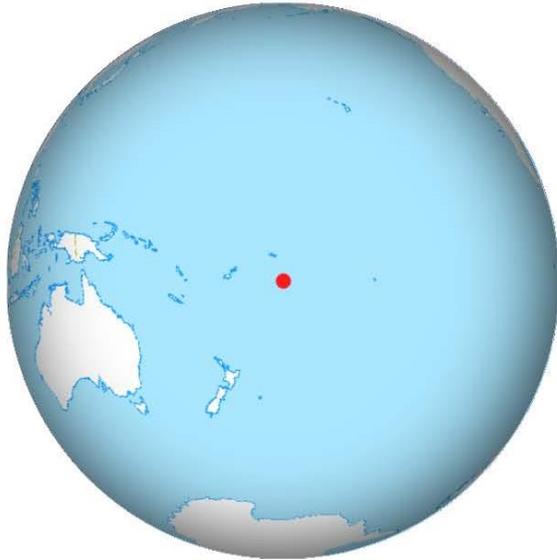
Nauru Airlines advised that it would be unlikely to restart service on Pacific Island regional routes (Majuro, Tarawa and others) without some form of route underwriting.

AIRPORTS

As reported in the 2020 PRIF report, Nauru International Airport infrastructure has had considerable investment over the years, in part stimulated by the air access needs of the Australian Regional Processing Centre. The 2019 National Integrated Infrastructure Plan prepared with PRIF assistance has a list of priority projects amounting to A\$105.1 million. Aviation infrastructure investments are mid-ranked among 53 priority projects. These comprise approximately A\$16 million for:

- Resealing and repair of runway and taxiway of the international airport (an essential periodic investment);
- Replacement of radio communications and meteorological systems and buildings.

4.7 Niue



(Source: 2019 Diio Mi Scheduled Traffic)

Population - 1,862
(Source: World Bank) 2019

GDP (US\$ Millions) - 47
Converted from NZ\$ (Source: ADB) 2019 Estimate

GDP Growth Rate (% Per Annum)
(Source: ADB)



Number of Airports - 1
Of ICAO Importance (Source: Diio Mi Scheduled Traffic)

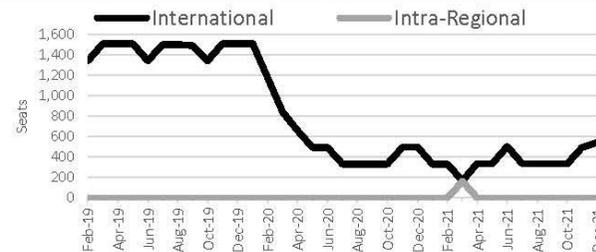
Airlines Registered

Registered	GOVT.	PRIVATE	INT.	DOM.
No National Airlines				

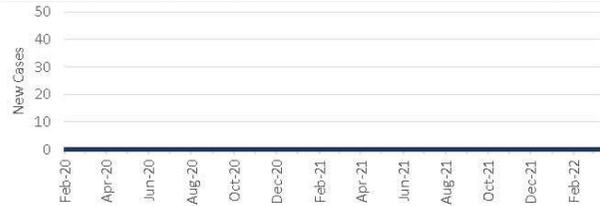
Air Traffic Recovery Available Seats Relative To 2019 Monthly Average (Source: Diio Mi Scheduled Traffic)



Scheduled Air Traffic Seats Per Month (Source: Diio Mi Scheduled Traffic)



Covid-19 Cases - 1 Total
(Source: WHO & Our World in Data) 14 Mar 2022



Population Vaccinated* - 80%
Of Total Population (Source: Our World in Data) 24 Nov 2021

70% Vaccinated* Milestone - Aug 2021
(Source: Our World in Data, or estimate based on) Actual

*Received All Required Doses Of Covid-19 Vaccine

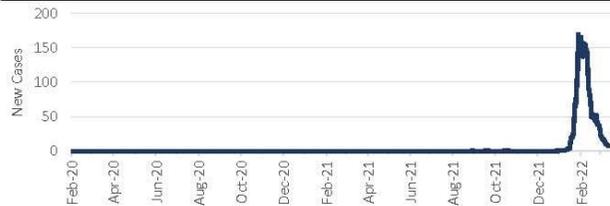
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">BORDERS AND HEALTH</p>	<p>Prior to the onset of the COVID-19 pandemic, Air New Zealand operated two flights per week into Niue. From 2 April 2020, Niue’s borders were closed. Air New Zealand has continued to operate one flight every fortnight, under the NZ Government MIAC scheme (and its predecessor the IAFC) for the repatriation of Niue residents, essential people, and the import of essential items.</p> <p>Throughout 2020 and 2021, there were zero confirmed COVID-19 cases, with one case subsequently reported. A one-way quarantine-free travel bubble currently exists between Niue and New Zealand. The Government is preparing for quarantine-free travel into Niue, but no date has been set though there is discussion about late in the first half of 2022. Currently, the Niue Government must approve passengers wanting to enter and there is a limit of 30 arrivals per fortnight. All arriving passengers must receive several negative COVID-19 test results and quarantine for 14 days on arrival, with self-isolation available to some.</p> <p>The Government set up an Emergency Response Plan for the COVID-19 disease. The initial phase focused on delaying the entry of the disease into the country. Niue has one general hospital that treats all medical concerns. Should COVID-19 become widespread on the island and overwhelm the limited HDU/ICU facility, the response plan proposes the transfer of cases overseas where they can be accommodated.</p> <p>Vaccine rollout in Niue started in June 2021 and, by August 2021, approximately 70% of the population (including 97% of the adult population) was fully vaccinated. Focus has shifted to vaccinating the younger population and community outreach. In December 2021, the Government of Japan and UNICEF provided Niue’s Department of Health with several 4x4 vehicles to assist with vaccine transport and support the nation’s health care system.</p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">ECONOMIC IMPACT AND RECOVERY STRATEGY</p>	<p>According to the Government statistics office, Niue had a pre-pandemic long-term average economic growth rate of 4.6% pa, with tourism representing about one-third of GDP. The introduction of travel restrictions drastically reduced tourism to almost zero with attendant economic impact. Another knock-on effect has been paused or deferred capital investment in projects financed by development partners, as contractors have been unable to access the projects. According to ADB estimates, economic contraction is expected in each of 2020 and 2021 but with an estimated recovery in 2022, assuming two-way quarantine-free travel with New Zealand is re-established as anticipated in FY2022. In the meantime, the Government (assisted by grants from New Zealand and Australia, Japan and elsewhere) has implemented small and micro business support programs, import tax relief and business loan repayment assistance.</p> <p>The Government’s approach to recovery is to first concentrate on prevention and control/containment of infection, particularly through border controls (in tandem with New Zealand as access gateway), and near total vaccination of the resident population. When these conditions are satisfied, the Government and travel community will cautiously open access in a safe and sustainable manner. With border reopening will come work on additional infrastructure projects that will accelerate recovery.</p>
	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">AIRLINES</p>		<p>Niue does not have a national airline. As mentioned above, Air New Zealand has maintained a fortnightly service to the island under the New Zealand MIAC scheme, to repatriate residents and bring in essential items throughout the pandemic.</p>

4.8 Palau



(Source: 2019 Diio Mi Scheduled Traffic)

Covid-19 Cases - **3,899 Total**
 (Source: WHO & Our World in Data) 14 Mar 2022



Population Vaccinated* - **96%**
 Of Total Population (Source: WHO) 15 Feb 2022

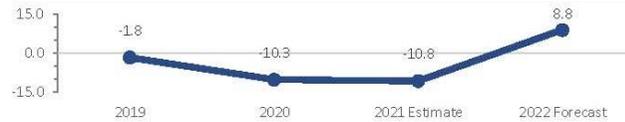
70% Vaccinated* Milestone - **Jun 2021**
 (Source: Our World in Data, or estimate based on) Actual

*Received All Required Doses Of Covid-19 Vaccine

Population - **18,090**
 (Source: World Bank) 2019

GDP (US\$ Millions) - **208**
 Converted from NZ\$ (Source: IMF) 2021 Estimate

GDP Growth Rate (% Per Annum)
 (Source: ADB)



Number of Airports - **1**
 Of ICAO Importance (Source: Diio Mi Scheduled Traffic)

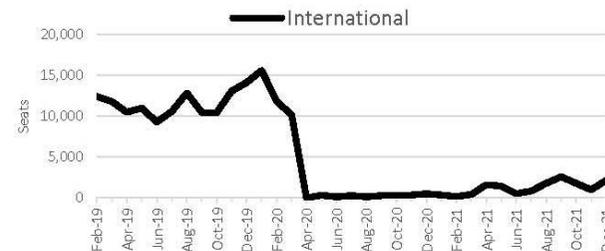
Airlines
 Registered GOVT. PRIVATE INT. DOM.

No National Airlines

Air Traffic Recovery
 Available Seats Relative To 2019 Monthly Average (Source: Diio Mi Scheduled Traffic)



Scheduled Air Traffic
 Seats Per Month (Source: Diio Mi Scheduled Traffic)



BORDERS AND HEALTH

Palau had few cases of coronavirus infection for most of the duration of the pandemic. The first cases appeared in the country in January 2022 with the Omicron variant.

In March 2020, all international air and sea travel was banned until July 2020, thereafter a minimum number of flights were permitted for emergencies, repatriation, medical referral, and worker recruitment. With the exception of a travel bubble opened up with Taipei, China in April 2021 (see below), regular commercial air travel remained suspended until 16 January 2022 except for a few essential services flights, with significant vaccination, testing and quarantine requirements. From that January date, border restrictions were revised to allow quarantine-free air access to fully vaccinated arrivals with a negative PCR test. This corresponded to a surge in infections peaking at the end of January (~160 cases/day) but subsequently declined rapidly (~25/day) by the beginning of March, with a total of 3,899 cases reported as of 14 March 2022.

The 80-bed Belau National Hospital is the main health facility for the country, supported by four community centers and four satellite dispensaries. In respect of capacity for COVID-19 cases, Belau provides four intensive care unit beds, five isolation rooms with negative air flow for handling infectious diseases and 25 ventilators. ADB has estimated that these facilities count for about 20% of the potential requirements in the event of a surge of COVID-19 cases.

It is reported that Palau has significant numbers of high-skilled health professionals, but these would need to be supported by additional trained staff as the workforce gets depleted by infections and isolation requirements.

ECONOMIC IMPACT AND RECOVERY STRATEGY

Prior to the pandemic, Palau experienced solid economic growth over 2010–2015 on the strength of the People’s Republic of China visitor market, and a modest contraction over 2016–2019 as that market tightened. When borders closed and the tourists stopped coming, the economy went into a deep recession with a contraction of 10.3% in FY2020 and 10.8% in FY2021. Most of the impact was in the private sector, which declined at almost double these levels, with widespread job losses, particularly in the tourism sector. In response, the Government implemented a comprehensive relief program under a Coronavirus One Stop Shop Relief (CROSS) Act. Under this, a \$20m program funded by ADB was created to mitigate the impact through unemployment benefits, temporary jobs program, business debt relief, and utility support payments. This is in addition to the US Government unemployment relief accessible to Palau citizens under the U.S. CARES Act 2020. The combined effect was quite significant in achieving its goals in that real household incomes increased during the pandemic. Palau’s economy is expected to rebound by 8.8% in FY2022 according to ADB.

Fiscal balances have been deteriorating as regular government expenditure was maintained, while revenue has dropped, and mitigation measures implemented. The net impact has been a deficit of around 30% of GDP, offset by donor flows (ADB and US Government predominantly).

AIRLINES

Apart from a small single engine aircraft and helicopter service operating between islands, Palau has no registered scheduled airlines. Immediately prior to the pandemic, the country relied on scheduled and charter services by internationally owned carriers like China Airlines connecting to Taipei, China, Asiana Airlines, Korean Air, and United Airlines connecting with Guam and elsewhere in the North Pacific. International services ceased in March 2020 except for a weekly flight delivering mail and cargo. Services were reopened to Taipei, China in April 2021 by China Airlines under what was reported as Asia's first travel bubble. This involved no quarantine on arrival, a negative COVID-19 test before boarding, and with passengers required to be a member of a Government approved tour group. Initially, two flights per week were scheduled but, due to poor demand, this was scaled back to one scheduled flight and a charter flight, and services ceased altogether after six weeks of operation when Taipei, China had an infection breakout. The bubble reopened in August 2021 with China Airlines again flying twice per week.

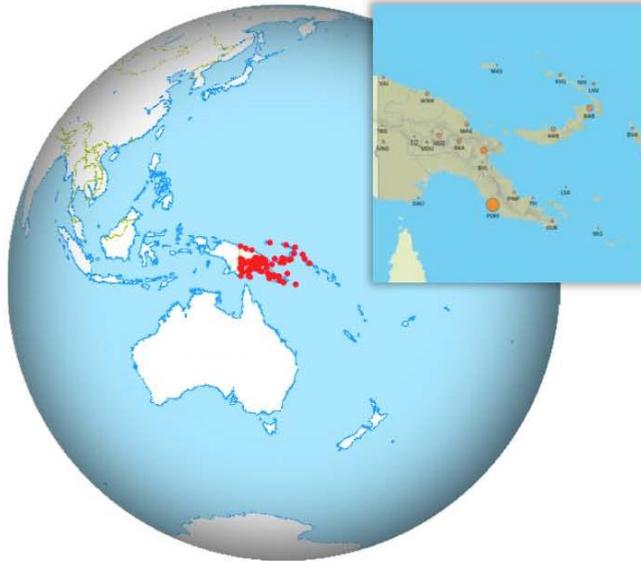
United Airlines recommenced services between Palau and Guam in May 2021 and has been reporting good load factors.

AIRPORTS

After pandemic-induced delays in construction, a new airport terminal commenced operations in December 2021. The new terminal is configured for departures while the existing terminal is retained for arrivals and is now undergoing renovations. The terminal has been constructed by Japan Airport Management Partners Company Limited, comprising Sojitz Corporation, Japan Airport Terminal Company and Japan Overseas Infrastructure Investment Corporation for transport and urban development. The project is being carried out under a public-private partnership (PPP) with the Palau government for the renovation, expansion and management of Palau International Airport, supported by a loan from JICA. This agreement is the first PPP scheme in Palau. The terminal was originally scheduled to open July 2020 but was delayed due to the decline in traffic associated with the pandemic.

The 2021–2030 Palau Integrated Infrastructure Plan prepared with PRIF assistance has a list of priority projects which are ranked according to multiple criteria including the impact on COVID-19 recovery. Higher ranked aviation projects including mid ranked air access development projects for the development of Peleliu, and Anguar Airstrips located on the islands of Peleliu and Angaur to the South of Babeldoab. An estimated \$22.25 million is required to meet basic safety standards in areas such as surfaces, lighting systems, security fences, navigational aids, and windsocks. Other longer-term priorities of the Palau Integrated Infrastructure Plan focus on periodic pavement resealing and upgrading navigation facilities at the Palau International Airport.

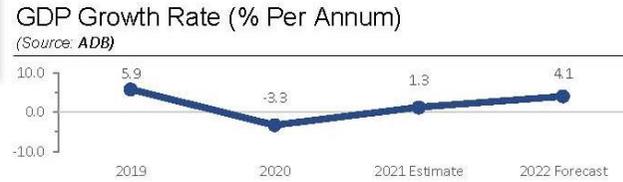
4.9 Papua New Guinea



(Source: 2019 Diio Mi Scheduled Traffic)

Population - 8,947,030
(Source: World Bank) 2020

GDP (US\$ Millions) - 26,461
Converted from NZ\$ (Source: IMF) 2021 Estimate

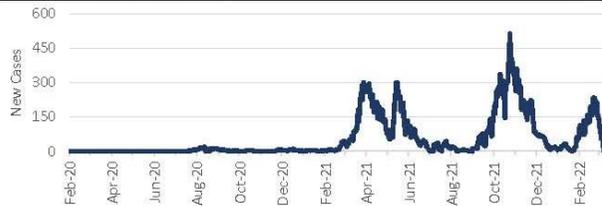


Number of Airports - 29
Of ICAO Importance (Source: Diio Mi Scheduled Traffic)

Airlines Registered

	GOVT.	PRIVATE	INT.	DOM.
Air Niugini (PX)	●		●	●
PNG Air (CG)		●	●	●
Link PNG	●			●
Various Charter Airlines		●		●

Covid-19 Cases - 41,533 Total
(Source: WHO & Our World in Data) 14 Mar 2022

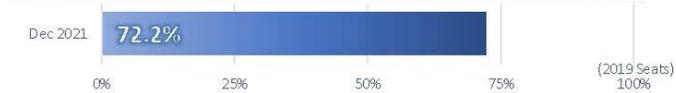


Population Vaccinated* - 3%
Of Total Population (Source: Our World in Data) 14 Mar 2022

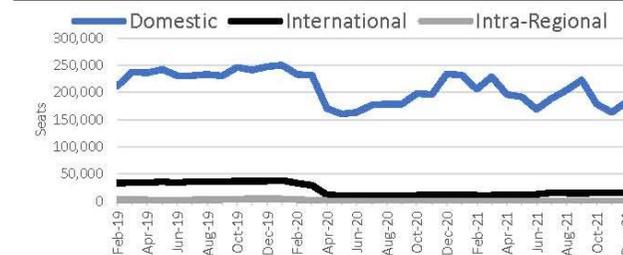
70% Vaccinated* Milestone - Mid 2023
(Source: Our World in Data, or estimate based on) Estimate

*Received All Required Doses Of Covid-19 Vaccine

Air Traffic Recovery
Available Seats Relative To 2019 Monthly Average (Source: Diio Mi Scheduled Traffic)



Scheduled Air Traffic
Seats Per Month (Source: Diio Mi Scheduled Traffic)



BORDERS AND HEALTH

After an initial success in containing the virus throughout 2020 and the first quarter of 2021, PNG experienced substantial breakouts in April 2021 and again in October 2021, and, as of 14 March 2022, has 41,533 confirmed cases. There is widespread community transmission of COVID-19 in most districts and provinces, and with limited testing undertaken outside of the national capital, health officials suggest that the actual infection rate is much higher than the officially reported rate.

At the onset of the pandemic, the Government banned all international flights. Shortly thereafter, Air Niugini re-entered limited international services with considerable restrictions in regard to approvals, vaccination, quarantine, and capacity limitations, as well as a ban on foreign national arrivals when the number of cases surged. For a while, international air access was controlled from approved departure countries and transit points with traveler-specific approval required together with documentation of COVID-19 vaccination, accompanied by testing and quarantine obligations. Since 1 February 2022, the approval process was dropped, and quarantine-free international travel for vaccinated passengers is in place, subject to testing on departure and arrival.

As of March 2022, domestic air travel to non-high-risk provinces is permitted for non-symptomatic passengers, subject to temperature testing. Vaccinated persons are permitted to travel to designated high-risk areas provided they have a valid reason (e.g., essential business travel, residents, medical reasons, students).

The PNG health system has long had structural issues that have been the subject of extensive and ongoing support from donors. These issues have been exacerbated by COVID-19. There are about 500 doctors, 4,000 nurses and 5,000 hospital beds for a population of between 8–10 million. Most facilities are short-staffed and have limited facilities and funding, with some hospitals shutting wards due to funding cuts, just as the COVID-19 demand surged. During the latest wave, risks of hospitalization and death from COVID-19 are reported to be skyrocketing, hospitals are reported as full, and patients are being turned away in Port Moresby and provincial areas.

In response, the international development community, including ADB, World Bank, Australia, and United States Agency for International Development (USAID), have mobilized in excess of \$778 million in targeted health sector support, including technical assistance in capacity building, equipment procurement, hospital and quarantine facilities and vaccines. However, difficulties associated with the logistics of distribution of vaccines across the country means that PNG has one of the lowest vaccination rates in the Pacific.

ECONOMIC IMPACT AND RECOVERY STRATEGY

With a relatively weak economy prior to the pandemic, the COVID-19 impact drove a further contraction in GDP of 3.3% in 2020. However, following the implementation of a K5.6 billion stimulus package in April 2020, the economy is estimated to have grown by 1.3% in 2021 and is projected by ADB to further grow by 4.1% in 2022. The stimulus package included a K600 million credit line with the commercial banks to provide a 3-month buffer on business loan repayments and K500 million support accessible from superannuation savings. As much of the stimulus is funded through debt, challenges still exist related to debt servicing capabilities in the future. In this regard, in June 2021, the World Bank approved a \$100 million Crisis Response and Sustainable Recovery Development Policy Operation facility, which aims, among other things, to strengthen the country's medium-term fiscal and debt sustainability and improve the efficiency of the financial sector.

In regard to specific initiatives directed to civil aviation, the government continues to progress an ADB-financed \$480 million civil aviation program (CADIP) focused largely on improving domestic aviation infrastructure and services, as an extension of a program pre-dating COVID-19. Also, in November 2020, the government announced a K1.65 billion (\$473.5 million) program loan from ADB, directed at SOE reform, of which significant funds from the first tranche (K350 million or \$100 million) were to be directed to the restructuring and reorganization of Air Niugini as it recovers from the pandemic. However, during the consultation process of this study update, advice was received that the funds were ultimately not directed to Air Niugini and were instead invested in higher priority reform needs at PNG Power.

Air Niugini

Air Niugini has been flying internationally and domestically throughout the COVID-19 era, although operations were heavily restricted in April 2020 at the onset of the COVID-19 shutdown, in April 2021 with a surge in infections in PNG, and in October 2021 with the emergence of the Delta and then Omicron variants. As discussed above, flights have been subject to restrictions on capacity, vaccination, permission to travel, and, for a while, off-limits to foreign travelers. The airline is now operating about 80% of its domestic passenger network, with loads reaching 65–70% of pre-pandemic volumes. Most of the revenues come from domestic traffic (55%) and international freight (45%).

Internationally, the airline is presently flying once per week to Sydney, five times to Brisbane, four times to Singapore and twice a week to Hong Kong and Manila. Until Australian borders opened in December 2021, flights into Australia were carrying around 25–50 passengers due to Australian Government capacity limits. Air Niugini also has one Fokker 100 flight per week from Australia for fly-in-fly-out for mine workers who undergo 14-day quarantine at each end.

Despite better than projected revenues, particularly from domestic services and international freight, the airline is making an operating loss, albeit projecting a return to profit in mid-2022. The company has needs for additional financing to address arrears in aircraft leases and taxes, and additional cash flow financing to support recovery through 2022.

Air Niugini is still strongly supportive of the Pacific regional airline collaboration strategies discussed in the previous PRIF work. It sees the next step to be the development of a sound business case.

PNG Air

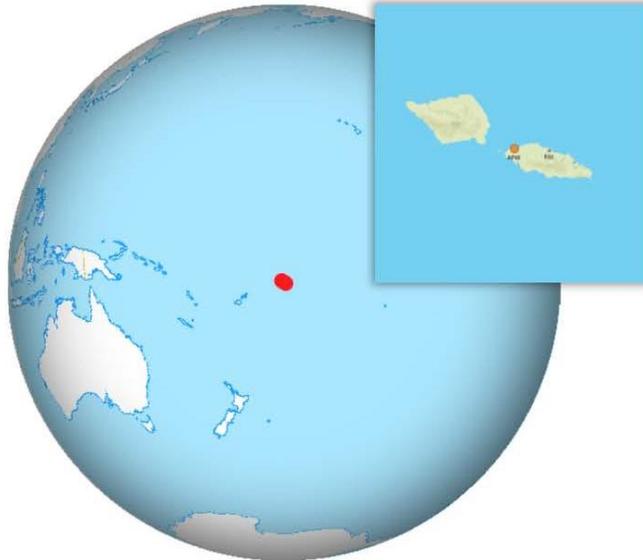
The PNG Exchange listed PNG Air as majority-owned by two shareholders: the MRDC Group of Companies and superannuation fund Nasfund. While focused on domestic operations, the company has reported a significant reduction in business activity associated with the pandemic and contemplates 2–3 years before returning to pre-COVID-19 levels of activity. The company has indicated that it is working on establishing viability during the pandemic through cost cutting.

PNG Air has been exploring a merger with competitor Link PNG, a wholly owned subsidiary of Air Niugini. The basis of the merger is that the PNG market is too small for two major domestic airlines. This merger has been blocked to date by the competition regulator, but management identify economies of scale justifying the two airlines having a much closer collaboration, and the parties are progressing the issue.

Air Niugini advised that Link PNG occupies 90% of the domestic market.

The 2020 PRIF report identified that Government had previously mandated ADB as advisers on the development of Port Moresby's Jacksons International Airport, but that this had not progressed pending Government approval. This situation is understood to be unchanged.

