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The airport sector in EAIO

In concise...

The East African and Indian Ocean (EAIO) region, has the most dynamic air transport sector in sub-Saharan Africa. It accounted for 38 % of the continent's passenger traffic and 80 % of its cargo volume in 2019. Air traffic flows are currently concentrated around the two main regional airport hubs: Addis Ababa's Bole Airport and Nairobi's Jomo Kenyatta Airport. Due to its strong connection to the tourism sector, **the development of the airport sector is considered strategic for many countries in the region that wish to position themselves as new passenger or logistics hubs** (Rwanda, Djibouti). While new projects, sometimes large scale, are being considered, some are facing financial difficulties as donors are gradually withdrawing from the sector. France remains an important partner, as evidenced by its financial involvements and the presence of its companies which are active in various segments (engineering, equipment supply, airport services).

In detail ...

EAIO is one of the most dynamic regions on the continent in terms of air traffic

EAIO has gradually become one of the most dynamic regions on the continent in terms of air traffic over the past 20 years. In 2019, it accounted for 38 % of the sub-Saharan continent's passenger traffic (up from 30 % in 2010) with nearly 25.5 million passengers. This regional dominance is even stronger in terms of cargo, as the region accounted for 80% of the sub-Saharan continent's cargo volume in 2019 compared to 44% in 2010. **Despite a significant drop in airport traffic in 2020 due to the Covid-19 pandemic, there has been a partial recovery in passenger traffic, albeit it has not yet returned to the level of 2019.** For example, in 2022, Mauritius had 1.3 million passengers compared to 1.7 million in 2019. However, some countries are facing a steady decline in airport traffic (Sudan for example) due to the country's political and economic context.

While several countries aim at becoming airport hubs, Ethiopia and Kenya currently host most of the region's passenger and cargo traffic, particularly in terms of transit. Ethiopia, and Bole Airport (ADD) near Addis Ababa, handled 12.6 million passengers in 2019, representing 49.6% of EAIO's passenger traffic and 19.1%

of that of the sub-Saharan continent. In terms of cargo traffic, ADD processed in FY21/22, nearly 768,000 t of cargo, making the airport not only the main air cargo hub in EAIO but also on the continent. As the second largest airport hub in the region, Nairobi, primarily through Jomo Kenyatta International Airport (JKIA), handled nearly 6.4 million passengers in 2019 and nearly 363,000 mt of cargo in FY2021. **In the region countries such as Rwanda, Mauritius and Djibouti are looking to strengthen their position as airport hubs in the region.** Rwanda for example announced started as early as 2007 by initiating a new airport infrastructure, and more recently with a partnership with Qatar. As it is, both passenger and freight, in these countries remains well below the flows experienced by Ethiopia and Kenya.