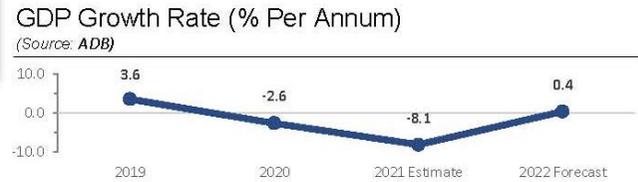
4.10 Samoa



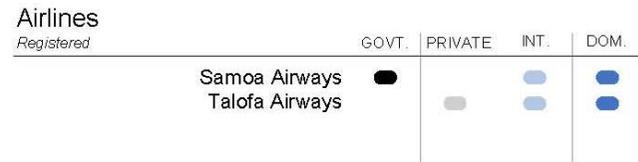
(Source: 2019 Diio Mi Scheduled Traffic)

Population - 198,410
 (Source: World Bank) 2020

GDP (US\$ Millions) - 780
 Converted from NZ\$ (Source: IMF) 2021 Estimate



Number of Airports - 2
 Of ICAO Importance (Source: Diio Mi Scheduled Traffic)



Covid-19 Cases - 48 Total
 (Source: WHO & Our World in Data) 14 Mar 2022



Air Traffic Recovery Available Seats Relative To 2019 Monthly Average (Source: Diio Mi Scheduled Traffic)

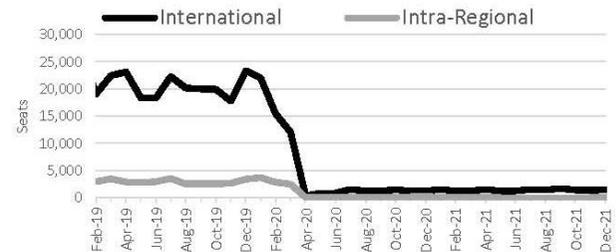


Population Vaccinated* - 65%
 Of Total Population (Source: Our World in Data) 21 Feb 2022

70% Vaccinated* Milestone - Mid 2022
 (Source: Our World in Data, or estimate based on) Estimate

*Received All Required Doses Of Covid-19 Vaccine

Scheduled Air Traffic Seats Per Month (Source: Diio Mi Scheduled Traffic)



BORDERS AND HEALTH

Up until February 2022 Samoa was COVID-19-free, with zero community transmission recorded through the whole pandemic. The change was brought about when a repatriation flight brought in imported cases of the Omicron variant which led to community transmission, with the Government implementing a community lockdown (since lifted but some restrictions remain). At the time of writing (mid-March 2022), there were 48 total reported cases and zero deaths. Throughout the pandemic, the Government has maintained a firm border closure except for approved fully vaccinated passengers. It has also been pushing forward on a COVID-19 vaccination campaign with the aim of ensuring 99% of the eligible population becomes fully vaccinated prior to opening up to international travel. The Government has had discussions with New Zealand regarding opening up to international travel, but these have been influenced by the outbreak in cases in New Zealand and now the outbreak in Samoa. Advice from government officials has been that, prior to the recent events, opening up to tourism was likely to be held off until sometime in 2022, initially with a one-way quarantine-free path, focused on overseas contract workers and repatriation, and will be looking initially to New Zealand and American Samoa routes first.

Prior to the COVID-19 pandemic, Samoa's health care system was already under significant pressure, in particular due to a measles outbreak in the second part of 2019. This ended up being brought under control by a vaccination drive that covered more than 90% of the population, only to be faced with the prospect of doing the same to prevent COVID-19 transmission. The strong border management processes have allowed this to happen, but infection protection and management is expected to be a challenge when borders are progressively opened, or if the Omicron variant spreads in any event. Of concern are the high rates of non-communicable diseases including cancer, diabetes, and heart disease, meaning that many people would be especially vulnerable to the virus.

Samoa's health system is based on two referral hospitals: Tupua Tamsese Meaole (TTM) National Hospital, which is the main national referral hospital in Apia, and Malietoa Tanumafili II Hospital (MTII) on Savai'i. This is supported by six rural district hospitals, and five community health centers. Primary health facilities have been historically understaffed and have relatively limited equipment with resources concentrated on TTM. With the progression of the pandemic, a significant flow of donor funds and money from the government's stimulus program have been used to strengthen the system including upgrading isolation rooms in the two primary hospitals (including a negative pressure room to prevent cross-contamination), strengthening quarantine facilities, providing laboratory capacity for local testing, procuring medical supplies and consumables, supply of vaccines, and training of health workers on infection prevention control, contact tracing, and risk communication. Notwithstanding the progress on vaccination, Samoa remains vulnerable to any large-scale outbreak of COVID-19, placing considerable focus to date on the effective management of border opening.

ECONOMIC IMPACT AND RECOVERY STRATEGY

While Samoa remained virus-free, as a tourism-dependent economy, the country has been strongly impacted by border closure, the cessation of international travel, and the pandemic-imposed restrictions on economic activity. According to a July 2020 rapid online survey of Samoan households conducted by United Nations Samoa, the livelihoods of Samoan people have been significantly affected. Two-thirds of households surveyed reporting their main income had declined and close to 50% experiencing at least one job loss due to pandemic-related restrictions. Overall, according to the December 2021 ADB Pacific Economic Monitor, the economy experienced a contraction of 2.6% in 2020 and an even stronger decline of 8.1% is estimated for 2021. In response, Government introduced two fiscal and economic stimulus packages, the first in April 2020 of ST66.3 million followed by a second amount of ST83.1 million in the 2021 financial year. These packages had extensive support from development partners, and both addressed expenditure to cover:

- the immediate health system response;
- assistance to individuals and households (including establishing retail price controls, loan refunds and dividend payments to members of the National Provident Fund, reduction of utility bills unemployment benefits, once-off pension payments and paid training for the hospitality sector);
- assistance to the private sector, including temporary exemptions on import duties on household goods, agricultural and fishing materials, grace periods for loan payments and a moratorium on pension contributions for the hospitality sector.

ADB forecasts project that limited growth of 0.4% will return in 2022 on the strength of the rebuilding of tourism and dependent sectors as borders progressively open.

AIRLINES

Prior to the pandemic, Samoa was serviced by Samoa Airways, Air New Zealand, Virgin Australia, and Telofa Air (serving Samoa, Tonga and American Samoa), all of which have ceased regular international passenger services. Having completed a previous B737 wet lease at the onset of the pandemic, Samoa Airways has been limited to operating occasional charters (contract workers, repatriation) to and within American Samoa using Twin Otter aircraft. In July 2021, Samoa Airways took delivery of a recent model (7-year-old) B737-800 on a 6-year (less expensive) dry lease negotiated around the time the pandemic started. It is understood that the Certificate of Airworthiness has been completed, and the aircraft added to the Samoa register. The addition of the aircraft to the airline's Air Operators Certificate is nearing finalization pending the completion of training and documentation, some of which will need to be undertaken after ferrying the aircraft to Samoa.

Samoa Airways has a business plan based on the new jet aircraft and looks to re-access the Australian and New Zealand markets assuming a June 2022 reopening of borders. The airline is contemplating servicing the Samoa – Tonga – Australia route under the DFAT Pacific Flights program when the new jet is available.

In August 2021, the then newly elected Government advised that it will be reviewing the aircraft lease arrangement, in particular any state obligations for financing, and given the lack of commercial viability at the time of border closures. The Government has advised that there are large debts owing from a previous wet lease. According to the IMF, Samoa Airways has a \$30 million loan from the Unit Trust of Samoa (with Government guarantee).

Privately operated Telofa Air is also understood to have suspended operations until borders open.

AIRPORTS

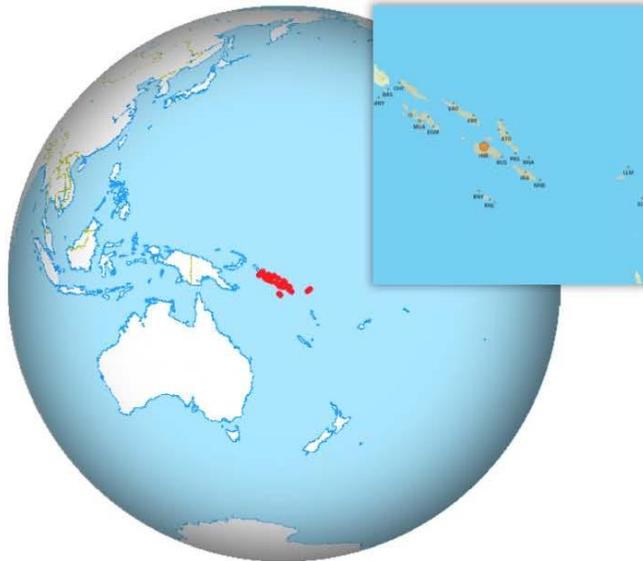
Apia's Faleolo Airport is the main international gateway to Samoa and has recently been extensively redeveloped. The redeveloped terminal was opened in 2018, with new aerobridges becoming operational in 2019. Prior to COVID-19 and the earlier measles epidemic, there were up to 68 international flights per week. As the airport was designed pre-pandemic, a review (funded by ADB) was conducted of any further development requirements necessary to reopen the airport to international aviation as part of the post-COVID-19 transition, and in compliance with ICAO CART guidelines.

This review identified that the airport can be reopened safely to 2018 levels of traffic in a COVID-19-compliant manner with a range of operational changes and small-scale facility adjustments. This is aided considerably by the presence of a new terminal with capacity headroom.

Presently, the Samoan Government and World Bank are developing a \$33 million Samoa Aviation and Roads Project which for the aviation sector is addressing climate resilience and safety investments for Faleolo Airport. This includes:

- Implementing a flood resilience and drainage strategy including associated seawall rehabilitation, and airfield and terminal infrastructure upgrades.
- Feasibility study for a runway extension.
- Supply and installation of new navigation systems and weather station.
- Establishing a multi-year performance-based airport asset maintenance contract which will form part of an initiative supported by World Bank entitled the Safety of Aviation for Regional Resilience (SOARR) program, also being considered for Tonga and the Solomon Islands.

4.11 Solomon Islands



(Source: 2019 Diio Mi Scheduled Traffic)

Population - 686,880
(Source: World Bank) 2020

GDP (US\$ Millions) - 1,649
Converted from NZ\$ (Source: IMF) 2021 Estimate

GDP Growth Rate (% Per Annum)
(Source: ADB)

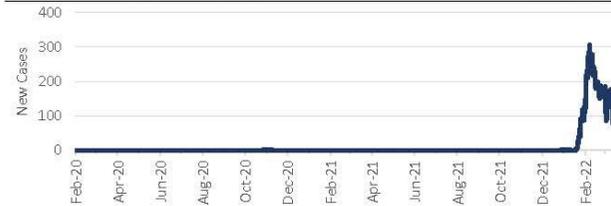


Number of Airports - 23
Of ICAO Importance (Source: Diio Mi Scheduled Traffic)

Airlines Registered

	GOVT.	PRIVATE	INT.	DOM.
Solomon Airlines	●		●	●

Covid-19 Cases - 9,124 Total
(Source: WHO & Our World in Data) 14 Mar 2022



Population Vaccinated* - 14%
Of Total Population (Source: Our World in Data) 7 Mar 2022

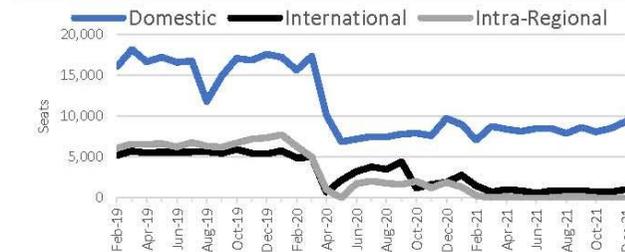
70% Vaccinated* Milestone - Early 2023
(Source: Our World in Data, or estimate based on) Estimate

*Received All Required Doses Of Covid-19 Vaccine

Air Traffic Recovery
Available Seats Relative To 2019 Monthly Average (Source: Diio Mi Scheduled Traffic)



Scheduled Air Traffic
Seats Per Month (Source: Diio Mi Scheduled Traffic)



BORDERS AND HEALTH

Until mid-January 2022, Solomon Islands had only 31 positive cases of COVID-19. From that date, infections linked to repatriation flights grew and spread rapidly, and, in mid-March, there were 9,124 cases recorded. Throughout the pandemic, international commercial flights to and from the Solomon Islands have been restricted, with only Government-approved freight and charter repatriation flights occurring, including flights contracted by Australia under its subsidized Pacific flights scheme. On 1 November 2021, the Government lifted the suspension on incoming international flights and approved a weekly schedule of international services between Honiara and Brisbane. Notwithstanding this, a state of emergency still exists, and international air travel is highly regulated by a border opening subcommittee. Travelers must receive prior approval, must have mandatory vaccination and have to conform with substantive testing and quarantine obligations. Note that during the weeks of 24 November and 6 December 2021, civil unrest occurred in Honiara. A regional security force from Australia, New Zealand, PNG and Fiji was dispatched to the country and all commercial flights were again temporarily suspended and a curfew applied. At the time of writing (March 2022), the situation has stabilized.

The Solomon Islands Tourism Authority was until recently projecting that the country might be reopening in 2022 depending on progress with vaccinations, although the recent riots and pandemic outbreak are anticipated to influence this timing.

Health services in the Solomon Islands are distributed throughout the country. The center of the system is a national referral hospital in Honiara, with 59 beds in two isolation units for infectious diseases. There is also a newly constructed 56-bed field hospital in Honiara which provides eight beds designated for asymptomatic patients and those with moderate signs of the virus. Severe COVID-19 infections will be treated at the national hospital. Outside Honiara, there are 11 provincial hospitals, 35 area health centers, 107 rural health clinics, and 190 nurse aid posts. The facilities, staffing and skills mix varies extensively across the country, with the majority of health workers and resources based in Honiara. Many outer island health facilities are very basic with minimal equipment, water or sanitation. There are no intensive care unit beds in the country and only nine ventilators.

ECONOMIC IMPACT AND RECOVERY STRATEGY

After several years of positive growth, the economy of Solomon Islands contracted by 4.5% in 2020. This is attributed to worldwide supply disruptions, global mobility restrictions, border closure and lockdowns in source markets, all having an impact on the main sectors of the economy, mainly manufacturing, logging, fishing and a relatively small tourism sector. According to ANZ bank, formal sector employment has also fallen significantly during the pandemic, which in turn reduced wholesale and retail demand.

ADB estimates that the 2021 GDP will show a modest growth of 1.0% on the back of a donor-supported Economic Stimulus Package (ESP) of S\$319 million. This comprised income and other social support for households, and capital grants to businesses focusing on investments that add value to agricultural products and the fisheries, forestry, and tourism sectors. The ESP includes advancing planned infrastructure investment. ADB are forecasting further growth of 4.5% in 2022, in anticipation of further relaxation of border closures and global trade restrictions.

Aligned with the ESP, the Government has outlined in its 2021 budget strategy a redirection of policy that aims to “keep the economy afloat and accelerate recovery by protecting vulnerable people, mitigating the damage the pandemic has inflicted on the economy, and bolstering economic resilience.” The commitment is to:

- Improving service delivery and preventing the spread of COVID-19;
- Redirecting resources towards those parts of the economy that could quickly recover;
- Prioritizing growth investments in the productive and resource sectors;
- Stopping unproductive and wasteful expenditure;
- Prudent macroeconomic and fiscal management.

In regard to the tourism sector, the closure of borders has driven a focus on a domestic travel initiative intended to drive revenues into stressed tourism operator businesses, while, at the same time, readying these industry participants for border reopening. A component of this strategy has been ensuring all accommodation suppliers bring their offerings up to the required Minimum Standard program instigated by the Ministry of Culture & Tourism.

Some concerns have been expressed by the tourism sector of the potential impact on tourism demand given the November 2021 civil unrest.

AIRLINES

Solomon Airlines continued to operate an extensive domestic network for much of the pandemic, although the January 2022 pandemic outbreak led to all domestic passenger services were suspended until the end of March 2022, while limited domestic freight-only services are still operating. Also, Solomon Airlines remains the only international carrier offering limited operations for freight charter and repatriation work (including, from January 2021, contracts for two weekly flights Honiara-Brisbane under the Australian DFAT Pacific flights program. The airline has posted a January 2022 schedule for five flights per week to Brisbane inclusive of the two DFAT services.

Nonetheless, with operations limited by extended border closure and onerous and ever-changing quarantine, vaccination and border health requirements, Solomon Airlines has continued to experience a major revenue downturn with an approximately 43% operating revenue drop in 2020 compared to 2019. However, the airline has been able to continue operations through:

- Continued cost-saving measures;
- Withdrawing of a twin otter aircraft from domestic service and leasing this to Air Kiribati;
- Reduced direct operating costs on loss making domestic routes no longer served (or served with reduced frequency);
- Loan restructuring;
- Receipt of income from charter and repatriation work including the DFAT route subsidies;
- Receipt of previously reported Government grants (SI\$5 million) and a concessional loan (SI\$15 million) under the donor-supported economic stimulus package and annual Community Service Obligation grants (albeit covering only part of operating costs on unprofitable domestic routes);
- Regulatory oversight being supplied by PASO assisted by funding from Australia and New Zealand.

Notwithstanding this situation, the airline is still financially vulnerable. A May 2021 analysis conducted by Solomon Airlines' consultants identified that, while the business can be demonstrated to be financially sustainable based on pre-pandemic earnings growth trends, the extended period of COVID-19 impact would run the risk of recurring annual cash flow deficits until around 2022–2023, depending on the progression of the pandemic.

The work of the 2020 PRIF study identified a motivation of some members of the Association of South Pacific Airlines to collaborate on a regional approach to air service provision, including collaboration on cost management and/or revenue management, and potentially extending to collaboration on service delivery. Solomon Airlines is an active proponent of such collaboration, a position that was supported in the 2021 Solomon Airlines consultant's report which recommended Government support for a regional airline solution involving "commercial partnerships, code sharing, as well as pooling and sharing of resources". That same report also recommended the undertaking of a feasibility study on the use of seaplanes and seaports as an alternative domestic air access solution.

AIRPORTS

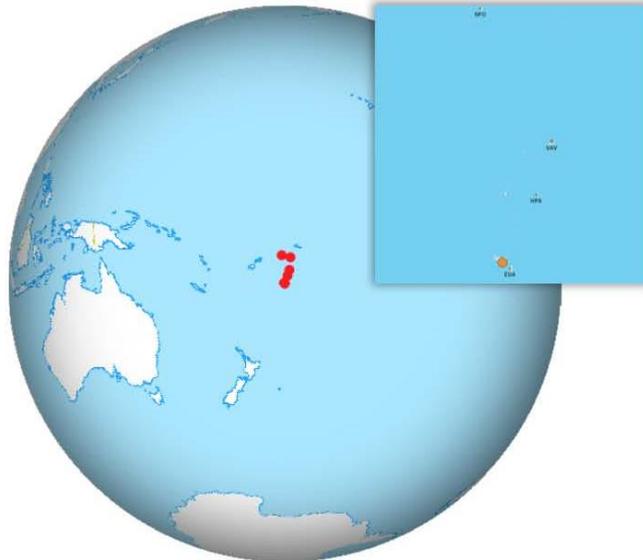
It was reported in the 2020 PRIF study conducted that there are two international gateways/ domestic hubs in the Solomon Islands, namely Honiara (Henderson Field) and Munda. Honiara Airport is the main hub and has, with some interruption caused by border closure, been undergoing redevelopment. This has been conducted under JICA grant funding (¥4.3 billion) for construction of a new international terminal, renovation of the existing terminal for domestic use, renovation of taxiway and apron pavements and supply of equipment. This is presently scheduled for completion in 2022.

In parallel, the World Bank has also been assisting with development of Honiara and Munda Airports (pavements resurfacing, navigation and safety aids, new terminal at Munda) under the Solomon Islands Road and Aviation Project (SIRAP). It is understood that some components of the project scheduled for Honiara are deferred to a proposed second World Bank-funded project, (SIRAP2) which is under preparation. This new project will be contributing approximately \$67 million to the aviation sector (out of \$91.5 million total project cost).

As Honiara airport was designed pre-pandemic, a review (funded by ADB) was conducted of any further development requirements necessary to comply with ICAO CART guidelines. This identified that, with the aid of the new terminal, the airport can be reopened safely to 2019 levels of traffic in a COVID-19-compliant manner. This would involve a range of operational changes and small-scale building adjustments to overcome capacity bottlenecks with health screening and distancing.

According to the World Bank, the Solomon Islands is also considering participation in the SOARR multi-year performance-based airport asset maintenance contract.

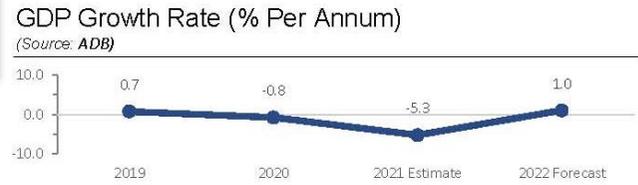
4.12 Tonga



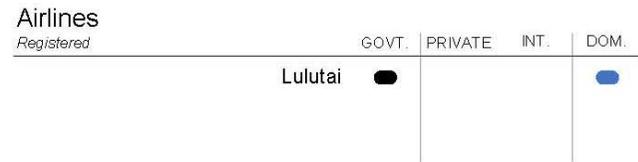
(Source: 2019 Diao Mi Scheduled Traffic)

Population - 105,697
 (Source: World Bank) 2020

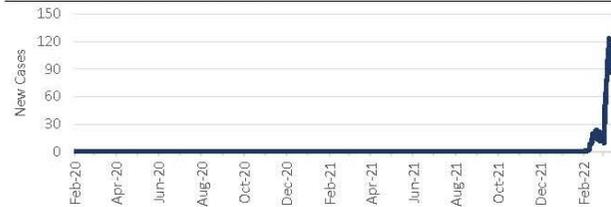
GDP (US\$ Millions) - 501
 Converted from NZ\$ (Source: IMF) 2021 Estimate



Number of Airports - 5
 Of ICAO Importance (Source: Diao Mi Scheduled Traffic)



Covid-19 Cases - 1,875 Total
 (Source: WHO & Our World in Data) 14 Mar 2022



Air Traffic Recovery
 Available Seats Relative To 2019 Monthly Average (Source: Diao Mi Scheduled Traffic)

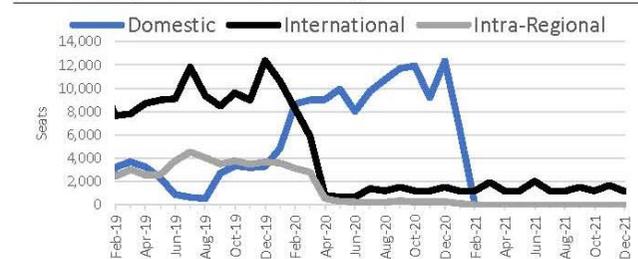


Population Vaccinated* - 66%
 Of Total Population (Source: Our World in Data) 28 Feb 2022

70% Vaccinated* Milestone - Mid 2022
 (Source: Our World in Data, or estimate based on) Estimate

*Received All Required Doses Of Covid-19 Vaccine

Scheduled Air Traffic
 Seats Per Month (Source: Diao Mi Scheduled Traffic)



BORDERS AND HEALTH

Through most of the COVID-19 pandemic, and prior to the eruption of the Hunga Tonga-Hunga Ha'apai volcano, Tonga was able to maintain only one recorded case. This relied on strict border restrictions from March 2020, with only Tongan citizens, residents, and critical travelers (e.g., assisting with COVID-19 response) being eligible for the ad hoc repatriation flights. All arriving passengers had to quarantine for 3 weeks once in Tonga.

In August 2021, a one-way, quarantine-free travel bubble was established for seasonal workers traveling to New Zealand. In October the same year, a returning worker in quarantine became Tonga's first confirmed case. From 8 November 2021, the travel bubble was expanded to include all New Zealand citizens and residents. After the eruption on 15 January 2021, the situation changed dramatically and COVID-19 infections have started circulating in the community coinciding with the arrival of aid workers, precipitating a lockdown and restoration of travel restrictions. As of 14 March 2022, a total of 1,875 cases have been reported with zero deaths.

Prior to the onset of the pandemic, the Tongan healthcare system was already facing challenges with the proliferation of noncommunicable diseases like diabetes and cardiovascular disease. The health system is made up of a network of facilities:

- one National Referral Hospital (Vaiola Hospital), with 200 beds;
- three outer- islands hospitals; and
- 24 lower-level facilities.

Should COVID-19 spread throughout the country, the health system will likely be under challenge. Throughout the pandemic, Tonga has received significant contributions from donors (including ADB, Australia, New Zealand, Japan and World Bank) to improve the country's preparedness, in the form of funding, vaccines, medical supplies and PPE. This has focused on enabling treatment of COVID-19 cases, improving critical care, isolation and quarantine arrangements and diagnostic capability. The Vaiola Hospital laboratory has been renovated and has received equipment to enable COVID-19 testing.

ECONOMIC IMPACT AND RECOVERY STRATEGY

Despite the extended COVID-19-free period, border closures and reduced economic activity because of pandemic restrictions have had an economic impact. Between FY2015 and FY2019, the country recorded an average economic growth of 2.4%. The combined effect of the pandemic restrictions, overlapping with Tropical Cyclone Harold in April 2020, saw GDP contract by 0.8% in FY2020 and 5.3% in FY2021.

Prior to the January 2022 eruption, growth was projected by ADB to recover at 1.0% in FY2022 based on the projected success of the vaccination project, reopening of quarantine-free borders, securing regular air access and resuming tourism. The full impacts of the volcanic eruption, tsunami and ash fallout are yet to be assessed, but it is reasonable to assume that economic recovery will be deferred for some time.

At the onset of the pandemic, the Government implemented an Economic and Social Stimulus Package of T\$60 million for FY2020. Over a third of these funds were directed to the health sector, while the rest supported tourism, transport, agriculture, education and security among other sectors. A second economic recovery package based on budget support from multiple donors (New Zealand, the European Union, the Asian Development Bank, and the World Bank) has been working in parallel. The project seeks the undertaking of macroeconomic, fiscal and private sector reforms to reduce debt, repair the budget, improve revenue collection and promote private sector development. The project aligns with policy reforms supported by donors in an agreed Joint Policy Reform Matrix.

AIRLINES

In 2019, Tonga had air access to Australia, New Zealand, Fiji, and Samoa, being serviced by three international airlines: Virgin Australia (Sydney), Air New Zealand (Auckland), and Fiji Airways (Nadi). Since the onset of the pandemic, scheduled international flights have been suspended, and Tonga has been serviced internationally by a weekly cargo/repatriation flight from Auckland under the New Zealand Government subsidized MIAC scheme, and charter services from Australia contracted to Qantas under the DFAT Pacific flights program.

As foreshadowed in the 2020 study, in September 2020, the Government secured a locally issued domestic Air Operator Certificate for the new fully Government-owned Lulutai Airlines to restore services in the domestic market after the cessation of the privately owned Real Tonga. Lulutai is using the SAAB 340 and Y12 aircraft formerly used by Real Tonga and is understood to be using mostly former Real Tonga staff. The 2020 study reported Government's long-term desire to have a private sector party own and operate the airline. Media reports in November 2021 indicated interest from privately owned Fly Niu to invest. Fly Niu previously operated in Tonga until 2004 until forced out of business by the then Government's one-airline policy in favor of the now defunct Royal Tongan Airlines. Government's position on this is not known.

AIRPORTS

Much of the key aviation infrastructure has been upgraded in recent years under the World Bank funded Pacific Aviation Investment Program (PAIP), as outlined in the 2020 PRIF report. Following on there are various development needs ranging from outer island airport development to sustainable asset management of all airports.

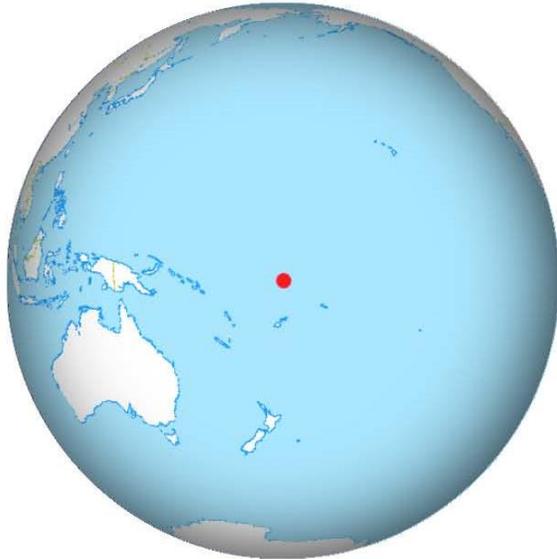
According to the World Bank, Tonga plans to participate in a series of activities under preparation by the Bank to address aviation operational safety, resilience to natural disasters, and asset management of airport infrastructure, all factors that will continue to limit air access. These activities will entail:

- Detailed design and resurfacing of the runway at the 'Eua airport;
- Acquisition of basic safety equipment and facilities at Ha'apai, 'Eua, Niufo'ou and Niuatoputapu airports; and
- A multi-year performance-based airport asset maintenance contract under the SOARR regional initiative.

Other elements will address infrastructure development priorities under the Tonga National Infrastructure Investment Plan 2020–2030.

In October 2021, media reports made mention of a \$123 million project proposal by private parties involving Tongan nationals and foreign investors, to expand and redevelop the Vava'u International Airport. Government advised that a full proposal is yet to be received and no approvals have been made.

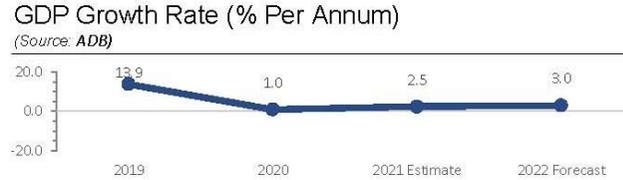
4.13 Tuvalu



(Source: 2019 Diio Mi Scheduled Traffic)

Population - 11,790
 (Source: World Bank) 2020

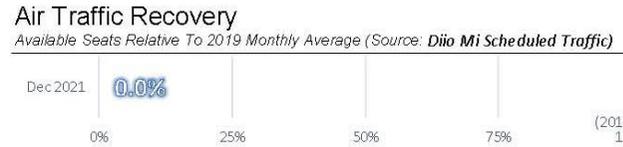
GDP (US\$ Millions) - 65
 Converted from NZ\$ (Source: IMF) 2021 Estimate



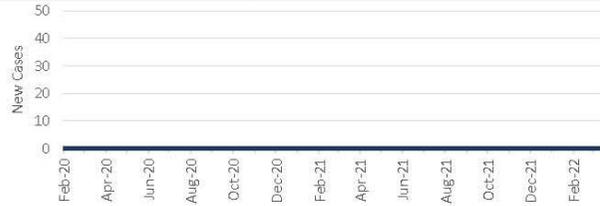
Number of Airports - 1
 Of ICAO Importance (Source: Diio Mi Scheduled Traffic)

Airlines

Registered	GOVT.	PRIVATE	INT.	DOM.
No National Airlines				



Covid-19 Cases - 0 Total
 (Source: WHO & Our World in Data) 14 Mar 2022

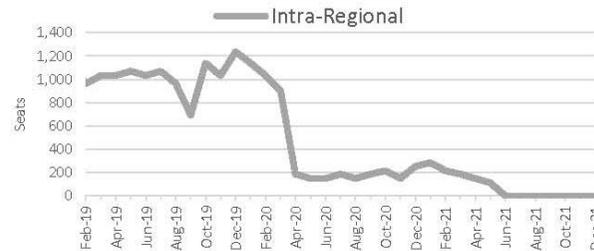


Population Vaccinated* - 49%
 Of Total Population (Source: Our World in Data) 22 Oct 2021

70% Vaccinated* Milestone - Late 2022
 (Source: Our World in Data, or estimate based on) Estimate

*Received All Required Doses Of Covid-19 Vaccine

Scheduled Air Traffic
 Seats Per Month (Source: Diio Mi Scheduled Traffic)



BORDERS AND HEALTH

Tuvalu has had no locally transmitted cases of COVID-19.

The Government has declared a State of Emergency with border closure to non-Tuvalu nationals.

Health services in Tuvalu are limited under normal circumstances and, in particular, have limited capacity to accommodate the arrival and spread of COVID-19. There is one 50-bed public hospital (Princess Margaret Hospital) on Funafuti and basic nursing clinics service the outer islands. Pre-pandemic, patients requiring a level of care that is not available in-country have been required to access hospitals overseas, at the Government's expense. However, the cessation of scheduled air services associated with border closures has thwarted this response. In respect to strengthening the potential to handle COVID-19, donors have supported funding for hospital equipment, the development of a small isolation ward at the hospital, establishment of quarantine facilities, procurement of medical supplies and specialized equipment, upgrading laboratory facilities, supporting in-country testing, and training of the workforce.

ECONOMIC IMPACT AND RECOVERY STRATEGY

With only a very small tourism sector, the Tuvalu economy was not strongly affected, with GDP growth retained throughout 2020 (1.0%) and 2021 (estimated at 2.5%) and predicted by ADB to grow at 3.0% in the 2022 financial year. However, the closure of ports of entry and international movement restrictions did impose some hardships, in the form of unemployment, loss of remittances from stranded overseas contract workers, and reduced food security given the high dependence on imports.

At the beginning of the pandemic, the Government anticipated a more severe impact and launched a social protection program entitled the Talaaliki Plan, based upon the prospect of widespread economic disruption. The majority of the program was a short-term cash payment of A\$40 per person. To this was added a one-time pay out benefit from the national Provident Fund of A\$500, plus cash payments for workers that lost their positions or were working on reduced salaries, and loan restructuring and suspension of repayments.

Beyond the short-term response, in December 2020, the Government updated its National Strategy for Sustainable Development "Te Kete" which articulates high level economic development strategies for the 10-year planning period from 2021 to 2030. While building on earlier planning strategies, Te Kete specifically embraces the "new normal" economic development environment post-pandemic.

The overarching theme is to look inward into Tuvalu's own potential, optimizing the returns from atoll endowments and Tuvalu's human resources in the generation of sustainable livelihoods. Five strategic priority areas are identified, namely:

- Enabling Environment (institutional, policy and regulatory enablers);
- Economic Development (equitable distribution of wealth);
- Social Development (healthy, educated, skilled value-based society);
- Island and Culture Development (vibrant and resilient island communities); and
- Infrastructure Development (housing, shipping/networking, energy, water and sanitation).

Under the Infrastructure Development area, the following key strategic actions are identified for air access:

- Establish a domestic air service while at the same time build a new international airport freeing up the existing airfield for other demanding infrastructural target activities;
- Improve international air and shipping services to ensure reliability of service and lower transport cost.

These items are identified as priorities under the Tuvalu Priority Infrastructure Investment Plan 2020–2025. In 2021. Scoping studies are understood to have been commenced addressing these specific items.

AIRLINES

Tuvalu has no national airline, and was pre-pandemic serviced from Fiji by Fiji Airways and from Kiribati via Air Kiribati. Fiji Airways continues to operate occasional demand-based cargo flights between Nadi and Funafuti and Air Vanuatu has been engaged under the Australian DFAT Pacific flights program for flights from Port Vila to Funafuti for humanitarian purposes (noting that most cargo into the country is still being transported by sea).

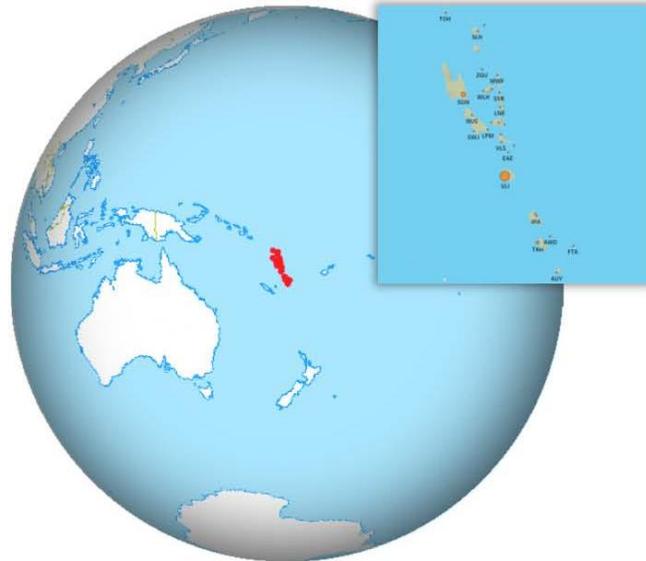
Addendum 1: Subsequent to the finalization of this study, the Government has advised that it has purchased a 19-seat, Twin Otter aircraft for domestic air operations between 8 islands and is expected to be delivered to Tuvalu when borders reopen. The Government is in the process of revising its existing regulatory framework to support a domestic airline service in line with ICAO requirements. In April 2022, the Government has issued a Request for Proposal for holders of foreign air operators' certificates to bid for the management and operation of the new airline.

AIRPORTS

While major development of Funafuti Airport has been conducted by PAIP, there still remain issues with the existing airport site, which has a runway less than optimum length and the current land risks falling below sea level. The Tuvalu Priority Infrastructure Investment Plan places a high priority on an airport options study as part of a National Adaptation and Reclamation Project.

Addendum 2: As a consequence of the domestic aircraft purchase indicated in Addendum 1, The Government has advised that it is in the process of building seven domestic aerodromes,

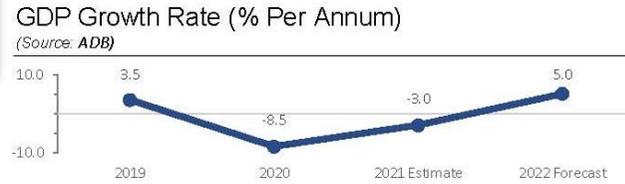
4.14 Vanuatu



(Source: 2019 Diio Mi Scheduled Traffic)

Population - 307,150
 (Source: World Bank) 2020

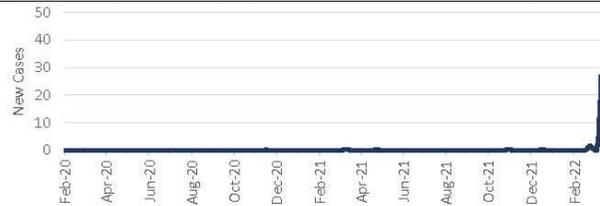
GDP (US\$ Millions) - 999
 Converted from NZ\$ (Source: IMF) 2021 Estimate



Number of Airports - 27
 Of ICAO Importance (Source: Diio Mi Scheduled Traffic)



Covid-19 Cases - 259 Total
 (Source: WHO & Our World in Data) 14 Mar 2022



Air Traffic Recovery Available Seats Relative To 2019 Monthly Average (Source: Diio Mi Scheduled Traffic)

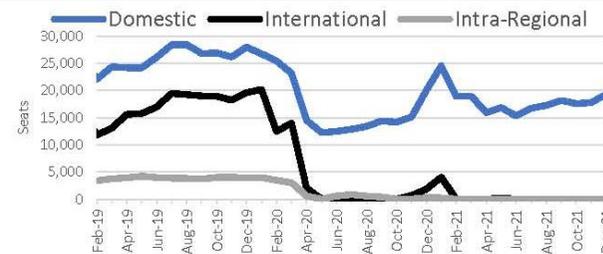


Population Vaccinated* - 27%
 Of Total Population (Source: Our World in Data) 28 Feb 2022

70% Vaccinated* Milestone - Early 2023
 (Source: Our World in Data, or estimate based on) Estimate

*Received All Required Doses Of Covid-19 Vaccine

Scheduled Air Traffic Seats Per Month (Source: Diio Mi Scheduled Traffic)



During the period from March 2020 to March 2022, there were only five active COVID-19 cases detected in quarantine but no cases in the community, a reflection of tight border controls. On 4 March 2022, the first case of community transmission was identified, which by 14 March had escalated to 259 cases. The island of Efate was placed on lockdown and all international passenger flights suspended. Previously for most of the pandemic, Vanuatu's borders have been closed to non-residents. Air Vanuatu ran occasional scheduled cargo and repatriation flights from Auckland, Brisbane, and Noumea for Vanuatu citizens and permanent residents. Arriving passengers have been required to be fully vaccinated against COVID-19 and are required to undergo 14 days' quarantine at a government approved location at their own expense.

Pre-pandemic, the health system was under pressure, including shortages of qualified health care personnel, and many provincial health facilities had closed because of inadequate staffing or absence of routine maintenance. At Vanuatu's Vila Central Hospital and Northern District hospital, there is a 24-bed isolation capacity as well as five ventilators. The country also has a minimum 1-month supply of protective equipment. Significant personnel have been trained in contact tracing and management of COVID-19. Vanuatu has established a limited local testing capacity but would need additional support in the event of a major outbreak.

As an early response, the Ministry of Health implemented (with donor support) a \$6 million Health Preparedness Response Program, which addressed containment measures to prevent the import of cases and interrupt local transmission, together with mitigation measures to prevent community outbreaks through isolation, infection prevention control, enhanced contact tracing and surveillance, and risk communication in communities. In anticipation of eventual exposure, the Government has plans to further expand testing laboratories and isolation wards and continue training programs.

In 2020, Vanuatu's economy contracted by 8.5%, with a further contraction of 3% estimated for 2021, representing the combined impact of COVID-19 and Tropical Cyclone Harold on the tourism-driven economy. The main impacts on the economy include:

- Loss of tourism expenditure with attendant multipliers across the economy, together with employment effects, while the borders remain closed (tourism is the largest single sector of the economy);
- Loss of remittances from overseas contract workers (now recovering as overseas contract work has recommenced); and
- Decline in trade and investment associated with restrictions in movement of people and goods globally.

In response, the Government implemented an Economic Stimulus Plan comprising:

- Employment stabilization payment;
- Grants to micro, small, and medium-sized enterprises;
- Agriculture support;
- Tuition fee grants; and
- Tax and fee concessions.

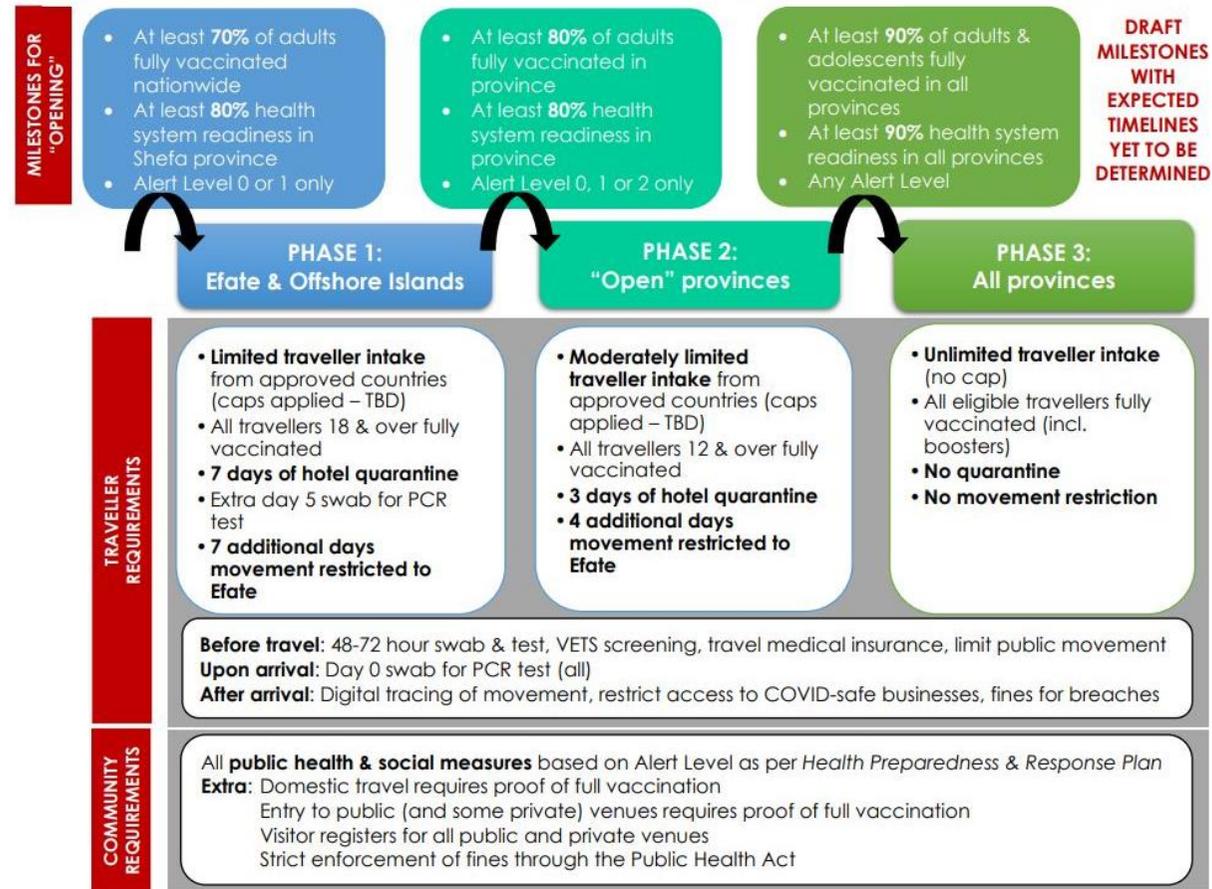
The Reserve Bank of Vanuatu also set up a disaster recovery facility for imports and exports, reduced official interest rates and the capital adequacy ratio. Also, unemployed national provident fund members were provided with loan relief. In respect of the tourism industry, a Vanuatu's Tourism Crisis Recovery Committee was established to promote tourism business preservation and diversification activities, including domestic tourism promotion, facilitating readiness for an international tourism restart including the implementation of a tourism recovery marketing plan.

Recognizing that the pandemic is extending beyond originally expected timescales, the Government with donor support has designed a second stimulus package to establish a "COVID-19 banking facility", including a small business grant scheme and subsidies that keep people at work for the longer term as the country moves towards reopening borders.

In regard to border reopening, the Government has outlined a three-phase approach based on the achievement of vaccination targets across the country (see

Figure 4-1). The first phase is to be based on initially opening Efate and offshore islands to a limited number of fully vaccinated visitors from approved countries, with 7 days of quarantine and 7 days of restricted movements. Phases 2 and 3 will look at progressively opening other provinces as vaccination targets are met.

Figure 4-1: Vanuatu's Overview of Proposed Phased Approach to Safe Border Reopening



TBD = To Be Determined

VETS = Vanuatu Electronic Traveler System (collects contact details, flight details, COVID-19 test and vaccination status)

Source: Vanuatu Ministry of Health, December 2021.

AIRLINES

With some periods of suspended international services (and noting the current suspension), Air Vanuatu has been running a scaled-back schedule of monthly freight, repatriation and seasonal worker flights to Brisbane, Auckland, Noumea, and Nadi. Air Vanuatu has also been contracted under the Australian Government Pacific flights program to provide a subsidized monthly charter flight between Australia and Tuvalu via Port Vila, increasing to twice monthly in 2022. The airline has a single Boeing 737-800 used on its international sectors and an ATR-72 operated on domestic and short haul regional services.

Up until the March 2022 suspension, domestic services have continued to operate but at a lower frequency compared to pre-pandemic schedules, utilizing the ATR and Twin Otter aircraft. The ATR was out of service undergoing maintenance for a period during which the B737 was used on the domestic route between Port Vila and Luganville on Espiritu Santo. In the context of this international and domestic usage, the continued albeit low-level operations mean that the airline has been able to maintain aircraft serviceability, crew currency, and generate some revenues – reported by the Ministry of Finance to be around Vt1.2 billion in the period from January to September 2021. Some of these revenues have been used to reinstate some furloughed workers.

It is important to note that the airline was struggling financially prior to the pandemic, with a publicly reported 2019 debt in excess of Vt1 billion. Despite the above-listed revenues in 2021, cost savings and staff reductions, the airline is still reporting heavy reliance on Government support, including:

- Vt2.5 billion loan in 2019 (supplementary budget);
- Vt592.2 million guarantee in December 2020 in support of aircraft leases (B737, ATR and Twin Otter) and ATR major maintenance;
- Vt200 million cash advanced for new aircraft in 2020; and
- Vt400 million supplementary budget sought for 2022 budget.

In respect of new aircraft, prior to the onset of the pandemic, Air Vanuatu undertook a review of its long-term business strategy and identified the concept of changing its international fleet to a smaller capacity more efficient Airbus A220 type. Orders were placed for delivery commencing in 2020, with commitments of Vt1.2 billion. With the onset of pandemic and the dramatic drop in traffic, and simultaneously a change of Government and change in board and management of the airline, a Commission of Inquiry was established by the Government to review the purchase decision, with a key recommendation being to negotiate an acceptable exit from the Airbus contract.

AIRPORTS

The World Bank funded Vanuatu Aviation Investment Project was closed at the end of 2019. This provided \$73.9 million of infrastructure improvements to Bauerfield (now named Port Vila) airport, Santo Pekoa (now named Santo) airport, and Whitegrass (now named Tanna) airport.

In September 2021, Port Vila's Baeurfield International Airport received certification under the Airport Council International's Airport Health Accreditation program, which establishes compliance with Airports Council International Aviation Business Restart Guidelines, and the ICAO Council Aviation Restart Task Force (CART). As part of this, the Government provided Vt94 million to upgrade the airport ventilation system and constructed an exterior building to ensure segregation of arriving passengers from higher risk areas.

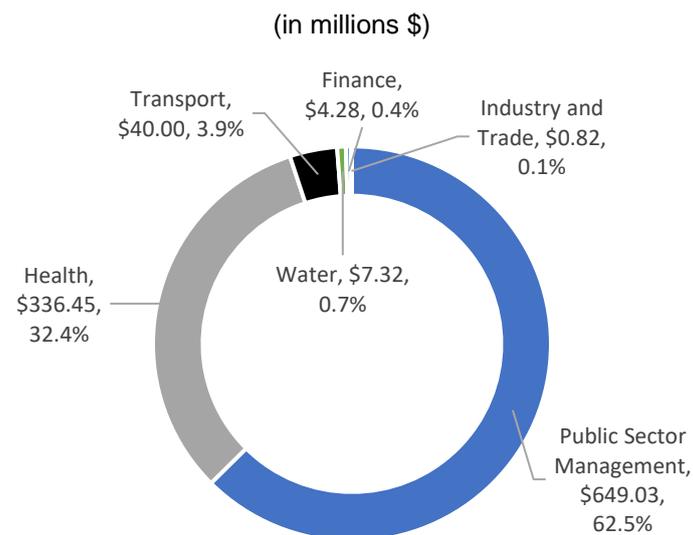
5 PRIF Development Partners' Actions

This section provides a high-level update of the recent activities of the key relevant development partners and regional bodies reviewed for this study. While this has concentrated on the activities and directions of those agencies relevant to recovery of air access, the material also picks up where possible the scope and scale of the agencies' overall COVID-19 recovery effort. The information presented here is largely the result of desktop research of publicly accessible material, augmented by consultation with MFAT New Zealand, DFAT Australia, ADB and the World Bank, and participation in PRIF workshops.

5.1 Asian Development Bank (ADB)

ADB has played a significant role in the COVID-19 crisis response across all PICs. As of January 2022, ADB has accumulated commitment of \$1.61 billion to its COVID-19 response for the Pacific comprising \$1.04 billion in direct funding and the balance in co-financing. **Figure 5-1** shows that the three main areas of direct funding assistance have been in public sector management, health, and transport. The breakdown of modality of finance is given in **Figure 5-2** which indicates that around 80% of the funds have gone to loans, understood mostly to be for budget support. It is also understood that this data represents specific COVID-19 commitments and do not include longer term projects that spread over the COVID-19 period. **Figure 5-3** shows the allocation by country which indicates that the assistance related to PNG makes up 44% of ADB's overall COVID-19 response to the Pacific followed by Fiji (14%) and Cook Islands (13%).

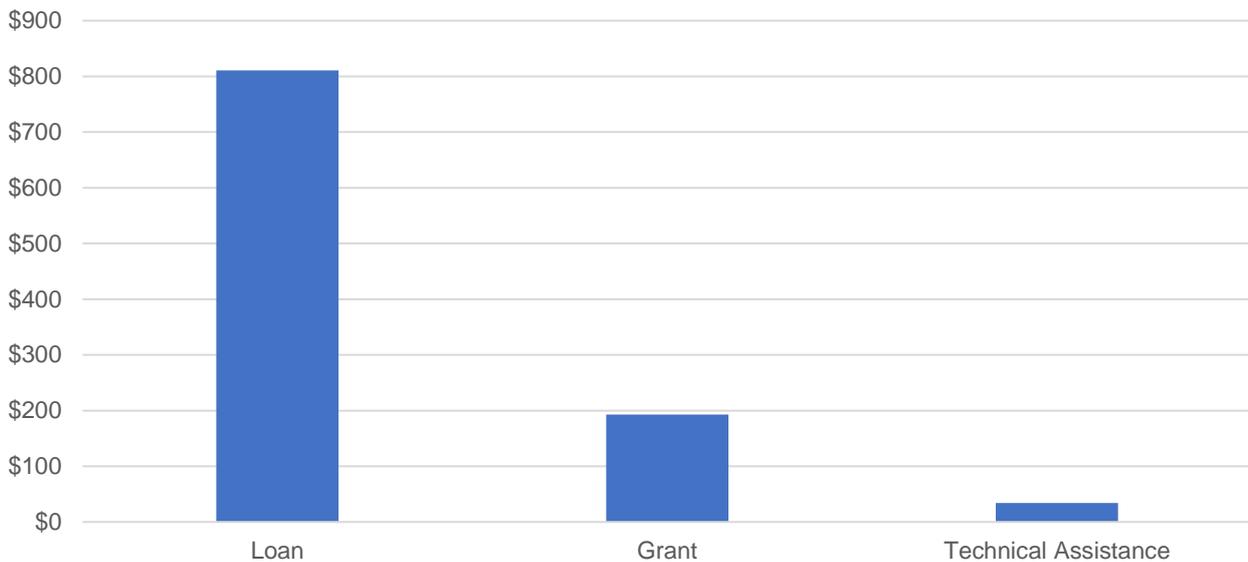
Figure 5-1: ADB COVID-19 Response by Sector



Source: Asian Development Bank, COVID-19: ADB's Response (<https://www.adb.org/what-we-do/covid19-coronavirus>).

Figure 5-2: Asian Development Bank COVID-19 Response by Modality of Finance

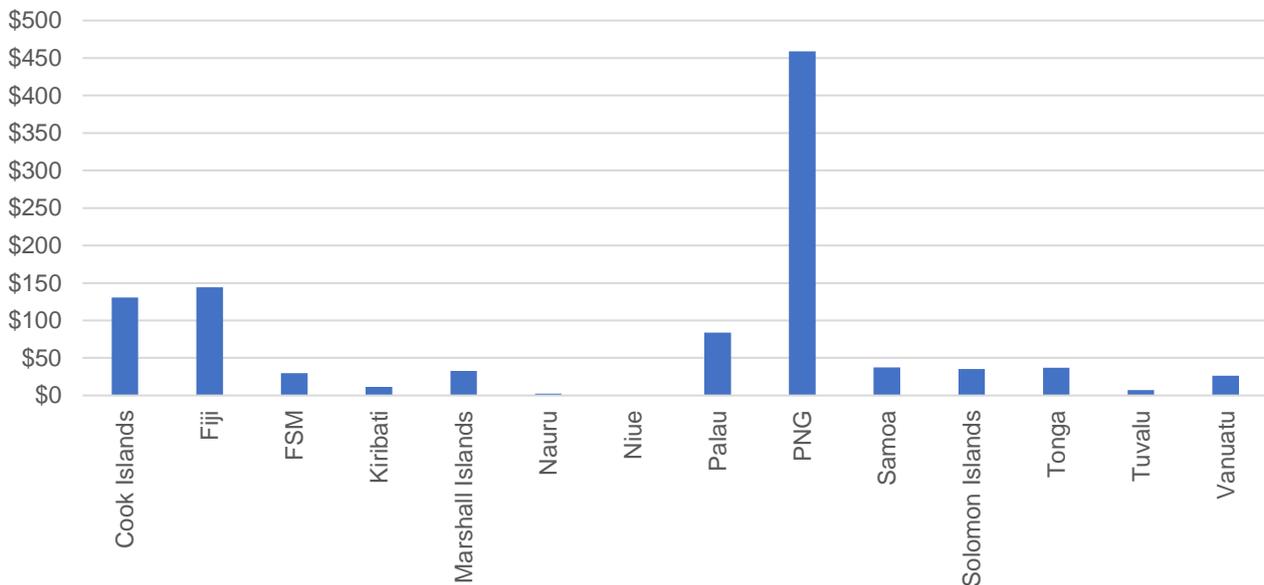
(in millions \$)



Source: Asian Development Bank, COVID-19: ADB's Response (<https://www.adb.org/what-we-do/covid19-coronavirus>).

Figure 5-3: ADB COVID-19 Response by Pacific Island Country

(in millions \$)



FSM = Federated States of Micronesia, PNG = Papua New Guinea.

Source: Asian Development Bank, COVID-19: ADB's Response (<https://www.adb.org/what-we-do/covid19-coronavirus>).

ADB's involvement in COVID-19 recovery for air access-related activities include:

- Non-sovereign lending for cash flow support to Fiji Airways (\$40 million), with co-financing with Japan (\$35 million) undergoing consideration;
- Grant of \$2 million to the Cook Islands for terminal building development at Rarotonga, plus upgrading health facilities, under the Supporting Safe Recovery of Travel and Tourism Project;

- Technical Assistance grants to Fiji, Cook Islands, Samoa, Vanuatu and the Solomon Islands to assess the requirements for airport redevelopment to accommodate infection control in accordance with ICAO guidelines;
- A \$5 million grant for Vanuatu to develop a transport sector investment plan including aviation, a \$2 million grant for Cook Islands to support airport upgrade. Also under consideration is a \$3 million grant for Fiji (shared by Fiji Airports and Fiji Airways in collaboration with the Ministry of Health and Medical Services) for airport refurbishment including a COVID-19 testing facility for tourists. Additional financing by ADB to Fiji Airways is also being considered;
- As reported in the 2020 PRIF report, ADB has an ongoing involvement in a \$480 million in PNG (CADIP project) that is addressing the redevelopment of 21 airports.

ADB has also funded a \$473.5 million program loan to PNG directed at SOE reform, of which a significant component from the first tranche (\$100 million) was originally earmarked to the restructuring and reorganization of Air Niugini as it recovers from the pandemic. However, during the consultation process of this study update, advice was received that the funds were ultimately directed at other priorities.

5.2 World Bank

The World Bank works in partnership with 12 countries across the Pacific, supporting over 110 projects totaling \$2.22 billion in commitments in sectors including agriculture, health, education and employment, climate resilience and adaptation, energy, fisheries, rural development, economic policy, macroeconomic management, aviation and transport, telecommunications, and tourism. As shown in **Figure 5-4**, transportation projects make up about 35% of World Bank commitments. Projects in PNG account for 25% of World Bank's commitments (see **Figure 5-5**) followed by Fiji (11%) and FSM (10%).

The World Bank is very active in aviation-related projects across the Pacific in the recent past through the PAIP which was aimed at making air travel to and from the Pacific Islands safer and more efficient, as well as providing greater access and improving travel conditions across the region. Some of the ongoing or recently closed projects in the PICs under this program include:

- The Vanuatu Aviation Investment Project which closed at the end of 2019. It was \$73.9 million provided to improve three airports: Bauerfield (now named Port Vila) airport, Santo Peko (now named Santo) airport, and Whitegrass (now named Tanna) airport;
- The Samoa Aviation Investment Project which closed in December 2020 and comprised a \$44.12 million project to upgrade Faleolo International Airport infrastructure, strengthening policy and regulatory oversight capacity and strengthening airport operations and management capacity;
- Solomon Islands: over \$50 million under the SIRAP, including upgrades to Honiara and Munda airports;
- Tuvalu: a combined \$35.5 million for aviation projects;
- Ongoing resurfacing and airport improvements in Tuvalu, Tonga, and Solomon Islands. There is also capacity building support for Solomon Airlines.

Beyond PAIP, the World Bank is currently undertaking project preparation of a Samoa Aviation and Roads Project which for the aviation sector is addressing climate resilience and safety investments for Faleolo Airport (\$33 million), a component of which is a \$7 million airport asset management contract for the airport. This management contract will form part of the SOARR regional initiative presently being designed for Samoa but for which Tonga and the Solomon Islands plan to participate. The core of the SOARR program will be similarly structured but separate multi-year asset management contracts in each country, aimed to instill a preventative maintenance culture in Pacific airports. This asset management component is identified to be an element of COVID-19 recovery for air connectivity, ensuring that assets underutilized during the pandemic are maintained to standards as air traffic recovers.

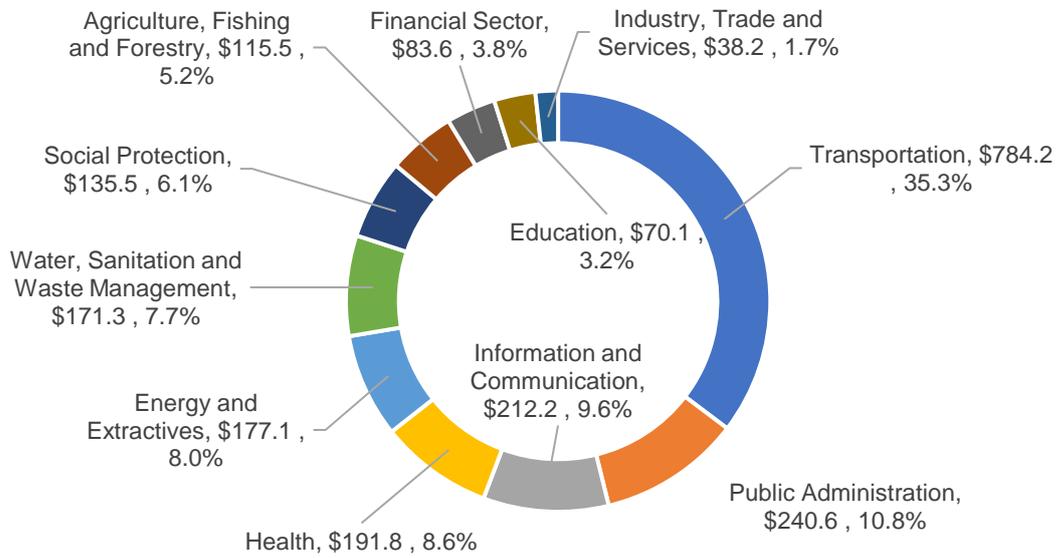
SIRAP2 is also under preparation. This will be contributing approximately \$67 million to the aviation sector (out of \$91.5 million total project cost). It is noted that SIRAP2 will not be part of PAIP.

The World Bank has also provided support to PASO reform project until the end of 2022. It provides budget funds for aviation specialists for inspection and audit, institutional experts to provide training, and additional staff. It aims to improve the Global Aviation Safety Oversight System function so that PASO could meet the requirements for a Level 2 Regional Safety and Security Oversight Office. The World Bank has also offered support to PASO to undertake the Regional Aviation Strategy called for by the RAMM.

Regarding the overall ongoing COVID-19 response, projects from World Bank (active and closed) amounted to \$539.7 million as of January 2022. At the time of this update, 17 out of the 20 COVID-19 response projects for the PICs are still ongoing.

Figure 5-4: World Bank Active Projects by Sector

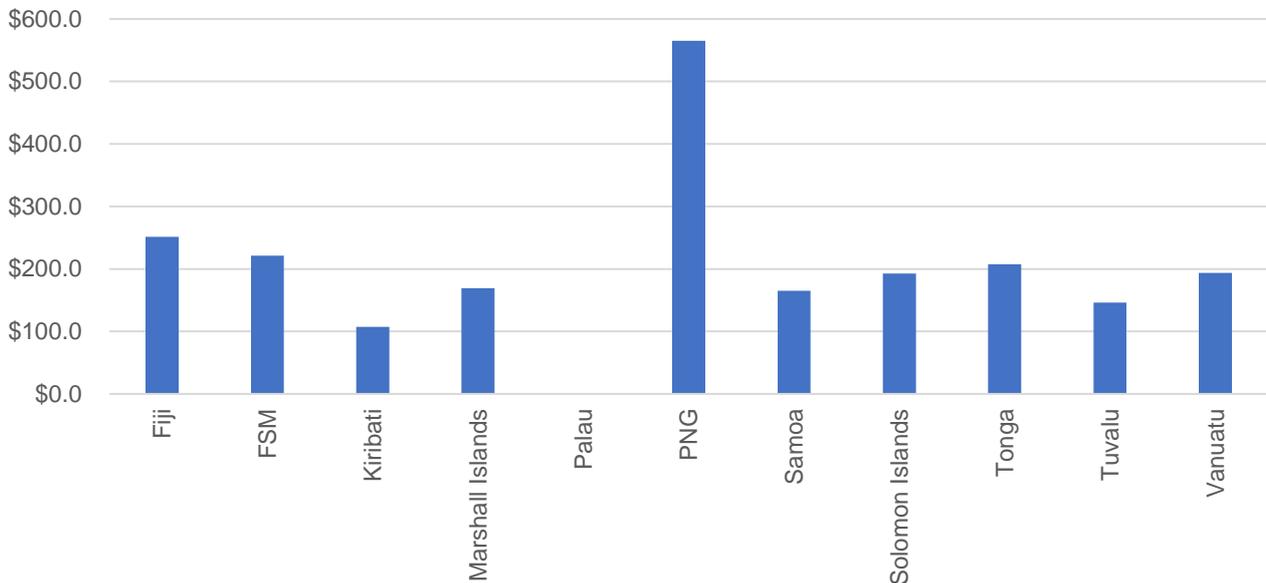
(in millions \$)



Source: World Bank.

Figure 5-5: World Bank Active Projects by Pacific Island Country

(in millions \$)



FSM = Federated States of Micronesia, PNG = Papua New Guinea.
Source: World Bank.

5.3 Australian Government Department of Foreign Affairs and Trade (DFAT)

In FY2020-21, Australia committed A\$4 billion in Official Development Assistance aligned with its Partnerships for Recovery strategy. This is a global strategy, but with a strong focus on the Pacific, Timor-Leste, and Southeast Asia, addressing priority COVID-19 recovery areas of health security, stability, economic recovery and protecting the most vulnerable. This included an A\$80 million commitment to Gavi-COVAX Advance Market Commitment for vaccines.

Additional to the above allocation are specific COVID-19 targeted measures committed under a separate A\$304.7 million COVID-19 Response Package for the Pacific & Timor-Leste. Budgeted for 2020–2021 and 2021–2022 this has involved 27 tailored COVID-19 Development Response plans together with an A\$23.2 million Vaccine Access and Health Security program.

As mentioned in the 2020 PRIF report, an initial aviation component of this consisted of support to the Pacific Islands Forum (PIF)-led Pacific Essential Services and Humanitarian Corridor. This provided funding for air services provision that commenced in March 2020 and maintained freight and limited passenger connection between Australia, the Pacific Islands, and Timor-Leste. This scheme was structured to deliver humanitarian supplies and vaccines and to repatriate Australians and Pacific Islanders/Timorese, and to maintain regular scheduled air connectivity on what are deemed as essential routes. This scheme has grown more comprehensive and shifted onto a subsidized air services scheme under DFAT's Sustainable Pacific Air Connectivity Program (see below) and has been used to maintain services between Australia and PNG, Solomon Islands, Vanuatu, Fiji, Tonga, Samoa, Kiribati, Tuvalu, and Timor-Leste. Contracts have been awarded under competitive tender to Qantas (Timor-Leste, Tonga, Samoa), Air Niugini (PNG), Solomon Airlines (Solomon Islands, Kiribati), Fiji Airways (Fiji), and Air Vanuatu (Vanuatu and Tuvalu, the latter starting November 2021). Samoa Airways has advised that it will be participating in the scheme when its new B737 aircraft enters service in 2022.

The support is progressive in that airlines are compensated on the difference between revenue and cost such that the need for support is intended to dissipate as recovery proceeds. Some routes are expected to drop off the scheme in the first half of 2022. DFAT do not consider route underwriting a long-term solution to air access, noting that such subsidy schemes are generally withdrawn in more developed economies and run counter to free trade principles. Overall, the program is performing well, but there is still concern regarding Pacific airlines' overall capacity to survive the downturn in revenue for a further extended period. Notwithstanding this, DFAT advise that none of the carriers they are engaging with have concerns about the capacity to ramp up when borders open. Concern exists about the safety and regulatory compliance of domestic services in this environment, which is a focus of future DFAT assistance.

The Sustainable Pacific Air Connectivity Program is incorporated within the COVID-19 Response Package to provide a focus on funding to support the economic, technical and regulatory sustainability of Pacific air access. DFAT identify that the program is being based on four pillars, namely:

1. Aircraft and Sustainable Aviation Business Models – DFAT seeks to enable airlines to share resources, collaborate on procurement (including common fleet selection, spares, holdings, etc.) and develop one or more common user technical support hubs (e.g., shared technical support for common aircraft types, technical and regulatory training, financing, etc). This embodies many of the regional collaborative/alliance activities identified in earlier work by PRIF with the Association of South Pacific Airlines (ASPA) as desirable directions to enhance recovery and improve sustainability post-COVID-19. As part of the air services program, DFAT is also looking at the feasibility of vaccine certification or travel passes once borders open.
2. Infrastructure – DFAT's focus is limited to the provision of support for more effective operations and maintenance of airport and air navigation facilities and enhancing the economic and environmental sustainability of aviation infrastructure built by others. DFAT sees that the large ticket items such as runways and terminals are properly the focus of financial institutions such as the World Bank/ADB and AIFFP, with DFAT's work complementary. The maintenance of navigation aids and the introduction of a regional satellite-based navigation augmentation system are envisaged as short-term priorities.
3. People – Increasing the number and capacity of people involved at all levels in Pacific aviation fields, through vocational and professional training programs. Priority is being given to vocational training for engineers, school leavers in the region, airline, safety/quality staff, as well as professional training for government officials, to foster more informed, better decision making. The effort will be less aimed at pilots due to their inherent mobility. In the short term, training will be focused on existing training establishments with relevant licensing/accreditation. The education program for vocational training on aviation-related skills is set to start in 2022.
4. Regulation – “harmonize” aviation rules and regulations in PICs to enhance the regional approach to service delivery. Having contributed A\$2 million to PASO in 2020, DFAT will continue to be a strong contributor to the safety organization in the future, provided measurable safety outcomes are achieved, but emphasizes the need for a funding model that is not dependent on donors and their funding cycles.

5.4 New Zealand Government (MFAT)

The New Zealand Official Development Assistance to the Pacific aviation sector continues to be focused on: aviation security, funding of PASO, direct technical and financial support to seven PICs that are members of the New Zealand realm or where New Zealand has had historical connections, and funding of the Maintaining International Air Connectivity (MIAC) scheme (previously named the International Air Freight Capacity or IAFC scheme).

In regard to aviation security, the current program is continuing with security equipment upgrades from donation of newly manufactured equipment across the region in nine countries plus operator training. This is seen as a fundamental prerequisite to border opening in these PICs.

The direct support activities cover a range of needs including work on runways, terminal buildings, meteorological equipment/automated weather stations, navigation aids, training and other technical assistance. The urgent priorities in this area include navigation aid calibration and selected training areas. With the passage of the pandemic, many navigation aids have expired calibration periods and border controls have prevented the normal calibration flights provided by Airways New Zealand from proceeding. Similarly, on the training side, airport workers, pilots, air traffic controllers and aviation medical examiners all have requirements for recent proficiency checks.

MFAT's key objectives for PASO are to facilitate the implementation of a more sustainable funding framework, and to bring PASO more firmly into the framework of the Council of Regional Organisations of the Pacific (CROP). MFAT is committed to funding PASO over the next 5 years for the following activities:

- Core funding – internal reforms and key positions;
- Continuation of ICAO Universal Safety Oversight Audit Program (USOAP) and expansion of its role to particularly include security;
- Add new PASO capabilities, and more effective coverage of all states. New capabilities may include airworthiness, personnel licensing, search and rescue among others.

This will be achieved mostly by direct funding, but there will be some bilateral Technical Assistance. MFAT works closely with DFAT Australia in complementing Australian funding of PASO. MFAT have recently received approval to be funded on a 10-year cycle for PASO support.

The MIAC operates similarly to the IAFC scheme reported in the 2020 PRIF report, but with a transfer of focus more toward passengers than freight. Its aim is to maintain connections to key markets globally together with five PIC add-ons (Cook Islands, Fiji, Niue, Samoa, and Tonga), with the recent addition of New Caledonia and French Polynesia. These connections support the Recognised Seasonal Employer scheme for Pacific overseas contract workers, as well as repatriation. Each route is tendered out on a route-by-route basis for the difference between operating cost and revenue and is designed to phase out as traffic is progressively restored. Air New Zealand has secured most of the contracts for the Pacific, with Air Calin and Air Tahiti Nui secured Noumea and Tahiti, respectively. According to the New Zealand Ministry of Transport, it is not intended for the scheme to supply all of the capacity demanded by the market but rather relies on restoring market confidence driving both increased capacity and increasingly competitive freight rates. The current scheme ends on 31 March 2022.

In regard to the outcomes of the RAMM 2021, MFAT have identified that it is willing to consider supporting some of the workstreams identified by the Ministers. MFAT is supportive of the need to prepare a regional aviation strategy and emphasizes that there needs to be a sustainable funding model (not dependent on donor funding cycles). MFAT seeks that care needs to be taken in defining the scope and speed of change for PASO given the pandemic and the prevailing difficulties in PASO delivering the core service functions.

5.5 Pacific Islands Forum

The 2020 PRIF report highlighted the role of PIF in supporting the Pacific Humanitarian Pathway on COVID-19 in coordination with WHO as well as its role in organizing the Forum Economic Ministers Meeting (FEMM) in August 2020.

5.5.1 Forum Economics Ministers Meeting

A subsequent FEMM took place in July 2021, attended by forum member countries and observer representatives. The 2021 FEMM covered the following action items:

- Regional Initiative to Support Economic Recovery: this deals with the work carried out by the Economic Recovery Taskforce to support the PICs through a set of proposed initiatives:

- A monitoring and evaluation framework on key indicators of recovery in the humanitarian, social and economic sectors;
- Options to address Forum Island Countries' debts;
- A regional freight assistance scheme: building upon the Pacific Humanitarian Pathway on COVID-19 mechanism to establish a viable, time-bound sustainable scheme facilitating the movement of goods at subsidized rates.
- Social Impacts of COVID-19 Pandemic: this action item builds upon the regional assessment carried out by CROP-led Taskforce established by the 2020 FEMM and covering social and economic impacts of the pandemic across the Pacific.
- Blue Pacific Economic Strategy: this covers a regional strategic framework at the medium-term level for the regional economic development of the Pacific covering economic policy advisory and technical advice, sustainable development of the ocean/blue economy, and building economic resilience to climate change, disasters and shocks.
- Leveraging Climate Change Finance Opportunities: FEMM highlighted that access to climate finance is critical to not only promote a COVID-19 recovery pathway that is climate-sensitive but also to meet specific resilience goals:
 - reduce losses and damage from climate change impacts;
 - stimulate socio-economic recovery;
 - achieve resilient development outcomes.
- Leveraging Disaster Risk Financing Opportunities: need for improved coordination and collaboration between regional partners and members to strengthen the financial protection and resilience of PICs against disasters.
- Pacific Resilience Facility: need for FEMM support to mobilize development partners and donors' support for the Pacific Resilience Facility.
- Improving Financial Inclusion in the Pacific – The Money Pacific Goals 2025: builds upon the Money Pacific Goals 2020 and proposes a new set of regional commitments to improve financial inclusion.

Within the framework of the Blue Pacific Economic Strategy, in March 2022, the PIFS held a webinar on Pacific Debt Sustainability in the Face of COVID-19 and Climate Change (https://youtu.be/JO_akEVdIPA). This identified, inter-alia, that the COVID-19-driven increase in government debt levels in many PICs place them at risk of financial distress, exacerbated in many cases by unreported contingent liabilities. These were identified to be comprised mostly of guarantees issued to SOEs, particularly airlines. The workshop emphasized the need for recovery actions to include a focus on improving debt management, including increasing attention to investment in productive activities, restructuring debt, and adoption of innovative products such as debt for climate swaps.

5.5.2 Regional Aviation Minister's Meeting

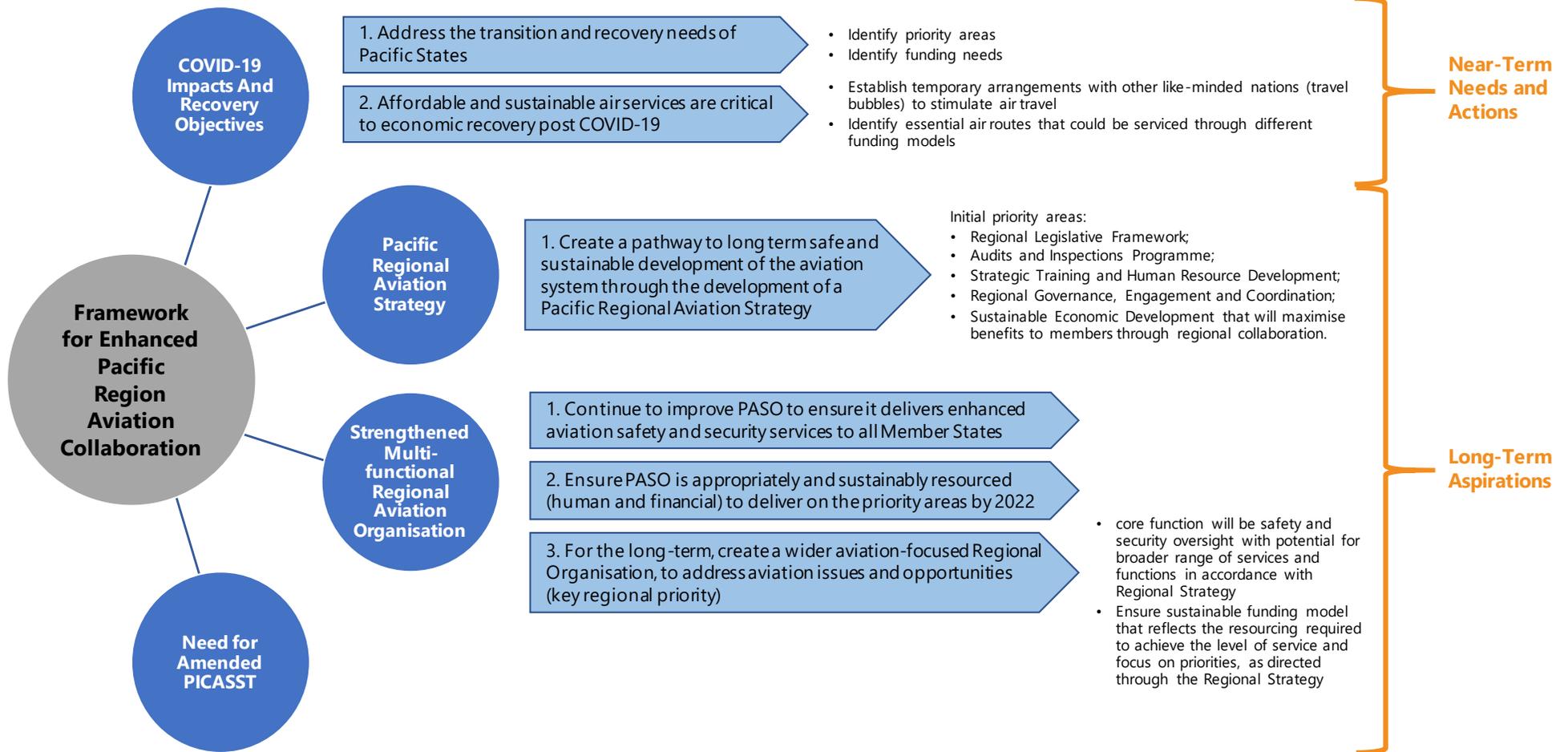
In addition to the holding of the regular FEMM meeting, the PIFS held the first meeting of aviation ministers for some years also in June 2021 (Regional Aviation Minister's Meeting or RAMM) to address a wide range of issues affecting aviation that need to be addressed on a regional basis. The RAMM is focused on establishing a framework to improve safe, sustainable and affordable air access to the Pacific through enhanced regional collaboration. The meeting called for a series of deliverables that the Ministers requested be provided to a second RAMM scheduled for mid-2022. These are illustrated in **Figure 5-6**, grouped around four major themes:

- Conducting a COVID-19 Economic Impacts and Recovery Assessment for Aviation in the Pacific which can be used to help enhance recovery in the short term through working on a regional basis. This PRIF report will be resource used in the assembly of this assessment;
- The development of an integrated Pacific Regional Aviation Strategy, including addressing strategies for the "new normal" post-COVID-19 environment;
- Strengthening PASO and helping it evolve into what ICAO defines as a Regional Safety and Security Oversight Organization;
- Amending the Pacific Islands Civil Aviation Safety and Security Treaty to more effectively address its safety and security oversight functions.

A key component of these activities is the identification and implementation of a sustainable funding scheme for PASO, including consideration of widening membership and engagement across the Pacific beyond the current membership base.

PASO is preparing a financial plan for achieving the RAMM deliverables and it is understood that New Zealand and the World Bank are considering taking on a significant portion of the funding.

Figure 5-6: RAMM 2021 Outcomes



PICASST= Pacific Islands Civil Aviation Safety and Security Treaty
 PASO = Pacific Aviation Safety Office
 Source: Landrum & Brown interpretation of RAMM Outcomes material provided by PASO.

5.6 Pacific Aviation Safety Office

5.6.1 Regulatory Compliance Oversight

PASO has continued to provide aviation safety and security oversight for its member states despite the challenges posed by the pandemic. In the 2020 PRIF report, it was pointed out that the ongoing travel restrictions and border closures were a major constraint to PASO's effectiveness, given the requirement for inspectors to carry out on-site compliance checks in many PICs. In response to this, PASO has subsequently implemented a model for remote oversight, together with on-site compliance checks being carried out by competent local resources that PASO has identified in the PICs concerned. This has added additional time to the processes, but PASO has advised that, so far, this has been a manageable problem. A key issue of concern, however, is the likely volume of work and PASO's capacity to deliver its services effectively as borders reopen and most airlines effectively restart from their basic situation at present, with a massive staffing retraining, fleet and airport compliance requirements. Subject to resourcing, PASO sees the need to get on-site in the relevant PICs a week before any border reopening to establish the basis of compliance. As a result, PASO is proposing that any restart should be gradual.

5.6.2 Funding

The 2020 PRIF report identified that a critical issue for PASO was its funding shortfall. That has been largely resolved in the short term with New Zealand giving a 5-year commitment, and Australia agreeing to take up the outstanding PASO member subscriptions (estimated at around \$4–5 million). With this funding guarantee and the employment assurances it provided, PASO has been able to sustain its core functions and assist recovery of the sector. However, the long-term sustainable funding model is still an issue, which is to be addressed as part of the strategy being developed under World Bank funding in accordance with the RAMM requirements.

5.6.3 RAMM Secretariat Functions

As identified above, PASO has been appointed as the RAMM Secretariat, and has been given the mandate to:

- Implement and deliver the outcomes of the RAMM1, including identification of funding to support the decisions from the first RAMM and report progress at regional meetings;
- Provide support to Aviation Officials in the production of inputs to RAMM2 and ensuring the State's input is captured;
- Report progress to Ministers at RAMM2, including ensuring inputs are endorsed by Aviation Officials, and the provision of support to the RAMM chair, which is Cook Islands for RAMM2 in 2022.

5.7 Association of South Pacific Airlines

ASPA advised that the financial position of member airlines was in general better in 2021 than 2020 through tight cost control, financial support from Governments (mostly in the form of grants) and domestic revenue from those larger operators who have a domestic service. International revenue is derived from repatriation and charter flights and is quite low and extremely restricted and difficult to manage due to the ever (rapidly) changing rules, particularly health and quarantine requirements which are different at every destination.

Operationally, maintenance is relatively problematic as aircraft in many cases need to be sent overseas for major checks and technicians cannot get to the PICs to carry out other tests such as Non-Destructive Testing. The resolution of the PASO funding issue in the short term is helpful, but ASPA has concerns that the individual CAAs do not have adequate financial capacity to deliver on their in-country obligations. Training of flight crews is also still difficult because of the need for overseas training, and quarantine restrictions, and the cost of training has escalated significantly, even before consideration of ramping up to pre-pandemic status. ASPA are also concerned that airports have not been generating revenue and may need to ramp up on maintenance. The need to recalibrate navigation aids is expected throughout the region, as that service has not been carried on during the pandemic.

In regard to getting to the post-COVID-19 era, ASPA considers that there needs to be a pathway to recovery. Remaining long term in hibernation mode and then attempting to step up to recovery is not considered a practical approach as restart costs would be enormous, and most airlines are already moving towards the transition path. ASPA envisages that border reopening is unlikely to occur until mid-2022 at the earliest with the exception of Fiji which opened in December 2021.

ASPA members accept the need to keep pushing to use the COVID-19 circumstance for change and drive opportunities for restructuring of the aviation market in the Pacific. Since the 2020 report and associated workshops with ASPA, further work has been undertaken to firm up on what such restructuring might entail, with a convergence on cost-based collaboration (establishment of a shared Pacific "hub" that can act to pool

purchasing power, contracting maintenance repair and overhaul, training and technical support, finance, aircraft procurement, etc.) or revenue and cost-based collaboration (all of that listed above, together with more extensive code share, joint product/route development, etc.). This is most strongly supported by Air Nauru, Air Niugini and Solomon Airlines. Further development of this concept is under way through collaboration between PRIF and PASO under the RAMM outcomes, with PRIF funding.

In the context of the above, ASPA see ongoing donor support is still needed in the following areas:

- Cash flow support while borders remain largely closed (say 20% of pre-COVID-19 revenues);
- Continuation of route subsidies after borders open, particularly for the less viable routes that are expected to have poor load factors at the beginning of recovery;
- Any assistance that can be provided in paying for landing fees and air navigation charges as was undertaken at the initial stages of the pandemic; and
- Ongoing support to the restructuring process and facilitation of PIC government support for the regional approach.

5.8 Other Relevant CROP Agencies

The other CROP agencies that have a direct interest in the connection between COVID-19 recovery and restoring air access include:

- Secretariat of the Pacific Community (SPC);
- South Pacific Tourism Office (SPTO);
- South Pacific Regional Environmental Program (SPREP);
- Forum Fisheries Agency (FFA).

5.8.1 Secretariat of the Pacific Community

SPC is operating at multiple levels in pandemic management and recovery. It is a participant in the Pacific Humanitarian Pathway on COVID-19 assisting in the coordination of humanitarian assistance from regional and international organizations. It is also part of the World Health Organization multi-agency Incident Management Team. Further, SPC in conjunction with its development partners also delivers COVID-19 preparedness to its members including:

- In-country training on COVID-19 case identification, contact tracing, case investigation, outbreak management;
- In-country assessment and training on infection control;
- Funding for laboratory testing; and
- Coordination of the procurement process for point-of-care tests.

SPC is also the focal point of the Pacific Public Health Surveillance Network offering services to prevent and respond to epidemics. This includes coordination of laboratory services, surveillance systems, infection control, alert and communication, knowledge exchange and capacity building. SPC also coordinates the Strengthening Health Interventions in the Pacific program focused on enhancing members competencies in epidemiology, surveillance, outbreak investigation and management, risk communication and reporting.

5.8.2 South Pacific Tourism Organisation

The SPTO is a CROP agency that was established in 1983 as the representative body for tourism in the region. Its goals are to improve air and sea access to the Islands, enhance the Pacific brand, and to develop the capacity of governments and private sector participants to develop sustainable tourism. While its primary constituency is the national tourism offices of member countries, it has a robust private sector membership representing accommodation providers, tour operators, airlines and cruise ship operators, and most other sectors of the travel trade. Its private sector membership includes the major Pacific airlines, namely Fiji Airways, Air Vanuatu, Solomon Airlines, and Air Niugini. The core services offered by SPTO include market research and statistical analysis, destination branding and marketing and a range of member services including tactical marketing, training, policy, planning, and project management.

In response to the pandemic and the subsequent massive disruption of Pacific tourism, the SPTO announced in its 2020–2024 Strategic Plan a shift from primarily functioning as a regional marketing body to undertaking a greater leadership role in regional tourism policy and development, with sustainable tourism a central focus. In this context, SPTO is focusing on the following strategic priorities:

- Marketing the region;
- Sustainable tourism planning and development;
- Research and statistics;

- Development of innovative partnerships in:
 - Cruise and yachting sector development;
 - Supporting and promoting investment and product development;
 - Improving air access and route development;
 - Developing Pacific people's capacity.

The air access and route development priority is proposed to be addressed by a structured program of collaboration and relationship development aimed at growing traffic on existing routes as well as new services.

5.8.3 South Pacific Regional Environmental Program

As mentioned in Section 2, SPREP is the lead agency in the Pacific region for managing and protecting the environment. SPREP has 26 member countries and territories including the 14 PICs considered in this study. SPREP had an annual budget of about \$30.4 million in 2021 which is expected to increase to \$35.2 million in 2022. SPREP's mandate is to promote cooperation in the Pacific region and provide assistance in order to protect and improve its environment and to ensure sustainable development for present and future generations. SPREP's core priorities and focus areas are:

- Climate Change Resilience;
- Island and Ocean Ecosystems;
- Effective Waste Management and Pollution Control;
- Environmental Governance.

As noted by SPREP, despite the unprecedented times caused by the COVID-19 situation, the Pacific must remain resilient. The region cannot ignore nor delay action on climate issues that threaten the PICs' livelihoods.

5.8.4 Forum Fisheries Agency

The FFA was established as an advisory body to provide expertise, technical assistance and other support to help its members sustainably manage their fishery resources that fall within their 200-mile Exclusive Economic Zones. A component of FFA's work includes advice and assistance with addressing the COVID-19 impacts upon the fisheries industry. According to information supplied through FFA, key concerns connected to air access is the complex logistics of manning fishing vessels in the era of cessation of services between the PIC labor markets and the port of crew change. This is disrupting supply chains globally with attendant economic impacts. A secondary issue is the lack of air cargo capacity on those routes where air freight of fish is justified, and where there is capacity, costs are rising rapidly.

5.9 Japan International Cooperation Agency

As discussed in the 2020 PRIF report, JICA projects usually focus on infrastructure development and sustainable development such as airports, roads, bridges, and renewable energy. The 2020 report also highlighted some of the key aviation-related projects conducted by JICA across the Pacific mostly dealing with airport developments in FSM, Marshall Islands, Palau, PNG, Solomon Islands, and Tonga. The following lists some of the recent and ongoing projects across the Pacific region:

- FSM: maritime and fisheries as well as renewable energy projects;
- Marshall Islands: Water and waste management as well as renewable energy projects;
- Palau: construction of national landfill project;
- PNG: projects deal with education, technology, infrastructure and road development as well as aviation;
- Solomon Islands: airport development projects in Honiara, upgrade project for Kukum highway, and Sustainable Forest Resource Management project;
- Tonga: renewable energy project;
- Vanuatu: renewable energy and disaster reconstruction projects;
- Regional: solid waste management, sustainability and disaster warning projects.

JICA in partnership with SPREP are also working on a Waste Management and Pollution Control program to deal with waste generated by natural disasters for the PICs. The project will deal with the development of capacity of disaster waste management in the Pacific to reduce damages to infrastructure and promote "Build Back Better" after disasters with the development of a Regional Disaster Waste Management Guidelines.

In terms of COVID-19 response, JICA has been very active in other regions of the globe such as Africa, Asia, and the Middle East.

5.10 United States Government

USAID is the US Government's lead international development and humanitarian assistance agency, focusing on infrastructure, energy, and the digital economy; strengthening civil society and democratic institutions; countering transnational threats; and investing in human capital across the Indo-Pacific region. Aviation projects in the Pacific region are usually covered under the Airport Improvement Program (AIP) and apply to only a few PICs in Micronesia (U.S. Freely Associated States such as Federated States of Micronesia, Marshall Islands, and Palau).

Since the beginning of the pandemic, USAID has supported more than 120 countries to contain and combat the virus. To date, USAID has provided more than \$9 billion to intensify the fight against COVID-19 to pave the way to global recovery and strengthen global health security. As of November 2021, USAID's overall COVID-19 assistance in the Pacific (for non-US-affiliated countries) amounted to \$44 million in health, humanitarian assistance, and recovery efforts (Fiji, \$1.5 million; Kiribati, \$0.4 million; Nauru, \$0.5 million; PNG, \$13.9 million; Pacific region, \$30.5 million). For US-affiliated Pacific Islands, which include FSM, Marshall Islands, and Palau in addition to American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands, the US has spent an additional \$90 million in COVID-19 response and assistance since the onset of the pandemic.

The US Department of Transportation are also exploring the feasibility of lending inspectors from the US to PASO in the near future. In addition, the US Department of Transportation is open to funding for support of future capacity building as well as to provide other types of assistance to PASO.

5.11 European Union and the European Investment Bank

The 2020 PRIF report highlighted EU's longstanding role in the Pacific region. Back in 2020, EU provided €119 million as COVID-19 response to the PICs focusing to address the pandemic's health and socio-economic impacts.

As pointed out in the 2020 PRIF report, the EU and the EIB have not been involved in the finance of the aviation sector in the region. However, they have been involved in other projects targeted toward socioeconomics, climate action, vital infrastructure, private sector development, and regional integration across the region such as:

- Improvement of wastewater management systems in the Cook Islands;
- EU PacWastePlus program are looking to help PICs mitigate waste management caused by natural disasters;
- The Intra-ACP Climate Services and Related Applications (with Kiribati and Samoa as pilot countries);
- Replacement of rural bridges in Papua New Guinea;
- Vanuatu's first wind farm;
- Small business financing in New Caledonia and the FSM.

Through the European Development Fund (EDF), the EU contributed about €800 million to the Pacific from 2014 to 2020 that helped finance various regional and national programs. For the 2021–2027 period, the Pacific and the EU will be working towards a common ambition of achieving a low carbon and resilient future by 2050, based on three priority areas:

- Climate Action and Environmental Sustainability;
- Inclusive and Sustainable Economic Development;
- Fundamental Values, Human Development, Peace and Security.

6 Updated COVID-19 Recovery Scenarios for the Pacific

6.1 Roadmap to Recovery

This section provides a forecast that focuses on updating the 2020 PRIF report’s prediction of the anticipated recovery of the aviation industry, specifically the Pacific region, following the COVID-19 pandemic based on the circumstances now evident at the beginning of 2022. Since the onset of the pandemic, various studies and analyses have been conducted to assess the impact of COVID-19 and compare its effect against previous outbreaks (e.g., SARS 2003). It is now clear that COVID-19 has had a much more profound and long-lasting effect than any other outbreak in the history of aviation and that the path to recovery will be more challenging than originally assessed.

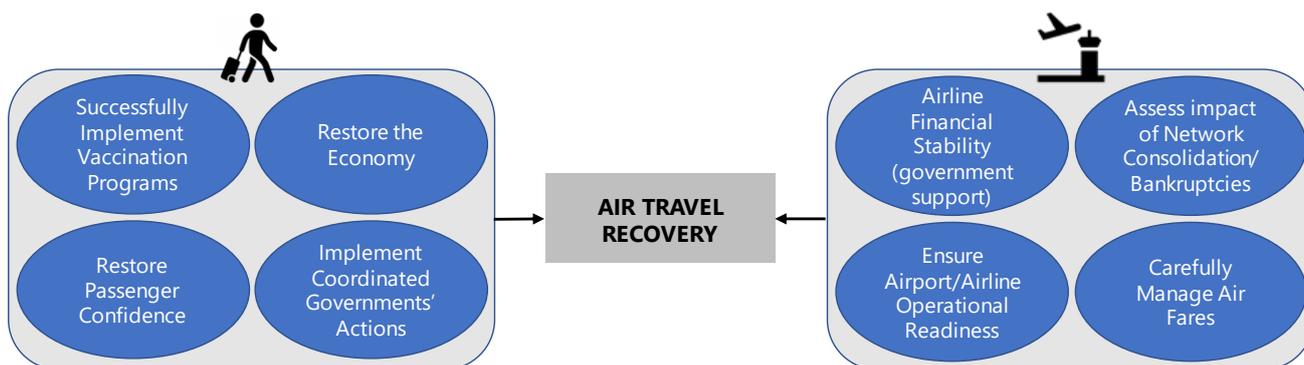
Figure 6-1 presents the key factors that have to be met from a demand and supply perspective:

- It is acknowledged that when borders are reopened, the air traffic recovery in the Pacific and worldwide will vary depending on the country/region and will be driven by three key factors: GDP growth, propensity to travel and most importantly, passenger confidence.
- On the other side of the spectrum, governments and the various aviation players (airlines, airports, ground handling companies, CAAs, etc.) will have to be ready to accommodate the resumption of air travel in their respective countries. This means all aviation enterprises will have to restore operational and regulatory compliance in order to swiftly respond to demand needs when air travel resumes, and health systems need to be sufficiently robust (e.g., vaccination, passenger infection control) to underwrite industry and passenger confidence.

Several challenges remain on the road to recovery and will have to be addressed in the coming months as borders progressively reopen throughout the globe and the Pacific region specifically:

- The risk of continued emergence of new COVID-19 variants (Omicron is the latest at the time of this report);
- The lack of a list of “Approved Vaccines”, globally accepted and implemented;
- The lack of a set of global policies regarding health risks against COVID-19 (or future pandemics) to avoid the use of snap lockdowns, border closures and restrictions which will affect passenger confidence and impede resumption of air services
- The lack of mutual trust that will slow down reopening of borders.

Figure 6-1: COVID-19 Recovery Issues and Challenges



Source: Landrum & Brown.

The forecast developed for this report builds upon the work conducted in the 2020 study and looks again at three distinct recovery scenarios (Baseline, Optimistic and Pessimistic) derived from variations in the following parameters:

- The current COVID-19 situation in the Pacific and the focus PICs, including border closures, restrictions and lockdowns (as covered in Sections 3 and 4 of this report);
- The latest information regarding travel bubbles and vaccination timetable for the Pacific and actual and planned reopening of some of the PICs to international travel recently and in the very near term (Dec 2021 to mid-2022);
- The potential impact of the resurgence of the virus or new waves on the recovery process;
- Short-term GDP trends based on border opening scenarios;

- The restoration of passenger confidence (propensity to travel, particularly regarding perception of risk of contracting the virus, including risk of exposure to a limited health system, or becoming stranded under quarantine if there is an infection breakout).

The way forward therefore lies in properly managing and balancing COVID-19 risks against getting the economy back on track and reopening the borders. Doing this in a systematic and coordinated process globally would ensure a smooth transition into the new normal and prevent stop/start periods which would have a drastic impact on passenger confidence and aviation enterprises, although this would not appear to be the norm.

The following sections provide more detail about the factors and approach behind the near-term COVID-19 recovery model's and corresponding projections for the Pacific region.

6.2 Projected Impact of COVID-19 on the Aviation Industry

In its “Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis”, published on 1 December 2021, ICAO estimates COVID-19's impact to result in a 50% reduction in seating capacity worldwide for 2020, amounting to annual losses of 2,699 million passengers and translating into \$371 billion in revenue losses for the airlines. The impact of the pandemic is expected to be more pronounced for international traffic:

- International passenger losses of 1,376 million, equivalent to \$250 billion in lost revenues;
- Domestic passenger losses of 1,323 million, equivalent to \$120 billion in lost revenues;
- In Asia and the Pacific specifically, ICAO estimates losses of:
 - 395 million passengers and \$83 billion in revenues for international traffic in 2020;
 - 526 million passengers and \$37 billion in revenues for domestic traffic in 2020.

The impact on the tourism industry is estimated at a reduction of \$1.3 trillion in tourism receipts for 2020 compared to \$1.5 trillion generated in 2019, according to the UN World Tourism Organization. Worldwide trade volumes are expected to decline by 5.3% in 2020 compared to 2019 levels, according to the World Trade Organization.

For 2021, the recovery has started in some regions of the globe, and losses have declined compared to 2020, mostly driven by increase domestic traffic, but are still significant across the aviation industry:

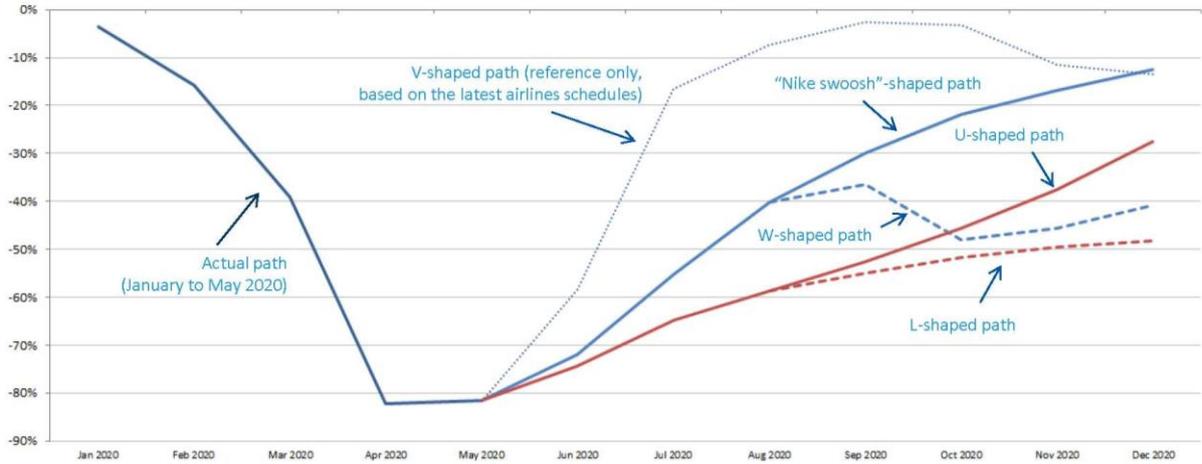
- 40% reduction in seating capacity worldwide for 2021, amounting to annual losses of 2,209–2,215 million passengers and translating into \$324–325 billion in revenue losses for the airlines;
- International passenger losses of 1,347–1,350 million, equivalent to \$252 billion in lost revenues;
- Domestic passenger losses of 863–865 million, equivalent to \$72–73 billion in lost revenues;
- In Asia-Pacific specifically, ICAO estimates losses of:
 - 453–454 million passengers and \$96 billion in revenues for international traffic in 2021;
 - 471–472 million passengers and \$31–32 billion in revenues for domestic traffic in 2021.

6.3 Global Recovery Scenarios

ICAO re-evaluated and updated several potential recovery scenarios, as shown in **Figure 6-2**. These scenarios acknowledge the high level of uncertainty regarding traffic recovery worldwide.

Figure 6-2: International Civil Aviation Organisation COVID-19 Recovery Scenarios

Scenarios for passenger seat capacity compared to Baseline (business as usual)

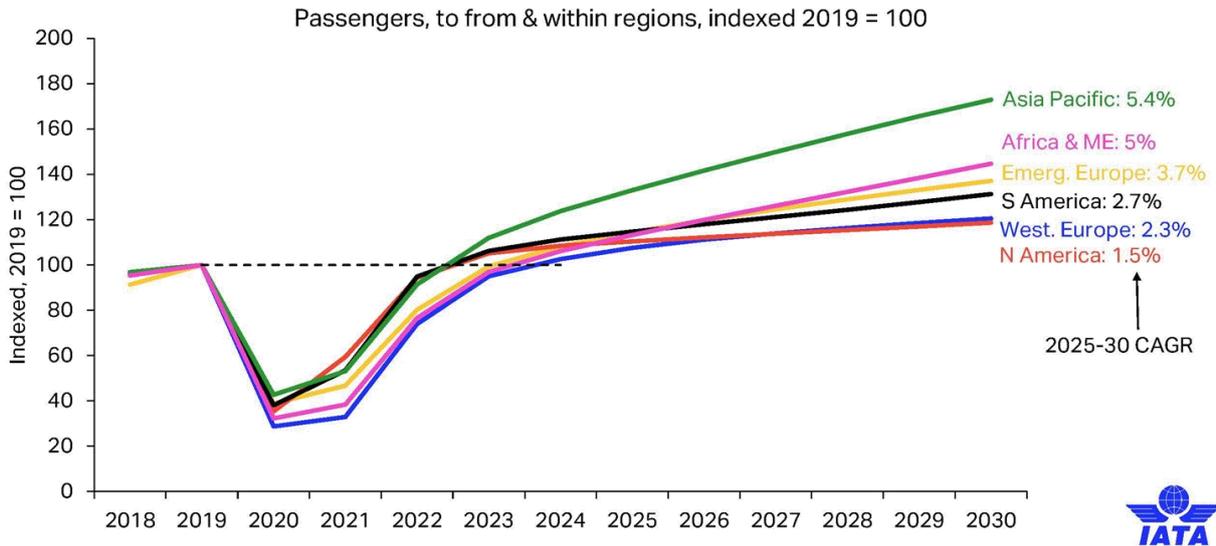


Source: ICAO Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis.

The International Air Transport Association (IATA) also developed and continuously update their projections for traffic recovery (see **Figure 6-3** and **Figure 6-4**). Domestic traffic is expected to recover faster than international with domestic recovery expected in 2023 and international recovery around 2024. Regions with large domestic markets will recover first. IATA also estimates long-term traffic losses due to COVID-19 will be equivalent to 2 years of growth.

“Demand is fragile amidst COVID-19 variant concerns.” “Governments have rightly urged their populations to be vaccinated; now governments need to have confidence in the benefits of vaccinations.” IATA September 2021

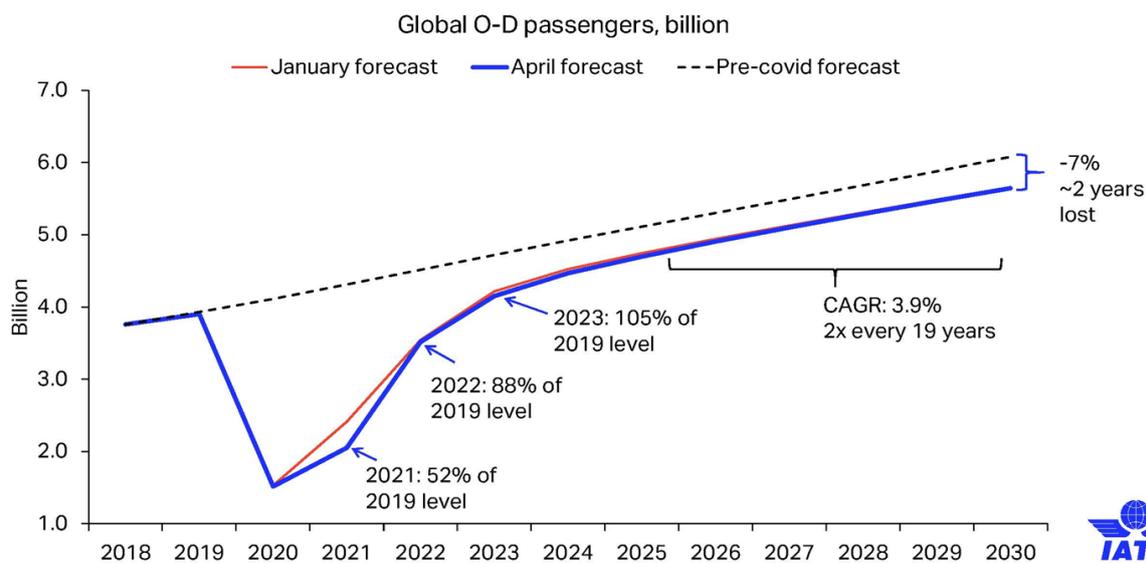
Figure 6-3: Projected Post COVID-19 Passenger Demand Recovery by World Region



CAGR = Compound Annual Growth Rate, ME = Middle East.

Source: IATA Economics using data from Tourism Economic/IATA Air Passenger Forecast, April 2021.

Figure 6-4: Global Post COVID-19 Passenger Demand Projection



CAGR = Compound Annual Growth Rate

Source: IATA Economics using data from Tourism Economic/IATA Air Passenger Forecast, April 2021.

6.4 Factors Driving Demand

6.4.1 Travel bubbles

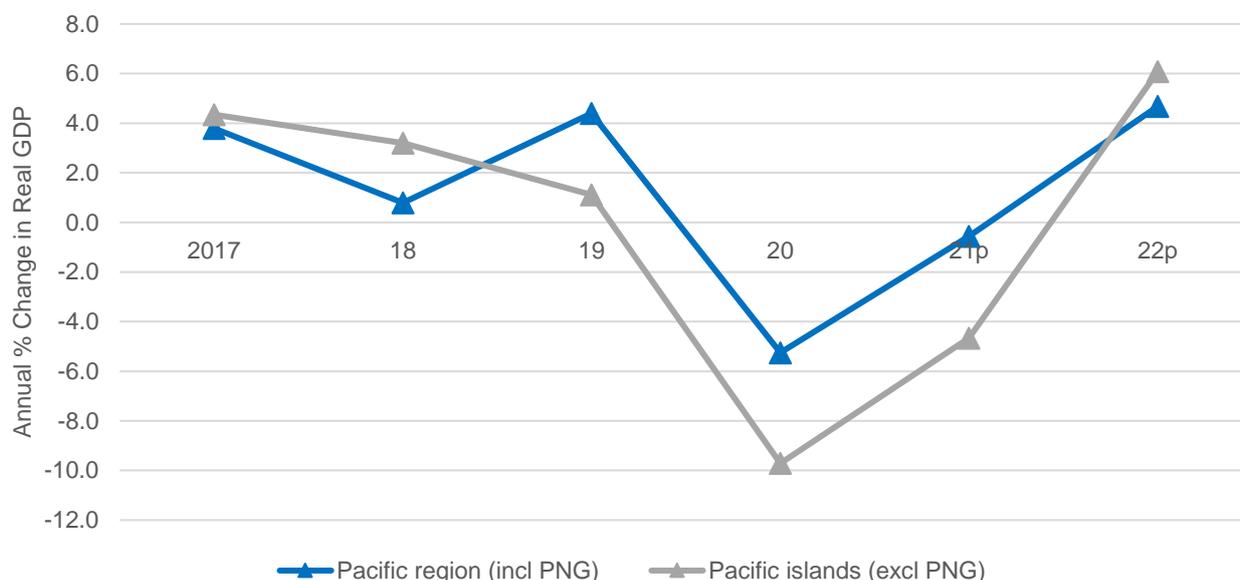
While efforts are being made to reopen borders as soon as possible so that international air travel can resume, many countries across the Pacific region remain cautious. Governments are weighing in the need to stimulate the economy and tourism industry against the health risks. Priority is given to vaccination programs and herd immunity before considering reinstating international travel. Nevertheless, several PICs have already implemented quarantine-free travel bubbles on a country-by-country basis across the region.

- **Cook Islands:** A two-way, quarantine-free travel bubble was implemented between Cook Islands and New Zealand from May to August 2021. With a rise in cases in New Zealand, the bubble was downgraded to one-way travel to New Zealand. The two-way travel bubble was reinstated on 13 January 2022.
- **Fiji:** Fiji has been the first PIC to fully reopen to international air travel. As of December 2021, the country reopened its borders to fully vaccinated travelers from over 50 (low-risk) partner countries. Arriving passengers are required to have a negative PCR tests 72h prior to their departure to Fiji and follow a 3-day quarantine upon arrival with a second PCR test 48 hours after arrival in Fiji.
- **Kiribati:** The government decided to reopen its borders in January 2022. However, the first flight into the country from Fiji carried several COVID-19-positive passengers resulting in a surge in cases across Kiribati which was COVID-19-free since the onset of the pandemic. The government quickly implemented a lockdown which is still ongoing as of late January 2022.
- **Niue:** A one-way, quarantine-free travel bubble is currently in effect from Niue to New Zealand for fully vaccinated travelers. Both governments are working on upgrading it to a two-way travel bubble in the coming months in 2022.
- **Palau:** A two-way, quarantine-free travel bubble was implemented between Palau and Taipei, China in April 2021. The program was stopped a few weeks later due to a surge in COVID-19 cases in Taipei, China but the bubble was reinstated in August 2021.
- Other PICs such as FSM, Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu, many of which are virus-free, are considering reopening their borders in 2022. However, decisions will be closely correlated to vaccination levels as well as COVID-19 situation with partner countries.

6.4.2 GDP Growth

As discussed in Section 4, COVID-19 has had a significant impact on PICs' economies in both 2020 and 2021. As shown in **Figure 6-5**, ADB estimated a 5% decline in 2020 GDP across the region (including PNG) and 0.6% drop in 2021. However, IMF reported in its October 2021 World Economic Outlook that GDP across the Pacific Islands contracted by 3.7% in 2020, with tourism-dependent countries (Fiji, Palau, Samoa, Tonga, and Vanuatu) expected to have seen a 6.5% decline in real GDP in 2021. Both IMF and ADB data broken down by PIC is presented in **Table 6-1**. From this, it is clear that the economic impact has varied on a country-by-country basis with tourism-dependent countries being more affected than others. Both ADB and IMF expect economies throughout the Pacific to recover in 2022 and beyond. However, it should be noted that this economic recovery will be heavily correlated to the COVID-19 situation in each PIC, as well as the risk of future variants and associated government response (i.e., potential border closures and lockdowns).

Figure 6-5: Averaged Pacific Island Country Gross Domestic Product Growth Before and During the COVID-19 Pandemic*



*Note: 2021 estimates for Solomon Islands do not factor in the effects of the recent civil unrest, nor do the 2021 estimates for Tonga factor in the effects of the volcano eruption. Actual results are expected to be lower than these ADB and IMF estimates.
 ADB = Asian Development Bank, IMF = International Monetary Fund, GDP = gross domestic product, PNG = Papua New Guinea.
 Source: ADB Pacific Economic Monitor December 2021.

Table 6-1: Pacific Island Country Gross Domestic Product Growth per Annum*

		2018(H)	2019(H)	2020(H)	2021(E)	2022(P)	2023(P)	2024(P)	2025(P)
Cook Islands	ADB	8.9%	5.3%	-5.9%	-26.0%	7.1%	n.a.	n.a.	n.a.
	IMF	n.a.							
Fiji	ADB	3.8%	-0.4%	-15.7%	-5.0%	8.8%	n.a.	n.a.	n.a.
	IMF	3.8%	-0.4%	-15.7%	-4.0%	6.2%	8.3%	6.4%	4.5%
FSM	ADB	0.2%	1.2%	-3.9%	-1.1%	2.0%	n.a.	n.a.	n.a.
	IMF	0.2%	1.2%	-1.8%	-3.2%	0.6%	3.2%	1.9%	0.8%
Kiribati	ADB	2.3%	2.4%	0.6%	0.3%	2.3%	n.a.	n.a.	n.a.
	IMF	3.8%	3.9%	-0.5%	1.8%	2.5%	2.3%	2.1%	2.0%
Marshall Islands	ADB	3.6%	0.7%	-2.2%	-3.3%	4.0%	n.a.	n.a.	n.a.
	IMF	3.1%	6.8%	-2.5%	-1.5%	3.5%	2.5%	2.0%	1.8%
Nauru	ADB	5.7%	1.0%	0.8%	1.5%	1.0%	n.a.	n.a.	n.a.
	IMF	5.7%	1.0%	0.7%	1.6%	0.9%	0.8%	0.6%	0.5%
Niue	ADB	6.5%	5.6%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	IMF	n.a.							
Palau	ADB	5.8%	-1.8%	-10.3%	-10.8%	8.8%	n.a.	n.a.	n.a.
	IMF	2.2%	-0.7%	-8.7%	-19.7%	14.9%	14.8%	3.6%	2.7%
PNG	ADB	-0.3%	5.9%	-3.3%	1.3%	4.1%	n.a.	n.a.	n.a.
	IMF	-0.3%	5.9%	-3.9%	1.2%	4.0%	3.4%	2.8%	2.9%
Samoa	ADB	-2.1%	3.6%	-2.6%	-8.1%	0.4%	n.a.	n.a.	n.a.
	IMF	-2.1%	3.6%	-2.7%	-7.2%	1.0%	4.1%	3.7%	3.3%
Solomon Islands*	ADB	3.0%	1.2%	-4.5%	1.0%	4.5%	n.a.	n.a.	n.a.
	IMF	3.9%	1.2%	-4.3%	1.2%	4.4%	4.5%	3.3%	3.0%
Tonga*	ADB	0.3%	0.7%	-0.8%	-5.3%	1.0%	n.a.	n.a.	n.a.
	IMF	0.3%	0.7%	0.7%	-2.0%	2.9%	3.7%	3.0%	2.0%
Tuvalu	ADB	4.3%	13.9%	1.0%	2.5%	3.0%	n.a.	n.a.	n.a.
	IMF	1.6%	13.9%	1.0%	2.5%	3.5%	3.8%	4.0%	3.8%
Vanuatu	ADB	2.9%	3.5%	-8.5%	-3.0%	5.0%	n.a.	n.a.	n.a.
	IMF	2.9%	3.9%	-6.8%	1.2%	3.0%	4.1%	3.7%	2.7%

*Note: 2021 estimates for Solomon Islands do not factor in the effects of the recent civil unrest, nor do the 2021 estimates for Tonga factor in the effects of the volcano eruption. Actual results are expected to be lower than these ADB and IMF estimates. ADB = Asian Development Bank, FSM = Federated States of Micronesia, IMF = International Monetary Fund, PNG = Papua New Guinea. Source: ADB Pacific Economic Monitor December 2021; IMF World Economic Outlook October 2021.

6.4.3 Propensity to Travel

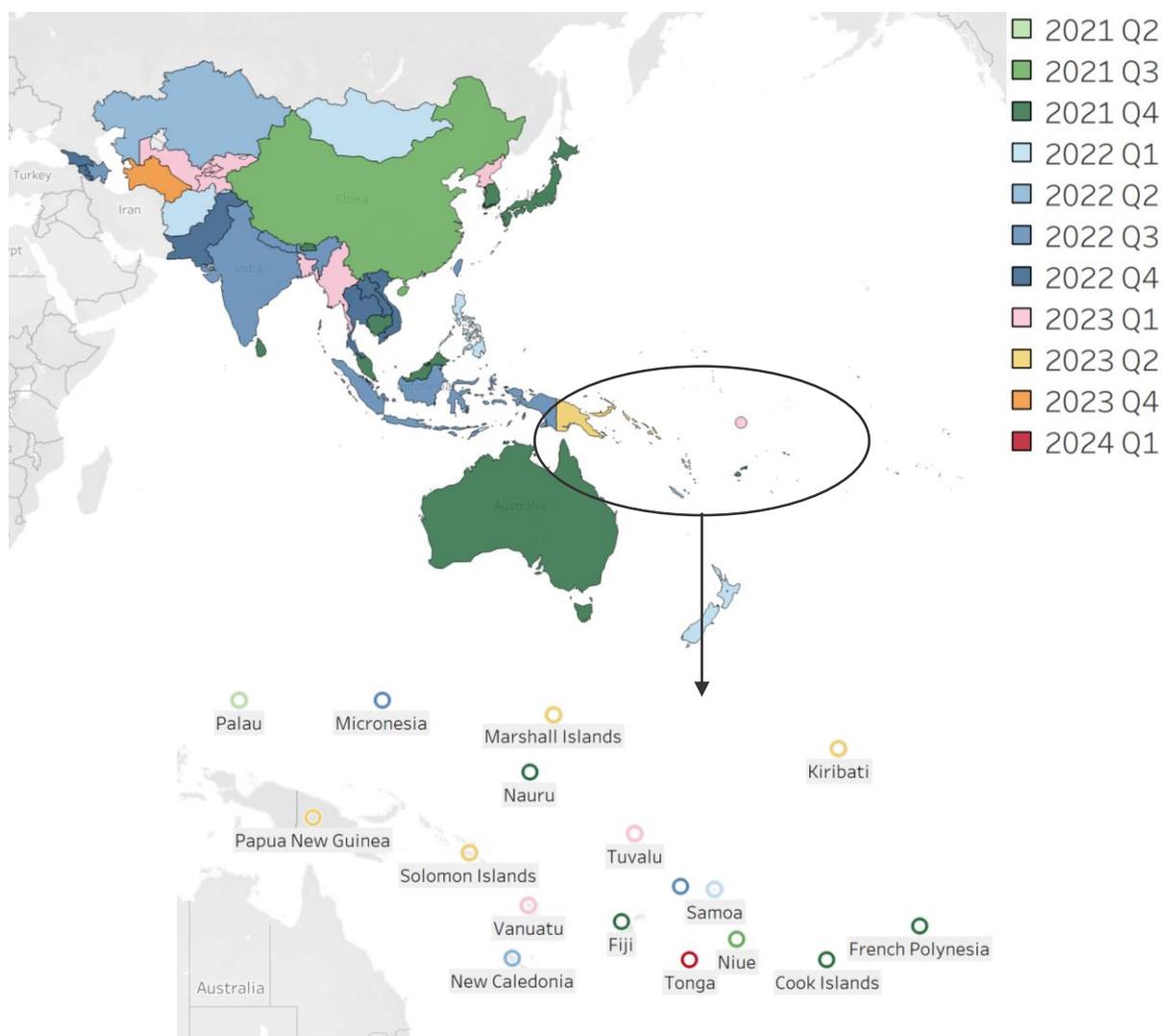
The economy is just one aspect of whether a passenger decides to travel. The “propensity to travel” assumptions are meant to capture the underlying issues preventing travel, including travel restrictions, perceived safety, and confidence in the airline market. Under normal conditions, this propensity is assumed to be stable. If the issues regarding air travel are not addressed, then a person will not travel, irrespective of the economic situation. As such, the propensity to travel supersedes the economic outcomes. There is no scientific method to measure this metric. Therefore, assumptions were made to account for this underlying aspect. At the time of writing this report, the propensity to travel is expected to be closely correlated to the vaccination programs across the world, as well as any travel bubble or air corridor agreement between countries. As a general rule, it is assumed that information regarding vaccination timetables is representative of the best possible outcome in terms of effectively and efficiently delivering the vaccine to the world populations. Industry experts remain cautious about the extent of the vaccination programs’ ability to boost air travel, particularly in

the near term. Distribution and production challenges have been witnessed throughout 2021 across various world regions, and it is reasonable to believe that the vaccination timelines in some countries will most likely extend in duration compared to current plans. It is also clear that booster shots will be required to travel in the coming months. News of the Omicron variant and its derivative at the time of this report have led to an acceleration in booster shot requirements across various world regions. Therefore, the timelines associated with the vaccination programs across the Pacific and other world regions were considered in line with the optimistic recovery forecast. The baseline and pessimistic scenarios are expected to lag behind the optimistic case based on assumed delays in the vaccination timetables. As such, a 6- to 9-month lag was assumed for the baseline scenario behind the optimistic scenario. Another 6- to 9-month lag was assumed for the pessimistic scenario behind the baseline scenario.

ICAO, IATA, and other industry organizations acknowledge the fact that uncertainty remains not only around the virus behavior and vaccine effectiveness but also government responses. It is unclear how long it will take for governments across the globe to reopen borders and start lifting restrictions after the vaccination program is completed (however this might be defined). To this effect, the forecast modelling assumes another lag period of 3 to 6 months after the planned vaccination program ends to account for any potential delays in government decision making.

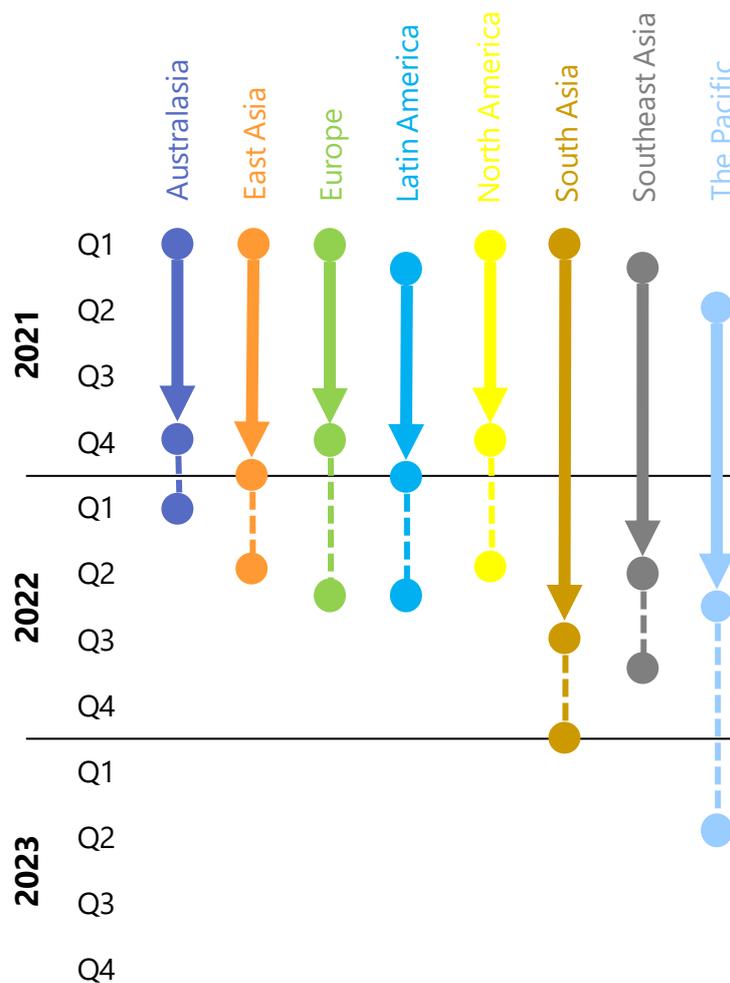
Information regarding vaccination timetables is summarized in **Figure 6-6**. The estimated timeline for the vaccine program of each country in the Pacific was collected and then aggregated to generate an overall timeline for the region. A similar approach was conducted for other world regions (Africa, Australasia, Europe, Latin America, Middle East, and North America) as this would also influence when international travel could fully resume between these regions and the Pacific (see **Figure 6-7**).

Figure 6-6: Estimated Completion of Vaccination Programs



Source: Desktop Research.

Figure 6-7: Estimated Timeline of Vaccination Programs by World Region



Source: Desktop Research.

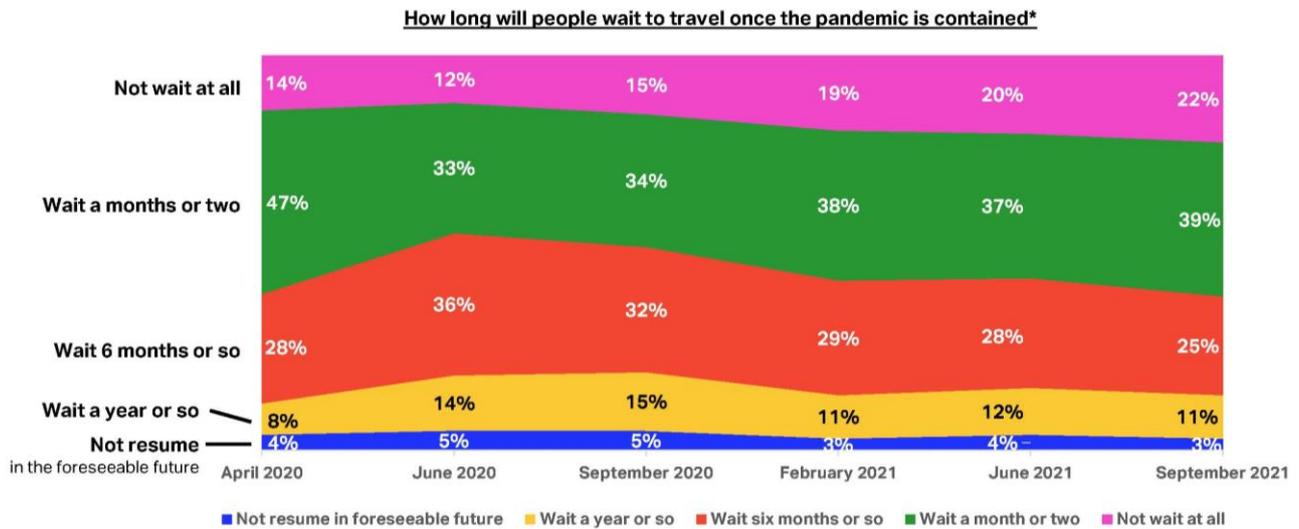
6.4.4 Passenger Confidence

IATA-commissioned a survey of passengers across 11 countries. Over the past several months, IATA has updated and expanded this survey to collect information regarding the impact of COVID-19 on quality of life, passenger’s perception of travel experience and rules in the “new normal” as well as travel safety and how these factors translate into passenger confidence in air travel. According to IATA’s survey as of October 2021, 73% of respondents “agree that travel restrictions have negatively impacted their quality of life”, an increase from 67% in the June 2021 survey. While respondents generally agree that airlines were well prepared for the new travel rules, more than two-thirds find the new measures were quite challenging and create hassle and inconvenience for the travellers. Regarding safety of air travel, respondents feel that aircraft are a safe environment even though they acknowledge the risks of catching viruses while travelling.

Referring to challenges on the road to recovery laid out in Section 6.1, respondents to the IATA survey largely agree that smarter risk management at borders is needed to balance COVID-19 risks and getting the economy going again. Further, more than 75% of respondents believe that “border closures should end as testing and vaccine capacity increases”, highlighting the expectation of a strong correlation between the reopening of countries and vaccination programs.

The latest IATA survey shows slow but consistent improvement in confidence to travel immediately once the pandemic is contained. As depicted in **Figure 6-8**, 22% of passengers said they would not wait at all, showing an increase consistently since June 2020. The majority of passengers would wait at least 1–2 months while another 25% would wait 6 months or so. 11% of respondents would wait 1 year and only 3% would not resume air travel.

Figure 6-8: Passenger Confidence



Q12. Once the pandemic has been contained, how long would you wait, if at all, to return to your usual travel plans?
 *Note that the wording of this question has changed slightly since it was asked in the April 2020 wave of this survey.

Source: IATA Air Traveler Response to COVID-19, October 2021.

IATA also highlighted the following four key factors to restoring passenger confidence:

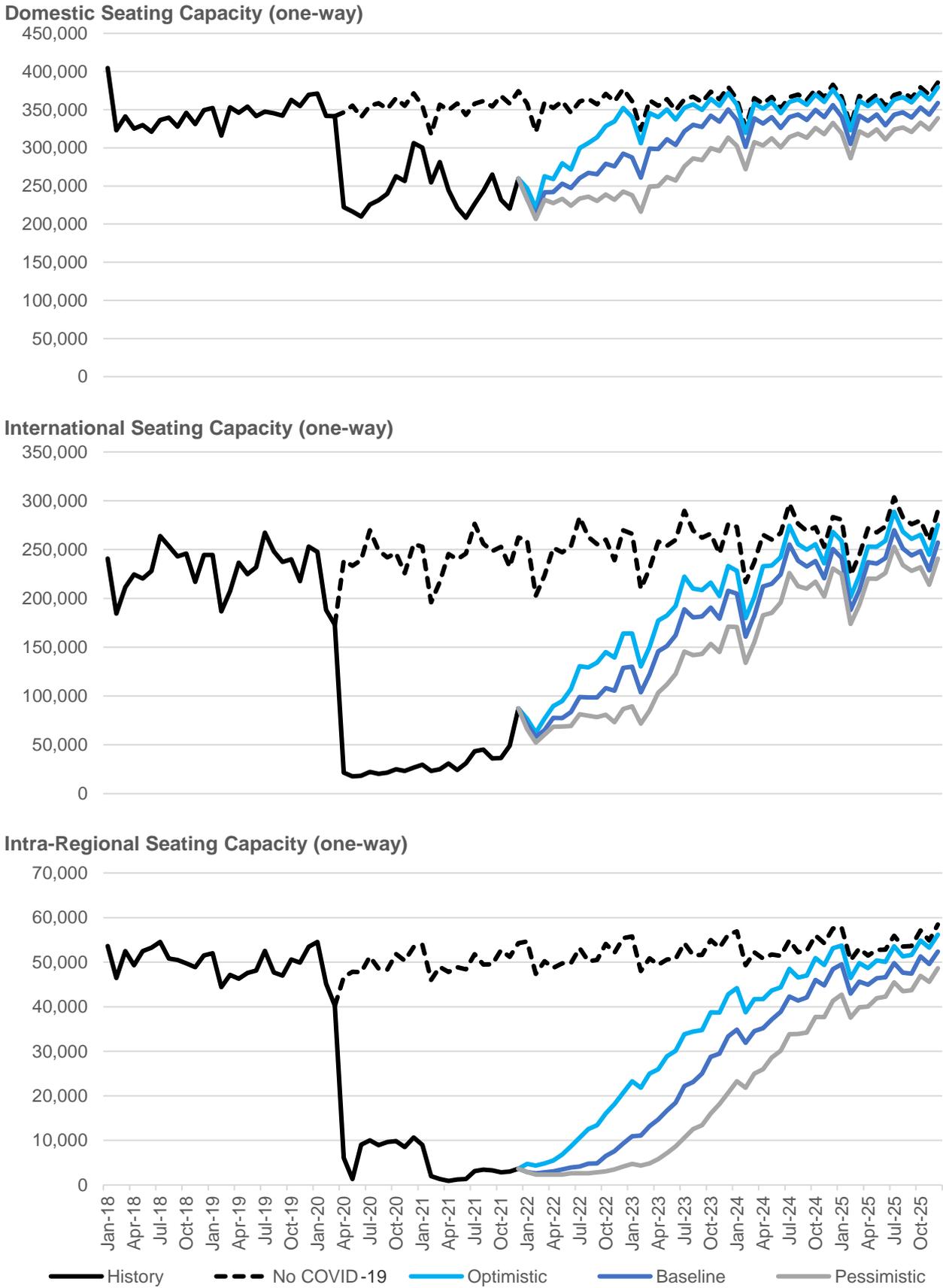
1. Requiring all passengers to be vaccinated (86% of respondents);
2. Clear and understandable refund rules that protect the passenger (86% of respondents);
3. Affordable testing (84% of respondents);
4. Elimination of quarantine (75% of respondents).

6.5 Recovery Scenarios

Based on the assumptions discussed above, three recovery scenarios were developed (optimistic, baseline, pessimistic). As pointed out, the optimistic scenario is based on information available at the time of this analysis assuming limited recurrence of the virus, while the baseline and pessimistic scenarios look at the impact of subsequent waves/variants and potential delays in vaccination timelines or needs for booster shots. The results of the analysis are as follows (see **Figure 6-9**):

- Domestic capacity recovery to pre-COVID-19 levels (2019):
 - Current Traffic: 50-60% of pre COVID-19 capacity
 - Optimistic: Q2 2023
 - Baseline: Q4 2023
 - Pessimistic: Q2 2024
- Intra-Regional capacity recovery to pre-COVID-19 levels (2019):
 - Current Traffic: mostly cargo & repatriation flights
 - Optimistic: Q4 2023
 - Baseline: Q2 2024
 - Pessimistic: Q4 2024
- International capacity recovery to pre-COVID-19 levels (2019):
 - Current Traffic: follows intra-regional trends
 - Optimistic: Q4 2023
 - Baseline: Q2 2024
 - Pessimistic: Q4 2024

Figure 6-9: COVID-19 Demand Recovery Scenarios for the Pacific Region



Source: Landrum & Brown.

6.6 Air Cargo Recovery

While the COVID-19 pandemic has seen passenger traffic come to a standstill and the closure of international borders to travelers, the pandemic has also seen air cargo undergo a global transition thanks to the rise of e-commerce and the lack of belly cargo availability. The ongoing recovery of the global cargo market is putting pressure on air cargo capacity, which continues to be scarce and increasingly expensive.

The recently released Airports Council International October 2021 air cargo data show that the demand for air cargo worldwide was 10.7% higher than the same month in 2020 and 5.3% higher than October 2019. For 2021 year-to-date (Jan-Oct), air cargo levels are 4.8% above 2019 levels. While North America and Europe are major drivers of air cargo growth, Asia-Pacific fared well during this period with Jan-Oct 2021 demand 2.3% higher than the same period in 2019. Being the global hub for manufacturing, the Asia-Pacific region has benefitted from the recent pickup in economic activity despite the recent spike in COVID-19 outbreaks. Data from IATA also showed positive growth trends for air cargo worldwide and in Asia-Pacific specifically, including growth in international air cargo demand.

Willie Walsh, IATA's Director General, was quoted saying that,

October data reflected an overall positive outlook for air cargo. Supply chain congestion continued to push manufacturers towards the speed of air cargo. Demand was up 9.4% in October compared to pre-crisis levels. And capacity constraints were slowly resolving as more passenger travel meant more belly capacity for air cargo.

However, he also noted that,

The impact of government reactions to the Omicron variant is a concern. If it dampens travel demand, capacity issues will become more acute. After almost two years of COVID-19, governments have the experience and tools to make better data-driven decisions than the mostly knee-jerk reactions to restrict travel that we have seen to date. Restrictions will not stop the spread of Omicron. Along with urgently reversing these policy mistakes, the focus of governments should be squarely on ensuring the integrity of supply chains and increasing the distribution of vaccines.

In order to overcome constraints in the supply chain, governments have adopted freight assistance schemes that help critical items reach key export markets through subsidies and additional capacity. An example of this is the Australian government's International Freight Assistance Scheme, which provides an opportunity for the country's key departure hubs to be connected to overseas markets through additional capacity for businesses such as fresh produce and medical equipment. This program was aimed at alleviating pressure on the shortfall left by significantly reduced passenger flights in which belly cargo played a crucial role in cargo delivery.

Further examples of programs and trends in the cargo market as a result of the pandemic have been: the introduction of additional freight services by cargo airlines, passenger-to-cargo aircraft conversions becoming more common, scheduled passenger operators being approached by freight forwarders for the chartering of belly hold capacity, and the use of the passenger cabin to carry cargo on seats.

It should be noted, however, that COVID-19 has generated a surge in air cargo and shipping costs throughout the globe, including the Pacific. This issue was raised by stakeholders in the 2020 PRIF report and it should be noted that this is still a problem as of Q1 2022. The progressive reopening of borders across the region as well as reinstatement of international air services will increase belly cargo capacity which will in turn reduce shipping costs in the future. Due to uncertainty surrounding the timeline for resumption of international air services across the various PICs, support programs like the ones discussed above will continue to be needed in the near term through the transition period (leading to border reopenings) and early phases of recovery.

7 Update of COVID-19 Recovery – PIC Support Needs

The previous study divided COVID-19 recovery scenarios into initiatives to support three stages of aviation sector response to the pandemic, namely hibernation, transition, and recovery. With the passage of time and the prolongation of the pandemic, many PICs have enforced prolonged hibernation conditions, which, with the present Omicron outbreaks, may extend well into 2022. In addition, other variants may yet appear. As discussed in earlier sections, a number of PICs have controlled infections, have progressed well with vaccination and infection control at borders and have either opened borders and are facing the market, or are contemplating reopening soon. Of this latter group, a number of PICs have secured a level of financial support for their airlines to the extent that they are effectively entering a transition stage, while others remain in hibernation and have accumulated significant debt. In response to this situation, the following discussion revisits the PICs' ongoing needs for support across the various recovery scenarios, and updates these (together with an updated cost matrix) in the context of the position of the respective PICs described in the previous sections, and the anticipated trajectory of the pandemic.

This paper is also aimed at informing the 2022 RAMM on the wider economic impacts of COVID-19 on air access to the region. Accordingly, the discussion below also covers at a high level the perceived needs for complementary support to ensure that the benefits of recovery flow through to the whole economy. This includes assessment of the need for and balance between further support to the health sector, the tourism sector, and consideration of environmental resilience in recovery strategies.

7.1 Government Budget Support

It is recognized that, despite progress toward the transition stages by some PICs, the projected lead time until full recovery means that most airlines and airports will need ongoing cash flow support from government shareholders for some time. As discussed earlier, this is a lesser monthly amount than envisaged in the 2020 report due to the costs saved and alternative revenue generated since the onset of the pandemic. The categories of support needed would still include most of the items listed in the 2020 report, namely:

- Providing working capital for airports and airlines to offset ongoing earnings shortfalls while maintaining capacity for reduced but increasing international services, active domestic services, and to secure available charter work, all the while ensuring maintenance and safety compliance are up to date;
- Assisting airlines and airports to clear trade debtors some of which are still constraining re-entry to service;
- Where not already being undertaken, funding PIC regulators to allow them to meet both their direct regulatory obligations and their obligations to PASO (see Section 7.4);
- Funding capital investment where this is needed to enable transition back into operation of air services;
- Funding collateral areas essential to air services recovery, e.g., development of COVID-19 testing and tracing, quarantine and treatment capability, destination marketing and tourism industry rebuilding, other economic stimulus, environmental impact mitigation etc.

There is efficiency in facilitating these payments in aggregate through budget support mechanisms, preferably grants rather than loans, given that most PICs have used up whatever fiscal headroom they had in earlier stages of the pandemic. In many cases, these facilities may be an extension of ones already set up by donors. A weakness of this method communicated by stakeholders is that the money often does not flow through fully or quickly. A number of PICs have to date provided funds to airlines and airports through this donor-backed government budget channel.

7.2 Direct Financing of Airports and Airlines

As advised in the 2020 report, this modality can include direct loans or grants to the operator, or loans through a commercial bank backed by a donor guarantee. These present more targeted and transparent methods of getting working capital and development capital to airlines, and, depending on how it is structured (e.g., with or without government guarantee), they could have a lower impact on government's fiscal balance than the budget support method.

As described in the preceding sections, this model has been successfully adopted in Fiji for both Fiji Airways and Fiji Airports. The consultation process for this study revealed that there is interest from other international and domestic airlines in exploring this modality. A primary concern raised by the airlines was the cost of finance in the Pacific, and whether a direct loan from an IFI in foreign currency would be structured at a lower interest rate than that offered by local banks. Other concerns (by private sector participants) were the level of recourse needed and the ability to secure finance without a government guarantee. On the donor side, concerns were raised about the desirability (and compatibility with donor governance obligations) of direct injection of cash into airlines already struggling with high debt, particularly compared to needs in other priority areas such as supporting structural reform to obtain better financial sustainability. There will be difficulty in obtaining a

bankable transaction for some of the PIC airlines, Accordingly, this modality is expected to be limited to debt, quasi-debt or guarantees provided by the IFIs but mainly applicable to the limited subset of airlines that can demonstrate the capacity to service that debt within a reasonable timescale.

7.3 Air Route Underwriting

7.3.1 International Route Subsidies

Despite concerns raised in the 2020 report that air route underwriting would be less effective when constrained by border closures, quarantine limitations and bilateral air services constraints, the route subsidization schemes implemented by Australia and New Zealand appear to have been successful. They have effectively serviced the fundamental needs for supply of humanitarian cargo, repatriation, and access by essential services personnel. The services have also empowered the reopening of regional seasonal workers schemes which generate significant economic benefits through remittances. The airlines have largely managed “work arounds” for the quarantine requirements. The services have been procured through competitive tender and awarded to both PIC and non-PIC airlines on merit. Air services agreements have not been an issue given that direct routes have been used by airlines operating under existing bilateral agreements.

A strength of the schemes is that the bulk of destinations being serviced are the more significant population centers or tourism destinations, with subsidies structured to phase out automatically out as commercial patronage increases. A further strength is that, rather than propping up airlines directly, a subsidy scheme is a competitive market-based method of generating cash flow for the more sustainable airlines, delivering a productive activity while assisting recovery,

At the same time, donors want to ensure that subsidy schemes, while necessary, are short-term, and that the focus remains on funding longer-term strategies to support economic and operational sustainability of the sector.

Discussions with a range of airlines, combined with the air route demand analysis discussed earlier suggested that, on the main tourist routes, the need for ongoing subsidies will decline quickly, but that it will be difficult to sustain services on the less viable routes, particularly to the small island states. Ongoing route subsidies are potentially justified for some of these routes on economic and social grounds for an extended period, possibly beyond the full recovery. The key challenge is how to sustainably fund such schemes. Potential funding sources include the affected PICs (as has been done historically), one or more donors (as per current subsidy scheme, potentially expanded), or travelers (through for example a passenger charge on international travelers), or a combination of the above. This is a complex topic in its own right that touches on regional regulation and subsidization of air routes and would ideally be addressed on a similar basis as part of the Pacific Aviation Strategy, being prepared under the RAMM outcomes activities.

7.3.2 Domestic Community Service Obligation Schemes

A key point that arose during the consultation process for this study is the scope to improve CSO-type services in those PICs that operate domestic networks. PICs such as Vanuatu, Fiji, Solomon Islands, Cook Islands, the Marshall Islands, FSM, and now Tonga all operate domestic services with some routes supported either through direct subsidies from Government, or cross-subsidized from higher-revenue international services. The pandemic has drawn attention to these schemes, given the airlines’ financial vulnerability to the drop in domestic demand, especially given that CSOs usually do not fully underwrite the cost of services.

Governments and donors recognize the social importance of sustaining domestic services (and notably their role in providing access from rural areas to health care in the main centers), and that domestic services have become one of the key sources of hibernation revenue for PICs’ international/domestic operators. Domestic carriers emphasize that a well-structured and funded CSO scheme is important to the ongoing sustainability of domestic air access, regardless of the rate of recovery from COVID-19. In this regard, funding is usually provided by Government, but, noting CSO schemes adopted by PICs in other sectors (e.g. utilities), there is scope for examination of the possibility of user charges on more profitable routes to be incorporated into the funding mix. Donor support would assist the development/refinement of these schemes, and short-term donor contribution to subsidies may be justifiable as a tool in recovery, in a similar way to the international subsidized services.

7.3.3 Medical Evacuation Support

As discussed later in Section 7.7, it is reasoned that any air services subsidization should also take account of medivac considerations, both domestic and international.

7.4 Technical Assistance – Operational Readiness

The 2020 study addressed this heading largely from the need for action to establish regulatory compliance (aircraft maintenance and airworthiness, currency of personnel such as aircrew, air traffic controllers, access to medical examiners, etc). There were also needs identified in relation to certification of new aircraft types (Vanuatu and Kiribati) and issue of a new Air Operators Certificate (Tonga). The listed needs are still relevant, but circumstances have improved. Key achievements are:

- PASO has been able to manage a “work around” remote inspection during times of access limitations;
- Short- to medium-term funding commitment has been secured from DFAT/MFAT to support PASO’s core function, that will allow the inspection program to operate with reasonable effectiveness through transition and recovery, albeit with some limitations;
- Certification of the Samoan aircraft has been progressed by the Australian Civil Aviation Safety Authority under arrangements with PASO;
- Vanuatu has sought to defer or cancel delivery of the new A220 aircraft on order – the outcome of this is still uncertain;
- The newly activated RAMM has prioritized a regional focus on a post-COVID-19 recovery of the Pacific aviation ecosystem, and development of a long-term strategy for the sector (including a wider scope for PASO) – a key output of this is the consideration of revised sustainable funding options for PASO;
- Funding for the delivery of RAMM outputs are being pursued by PASO as secretariat to RAMM.

It would appear that the PASO-related short-term Operational Readiness needs are in many cases being addressed. Remaining border controls still provide barriers to fully completing regulatory compliance tasks primarily because of the difficulty in international specialists getting access to PICs. In particular, there still remains an urgent need for refresher/proficiency training/certification in a number of PICs for regulated personnel such as aircrew, air traffic control staff, as well as flight calibration of navigational aids which can only be undertaken in-country.

In addition to the above, some stakeholders identified that the proposed expansion of the PASO functions will be challenging at a time when there will be pressure on the provision of core regulatory services to support COVID-19 recovery. It is also recognized that, in addition to support to PASO, individual PIC regulators will still need direct and indirect support, particularly from PASO, the Civil Aviation Safety Authority of Australia and the New Zealand Civil Aviation Authority.

7.5 Infrastructure Financing

The 2020 PRIF report identified that many infrastructure projects were stalled by the restrictions on movement forced by the pandemic that prevented overseas workers accessing projects. Some progress has been reported in this regard as the various air services that have operated have allowed essential workers access to these projects subject to quarantine and testing processes. This has allowed progress on the ongoing infrastructure projects, although not all projects have been able to return to full efficiency or meet originally scheduled timing: World Bank funded airport improvements in Tuvalu, Tonga, and Solomon Islands, and the completion of a new terminal construction in Palau, and ongoing pavement maintenance in the Cook Islands are cases in point. In other PICs such as Fiji, capital expenditure has been kept to a minimum in order to preserve cash flow.

As the region goes through transition or gets closer to border opening, a major theme coming out of the development community is the opportunity to use infrastructure development as an economic recovery tool, with the aim of not only jump-starting recovery by creating jobs and injecting cash into economies, but also setting up the economy for long-term growth through earlier realization of productive infrastructure. By the inclusion of appropriate safeguards and resilience initiatives within the design of such projects, they can also contribute to the overall resilience of the PIC. In this context there is consensus by a number of stakeholders on the desirability of bringing forward a range of planned air access enabling projects which have a solid economic rate of return which will lead to a financial return sufficient to support debt servicing.

Some projects are already in the pipeline, some of which were highlighted in the 2020 PRIF report. A non-exhaustive list of projects in various stages of planning, preparation and, in some cases, implementation include:

- The long-term ADB-funded Civil Aviation Development Investment Program in PNG aimed at development of provincial airports;
- Rarotonga Airport Infrastructure Upgrade Project, as well as outer island airport upgrades, Cook Islands;
- Outer Islands Terminal and pavement maintenance, Fiji;
- Resealing and repair of pavements and replacement of communications and meteorological systems Nauru;
- Runway resurfacing and terminal expansion fit out, Niue;
- Safety and basic infrastructure upgrades for airstrips at Peleliu and Angaur islands in Palau;

- Infrastructure improvements addressing climate resilience and safety investments for Faleolo Airport in Samoa (Samoa Aviation and Roads Project, part of the World Bank pipeline);
- 2nd stage of airport improvements for Honiara Airport under the Solomon Islands Road and Aviation Project (SIRAP-2 under World Bank funding);
- Detailed design and resurfacing of a runway at the 'Eua airport and acquisition of basic safety equipment and facilities at outer island airports in Tonga;
- The World Bank-funded SOARR multi-year program asset management contracts being considered for Tonga, Samoa, and the Solomon Islands.

Despite the extensive development of the aviation system pre-COVID-19, there will be no shortage of potential candidates for such investment. For example, the pandemic has highlighted the importance of safe and reliable domestic aviation, yet domestic airports and support infrastructure are one of the weakest components of the aviation system. Air navigation and surveillance infrastructure are evolving to offer improvements in safety through satellite navigation and communication technology.

The key challenge therefore is to choose projects that are justifiable on their economic and financial rates of return and debt servicing capability compared to what would be achieved in competing sectors, e.g., information technology, health etc. This task is aided considerably by the National Infrastructure Plans produced with PRIF assistance for Cook Islands, Nauru, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. These plans have already undertaken some of the heavy lifting in terms of scoping projects across multiple sectors and prioritizing them using multi-criteria analysis. All of these plans were prepared pre-pandemic and one has expired. An updating of these plans for the COVID-19 recovery environment is seen as an appropriate path towards the desired infrastructure-led recovery. Key areas of assistance under this infrastructure theme could include:

- Technical assistance for a post-COVID-19 review and update of national infrastructure plans and selection of priority projects (from multiple sectors) that match the objectives of the infrastructure led COVID-19 recovery;
- Technical assistance in project preparation;
- Funding for implementation of selected reprioritized COVID-19 recovery infrastructure investment programs.

It is noted that longer-than-normal lead times for any infrastructure programs will need to be planned due to the many pandemic-related supply chain constraints due to both local and global circumstances. This is particularly while border closures are still in place in PICs, restrictions remain on labour mobility, availability of freight capacity is limited and while there is continued global disruption to supplies of goods and raw materials.

7.6 Aviation Restructuring Assistance

The 2020 PRIF report identified the need to ensure that, if financial assistance is to be provided to support aviation enterprises (particularly airlines), then it should be directed at those enterprises that have the potential to be commercially viable post-COVID-19. Further, Pacific regional airlines, through ASPA, considered that PIC airlines' ability to survive the lengthening crisis is a growing concern and that, without change, PIC airlines risk being perpetually bailed out by government. As such, the Pacific region could materially benefit over time from the type of regional collaboration envisaged. The pandemic is therefore an appropriate trigger to review their business sustainability model and identify if there are collaborative approaches that could lead to lower operating costs and other revenue generation opportunities, and overall to recast the way business has been done in the thin-line markets of the Pacific.

With the support of technical assistance funding by PRIF, and subsequently DFAT, some analysis of restructuring choices was undertaken by ASPA. These choices ranged between cost-based collaboration (pooling of purchasing power in spares procurement or securing Maintenance Repair and Overhaul (MRO) support, training, catering, aircraft procurement and financing etc), greater revenue based collaboration (codeshare, route network collaboration, joint services etc) through to more entrepreneurial strategies involving joint ventures and collaboration with or investment from airlines outside the region. The ASPA consensus was that:

- Less radical collaboration strategies were preferred in order to foster cooperation and were more likely to obtain government confidence in joint arrangements, albeit that the more entrepreneurial/radical approaches could be considered in the long term;
- Both the cost-sharing-based collaboration model (a regional aviation hub) and the regional airline alliance were worthy of taking forward.

It is noted that one donor, DFAT, is proposing a relatively robust form of regional aviation procurement and technical service hub and seeks to have this considered as a policy position endorsed by PRIF/PASO/RAMM.

Subsequent to the ASPA determination, RAMM endorsed the concept of investigating regional collaboration models, and PRIF and PASO (as RAMM Secretariat) are jointly progressing this initiative in the form of scoping and feasibility studies. This work is yet to commence, but it is anticipated that these studies will lead to further definition of the business model and will require further funding for:

- Technical assistance in progressing all of the steps from concept to implementation of preferred solutions;
- Support in the seed funding of whatever institutional arrangement that may be established (e.g., an aviation procurement hub operating as a commercial enterprise);
- Assistance in financing of regional airlines participation in any such venture.

In considering these measures, it must be acknowledged that airline survival is not necessarily guaranteed. It is possible that if government support is not available, one or more airlines may be faced with the invidious situation of legal insolvency and be forced to go into some form of administration. In these circumstances, a radical restructure will be enforced including potentially forcing the sale, merger, or winding up. The range of financial support envisaged should therefore contemplate, if needed, technical assistance in managing that insolvency. This will no doubt be a more disruptive process of achieving major reform in the way air services are provided.

7.7 Managing Healthcare Risks and Readiness

Much work has been undertaken during the pandemic to expand PIC healthcare system capacity, including COVID-19 testing, infection control at borders, quarantine facilities and increased hospital facilities, particularly for the more serious cases. Notwithstanding this, recent breakouts in Kiribati, Palau, Samoa, Solomon Islands, and Vanuatu have demonstrated that border controls and vaccinations alone cannot prevent infections which are inevitable and can occur at a level that has the potential to overload whatever pandemic management facilities are in place. Further, as discussed earlier, these circumstances substantially impact airlines' willingness to re-enter the market and passenger's propensity to travel. This is due to the potential for sudden lockdowns or imposition of quarantine restrictions, or that the visitors will risk infection and be required to navigate a foreign medical system.

Solutions to these issues would need to be sought through health care system specialists, but basic needs from the air access perspective can be identified as follows:

- A need to continue to develop the health system capacity (beds, equipment, quality of detection and management, quarantine management), and at the same time recognizing that the capacity issue is unlikely to be solved in the short term given the size of the potential caseload, to which visitors to the PIC will add;
- A need for surge capacity (e.g., the temporary field hospital concept such as used in the Solomon Islands) to provide additional high capacity for the peaks of the pandemic, which would not normally be sustainable in the long term;
- A need to ensure that those capabilities are accessible to people across the whole of the PIC. This may be a difficult task given the more basic nature of healthcare away from the main centers and main referral hospitals, thus placing significant reliance on domestic air transport for such access.

Some PIC COVID-19 response plans also identified that domestic and international medical evacuation by air ("medivac") should form part of the response. Domestic medivac tends to use local airlines and charter operators to allow remote patients access the facilities in the major referral hospitals, while international medivac tends to be provided by specialist aircraft operators providing access to overseas medical facilities for the worst cases unable to be addressed in-country. A more structured and readily available service would complement domestic health care capacity and also act as a safety net to overseas visitors by contributing directly to propensity to travel. The health care capacity issue is common to most PICs, suggesting that if medivac is to be integrated into the recovery strategy, there would be value in:

- Establishment of a referral hospital system with capacity both within the Pacific (e.g., Fiji, New Caledonia, and outside, i.e., Australia and New Zealand);
- Procurement of commercial medivac services in a competitive environment, against pre-determined service levels and budget;
- Sourcing funding from government, donors and the private sector (e.g., travel insurance providers). It is anticipated that such a scheme would be treated as a public good and administered much like the New Zealand and Australian subsidized air services framework, with the subsidy phased out as COVID-19 recovery proceeds.

7.8 Environmental Impacts and Opportunities

From 2010 to 2014, \$748 million was committed towards environmental sustainability in the Pacific, specifically climate change. The creation of the Green Climate Fund led to the approval of \$362 million in grants for the Pacific through various mechanisms such as the Adaptation Fund and the Global Environment Facility. These programs targeted various environmental issues prior to the pandemic and helped PICs to meet their climate change goals.

Efforts have been made to continue work on environmental issues across the Pacific. SPREP recently approved its 2022–2023 work plan with budget of \$35.2 million and \$23.7 million, respectively, to tackle four key programs: Climate Change Resilience, Island & Ocean Ecosystems, Waste Management and Pollution Control, and Environmental Monitoring & Governance. However, both the UN General Assembly in September 2021 and the UN Climate Change Conference (COP26) in November 2021 highlighted the challenges posed by COVID-19 on PICs and other countries and the risks of diverting attention from meeting the goals of the 2015 Paris climate agreement. These events also emphasized the need for more action across the Pacific as climate change and rising sea levels coupled with natural disasters remain major threats to the PICs.

Regarding COVID-19, there is consensus that border closures and lockdowns have resulted in many challenges and impacted environmental projects across the region. PICs agree that environmental issues have to be tackled at a global level to fight and prevent future pandemics. The impact of medical and plastic waste as a direct result of the ongoing pandemic is also a major concern.

Going forward, as PICs progressively move into the transition and recovery phase, clear COVID-19 recovery programs have to be put in place that mainstream environmental protection and climate change resilience. Similar to tourism and economic strategies set up by governments across the region, these environmental components have to be part of the broader recovery strategy for the region and each PIC. Funding for COVID-19-related environmental mitigation could be part of overall funding for other projects with specific environmental goals and criteria to be met.

7.9 Supporting Tourism Recovery

The Pacific 2030 Sustainable Tourism Policy Framework was endorsed by 20 Pacific countries in November 2021. Its purpose is to set out the vision, policies and actions needed to rebuild and transform Pacific tourism to make it more sustainable, resilient and prosperous with emphasis towards recovery from COVID-19 and natural disasters. SPTO, member countries and stakeholders have committed to work together on the following key policies and actions:

- Supporting prosperous and resilient economies;
- Empowering communities;
- Amplifying and promoting culture;
- Accelerating climate action;
- Protecting ecosystems; and
- Building resilience.

PICs will need continued support from development partners in order to achieve the goals set in the Pacific 2030 Sustainable Tourism Policy Framework. As PICs progressively move into transition and recovery phases, the tourism sector will have to set clear near-term and long-term strategies to ensure recovery can take place in an effective manner. Some of the key areas for support could include:

- Destination Marketing: Grant funding of national tourism offices/SPTO for national and/or regionally oriented targeted marketing campaigns aligned with the reopening of borders and follow up until demand has returned to pre-COVID-19 status. Consideration should be given to the potential for such grants be co-financed by the private sector (e.g. tourism industry associations/tourism levy);
- Route Development: Technical assistance grant funding for a specialist to work long term on implementation of SPTOs route development program (as proposed by SPTO in prior years before the pandemic but not able to be funded);
- Tourism Readiness Program: A financial support facility to provide working capital and small-scale development capital to assist the tourism industry getting back into operational readiness after lengthy periods of closure. Instruments that might be considered include grants, or concessional business loans facilitated through IFI guarantees to local banks. Funds would be needed for repair/refurbishment of accommodation and other facilities, restocking, and re-recruitment and retraining of staff;
- Tourism Standards Development: Technical assistance funding via tourism ministries or national tourism offices for the implementation of accreditation schemes, where these are not already in place or in progress. Consistent with some tourism recovery plans in place, an emphasis can be placed on bringing up the standards of the smaller scale locally owned and run facilities in the less-developed locations within PICs;

- Sustainable Tourism Development: as a complement to the Tourism Readiness Program, mobilization of finance (assessed to be grants, or concessional loans through the banking system with IFI support). These would support investments enhancing climate resilience, greener business practices in the region as well as natural disaster impact mitigation and responsiveness. The investments would be aimed at risk reduction for tourism. Overall, it is appropriate to integrate sustainable tourism objectives into all aspects of broader air access recovery strategies and associated funding arrangements for the PICs.

It should be noted that many of the initiatives listed above are already built into many national tourism recovery strategies, such that the support suggested here may be in addition to existing programs, to fill gaps across PICs.

7.10 General Economic Support

As mentioned previously, while the overall regional outlook is for positive growth, some PICs remain fragile economically and COVID-19 has exacerbated the situation. PICs who rely heavily on tourism or have massively reduced government income and weak fiscal balances are the most at risk during the transition period and beyond. As pointed out by ADB, debt to GDP ratios have increased during the pandemic period (notably Fiji, Kiribati, Palau, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu) and, in many cases, PICs are carrying additional contingent liabilities through guarantees to SOEs that are not reported in the data. While some PICs are starting to reopen their borders to international travel and start to restore their economy, the first quarter of 2022 saw several other PICs experiencing COVID-19 cases for the first time resulting in border shutdown again and imposition of lockdowns. This shows that the basis for the reopening of borders across the region is still very much fragile and further COVID-19 infection waves could delay the recovery efforts. As shown in Section 6 under the baseline and pessimistic scenarios, the hibernation/transition periods could potentially last well into 2022 for some of the PICs meaning that economic recovery would be impacted as well. Further, as we have seen in Tonga, natural disasters can at any time deal a severe blow to any chance of meaningful economic recovery in 2022.

As a result, some budget support across the region may continue to be needed in the coming months, together with ongoing assistance in fiscal management (including negotiation of sovereign debt restructuring). This will be needed to ensure that PICs can continue to protect economic activity within acceptable bounds until borders can effectively reopen and economic conditions can start to normalize.

7.11 Summary of Support Needs

On the basis of the discussion in the previous sections, an updated assessment of support needs and strategies to address these are presented in the tables below. **Table 7-1** summarizes the assessed needs for each PIC, based on a high/medium/low categorization of the needs. **Table 7-2** seeks to identify the support modality and provides a cost estimate against each category of financial support, updating a similar table presented in the 2020 PRIF report.

Table 7-1: Support Needed Across Pacific Island Countries

	Cash Flow Support for Airlines	Cash Flow Support for Airports	Restoring Airline/Airport Operational Readiness	Restoring Regulatory Certification/ Compliance	Sustaining Commercial Viability of Reopened Routes	Airport Infrastructure Needs
Cook Islands						
Fiji						
FSM	N/A	N/A	N/A	N/A		N/A
Kiribati						
Marshall Islands	N/A	N/A	N/A	N/A		N/A
Nauru						
Niue	N/A					
Palau	N/A	N/A	N/A	N/A		N/A
PNG						
Samoa						
Solomon Islands						
Tonga						
Tuvalu	N/A					
Vanuatu						

 High Support Need
 Medium Support Need
 Low Support Need

N/A: information not communicated

FSM = Federated States of Micronesia, PNG = Papua New Guinea.
 Source: Landrum and Brown analysis.

Table 7-2: Estimated Costs Associated with Strategies and Initiatives for the Pacific Aviation System

Needs	Instruments	Relevant PICs	Baseline Forecast	Optimistic Forecast	Pessimistic Forecast
Cash Flow Support for Airlines	Government budget support (grants, loans) Direct private sector finance (grants, loans, guarantees)	Cook Islands, Kiribati, Nauru, PNG, Samoa, Solomon Islands, Tonga, Vanuatu	\$35–45m	\$15–25m	\$55–65m
Cash Flow Support for Airports	Government budget support (grants, loans) Direct private sector finance (grants, loans, guarantees)	Cook Islands, Solomon Islands, Tonga, Tuvalu, Vanuatu	\$8–10m	\$4–5m	\$18–20m
Restoring Airline/Airport Operational Readiness	Technical assistance grants to PIC governments for onforwarding to airlines/airports	Cook Islands, Fiji, Kiribati, Nauru, Samoa, Solomon Islands, Tonga, Vanuatu	\$2.5–3.5m		
Restoring Regulatory Certification/ Compliance	Technical assistance grant to CAAs	Cook Islands, Kiribati, Nauru, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu	\$1–2m		
Sustaining Commercial Viability of Reopened Routes	Regional route subsidy grant fund	High priority routes: FSM, Kiribati, Marshall Islands, Nauru, Niue, Palau, Solomon Islands, Tuvalu Medium priority routes: Cook Islands, Samoa, Tonga, Vanuatu Domestic CSO schemes: Cook Islands, Fiji, FSM, Marshall Islands, Solomon Islands, Tonga, Vanuatu	\$15–20m (Regional Routes) + \$3–4m (Domestic CSO)	\$5–10m (Regional Routes) + \$1–2m (Domestic CSO)	\$35–40 (Regional Routes) + \$5–6m (Domestic CSO)
Airline and Airport Structural Reform	Technical assistance grants to governments for facilitation of	All PICs with international or domestic airlines	\$1–2m (technical assistance component)		

Needs	Instruments	Relevant PICs	Baseline Forecast	Optimistic Forecast	Pessimistic Forecast
	structural reform or orderly exit; Direct private sector finance for qualified new ventures		(includes forthcoming work funded by PRIF to define regional hub concept and regional airline alliance concept)		
Airport Infrastructure Needs	Infrastructure loans and grants for airports and associated health facilities (or variation to existing projects)	COVID-19 Recovery: Cook Islands, Fiji, Kiribati, Nauru, Niue, PNG, Solomon Islands, Tonga, Tuvalu Build Back Better: All PICs, including domestic airports and safety equipment etc	\$4–5m (COVID–19 focused) + \$20–30m (Build Back Better)		
Ensuring Healthcare Readiness	Existing and future budget support for broader based COVID-19 recovery programs	All PICs	To be included in COVID-19 recovery programs, in particular as part of the “Build Back Better” initiatives (assumed 10% factored in the cost estimates stated above)		
Restoring Tourism Industry Readiness		Tourism dependent PICs e.g., Cook Islands, Fiji, Kiribati, Niue, Samoa, Solomon Islands, Tonga, Vanuatu			
Mitigating Environmental Impacts		All PICs			
TOTAL			\$90.5–121.5m	\$53.5–84.5m	\$141.5–173.5m

Source: Landrum and Brown analysis.

APPENDIX

8 Appendix A

List of parties contacted for the Draft Report and Survey (jointly conducted by Consultants, and PASO as RAMM Secretariat).

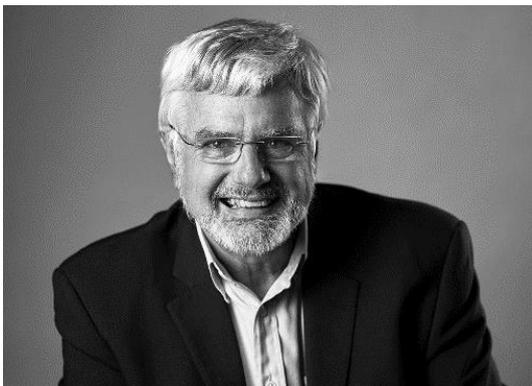
Country	Contact Name	Organization	Role	Request	Response
Cook Islands	Ewan Smith	Air Rarotonga	Managing Director	L&B Issued Survey Request	Survey Completed + Meeting Held
	Dennis Hoskin	Ministry of Transport	Director of Civil Aviation	PASO Issued Survey Request	
Fiji	Athi Narayan	Fiji Airways	Executive GM Airport & Cargo Operations	L&B Issued Survey + Meeting Request	Survey Completed
	John Checketts	Fiji Airways	Executive GM Network Planning and Strategy	L&B Issued Survey + Meeting Request	
	Paul Doherty	Fiji Airways	GM Operations	L&B Issued Survey + Meeting Request	
	David Crute	Fiji Airports	Projects Director	L&B Issued Survey Request	
	Alumita G. Lagicere	Ministry of Health		PASO Issued Survey Request	
FSM	Junior Noamnour			PASO Issued Survey Request	
Kiribati	Mr Kobebe Taitai	Air Kiribati	A/g CEO		PASO Issued Survey Request
	Katikora Baare	MICTTD			
Marshall Islands	Albon Jelke	Air Marshall Islands	General Manager	L&B Issued Survey + Meeting Request	PASO Issued Survey Request
	Stanley Myazoe	Directorate of Civil Aviation	Director		
Nauru	Rob Eoe	Nauru Airlines	CEO	L&B Issued Survey + Meeting Request	Survey Completed
	Dominic Tabuna	Civil Aviation Authority Nauru	Director	PASO Issued Survey Request	Survey Completed
Niue	Bill MacGregor	Department of Civil Aviation	Director		Survey Completed + Meeting Held
	Sonya Talagi	Ministry of Infrastructure - Transport	Director	PASO Issued Survey Request	Survey Completed + Meeting Held
Palau	Jeffrey Antol	Bureau of Foreign Affairs and Trade	Director	PASO Issued Survey Request	
PNG	Bruce Alabaster	Air Niugini	A/g Chief Executive Officer	L&B Issued Survey + Meeting Request	Survey Completed + Meeting Held
	Michael Terim	Civil Aviation Safety Authority PNG	Executive Manager, Safety & Quality Assurance	PASO Issued Survey Request	Survey Completed
Samoa	Magele "Hoe" Viali	Ministry of Works, Transport Infrastructure	Secretary MTWI	PASO Issued Survey Request	Survey Completed
	Alvin W. Tuala	Samoa Airways	CEO	L&B Issued Survey + Meeting Request	Meeting Held
	Robert Rounds	Samoa Airways	General Manager Commercial	L&B Issued Survey + Meeting Request	Meeting Held
Solomon Islands	Trevor Veo	Ministry of Communications and Aviation	Director	PASO Issued Survey Request	Meeting Held
	Brian Halisanau	Office of the Director of Civil Aviation	DIRECTOR	PASO Issued Survey Request	
	Brett Gebers	Solomon Airlines	CEO	L&B Issued Survey + Meeting Request	
Tonga	John Havea	Civil Aviation Tonga (CAT)	Director	PASO Issued Survey Request	
Tuvalu	Uinga Paelate	Department of Civil Aviation	Director	PASO Issued Survey Request	
Vanuatu	Jason Rakau	Airports Vanuatu Limited (AVL)	CEO	L&B Issued Survey Request	Meeting Held
	Benson Kanas	Airports Vanuatu Limited (AVL)	CFO	L&B Issued Survey Request	
	Jackie Langati	Civil Aviation Authority	Director	PASO Issued Survey Request	
	Atu Finau	Air Vanuatu	CEO	L&B Issued Survey + Meeting Request	
PRIF Development Partners	David Charlton	DFAT	Director, Pacific Aviation Section, Office of the Pacific	Meeting Request	Meeting Held
	Katrina Murray	DFAT	Assistant Director, Pacific Aviation Section	Meeting Request	Meeting Held
	Justin De Luca	DFAT		Meeting Request	Meeting Held
	David Weinstein	MFAT	Senior Adviser Transport and Infrastructure	Meeting Request	Meeting Held
	Daniel Toga	MFAT		Meeting Request	Meeting Held
Airlines Serving the Region	Matthew Yarrow	Virgin Australia	Head of Network Management	Meeting Request	Meeting Held
	Nigel Fanning	Jetstar	Head of Networks, Schedules and Alliances	Meeting Request	Meeting Held
	Michael Yuen	Jetstar	Manager Network Planning	Meeting Request	Meeting Held
	Simon Kleinsorge	Air New Zealand	Head of Network Planning	Meeting Request	Meeting Held
Regional Bodies	George Faktaufon	ASPA	CEO	L&B Issued Meeting Request	Meeting Held
	Tevita Tupou	FFA		PASO Issued Survey Request	Survey Completed
	Andrew Valentine	PASO	General Manager	L&B Issued Meeting Request	Meeting Held
	Annie Kwan Sing	PASO	Regional Engagement Adviser	L&B Issued Meeting Request	Meeting Held
	Riaz Deen	PASO	Head of Donor Programs	L&B Issued Meeting Request	Meeting Held
	James Viernes	Pacific Islands Development Program		PASO Issued Survey Request	Survey Completed
	TBA	South Pacific Community		Q&A on data	Responded with data
	TBA	SPREP		PASO Issued Survey Request	

Landrum & Brown

Founded in 1949, Landrum & Brown (L&B) is the oldest privately-owned planning consultancy dedicated solely to the needs of the commercial aviation community. The firm's mission is to enhance the world by bringing passion and creativity to solve the most complex global aviation challenges. The firm's integrated services span master planning and strategy, airfield and airspace, terminal planning and design, environmental, business and finance, ground transportation, commercial development, and activation planning services.

Starting its life as an airport planning organization, L&B has over time become a multidisciplinary professional and technical services company working in planning, development, management and financing of airports, air traffic services facilities, airlines and air service operators. L&B also provides expertise in aviation policy, strategy and regulation and offers substantive experience in the reform and restructuring of air transport sector institutions. While headquartered in the USA, this project is serviced out of the Asia Pacific regional headquarters in Melbourne, Australia.

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David heads up L&B's Asia Pacific aviation advisory team with over 30 years' experience in air transport strategy. He has regularly worked in the planning development, management and financing of airports and airlines throughout the Asia Pacific region, often for agencies such as ADB, IFC, and the Australian aid program. He has extensive experience of the Pacific, including 6 years in the management of Airports Vanuatu, and prior engagements with agencies the PIFS and SPTO. David has qualifications in Finance, Economics, and Engineering.



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Mathieu leads L&B's Asia Pacific Forecasting & Analytics and Simulation divisions with over fifteen years of airport consulting experience in the industry. As part of the L&B team, Mathieu has been involved in a wide range of aviation planning projects such as aviation activity forecasts, market assessments, air service analyses, demand-capacity studies, airside and terminal planning studies, strategic planning, benefit-cost analyses, transaction/PPP projects, and airline rates and charges analyses.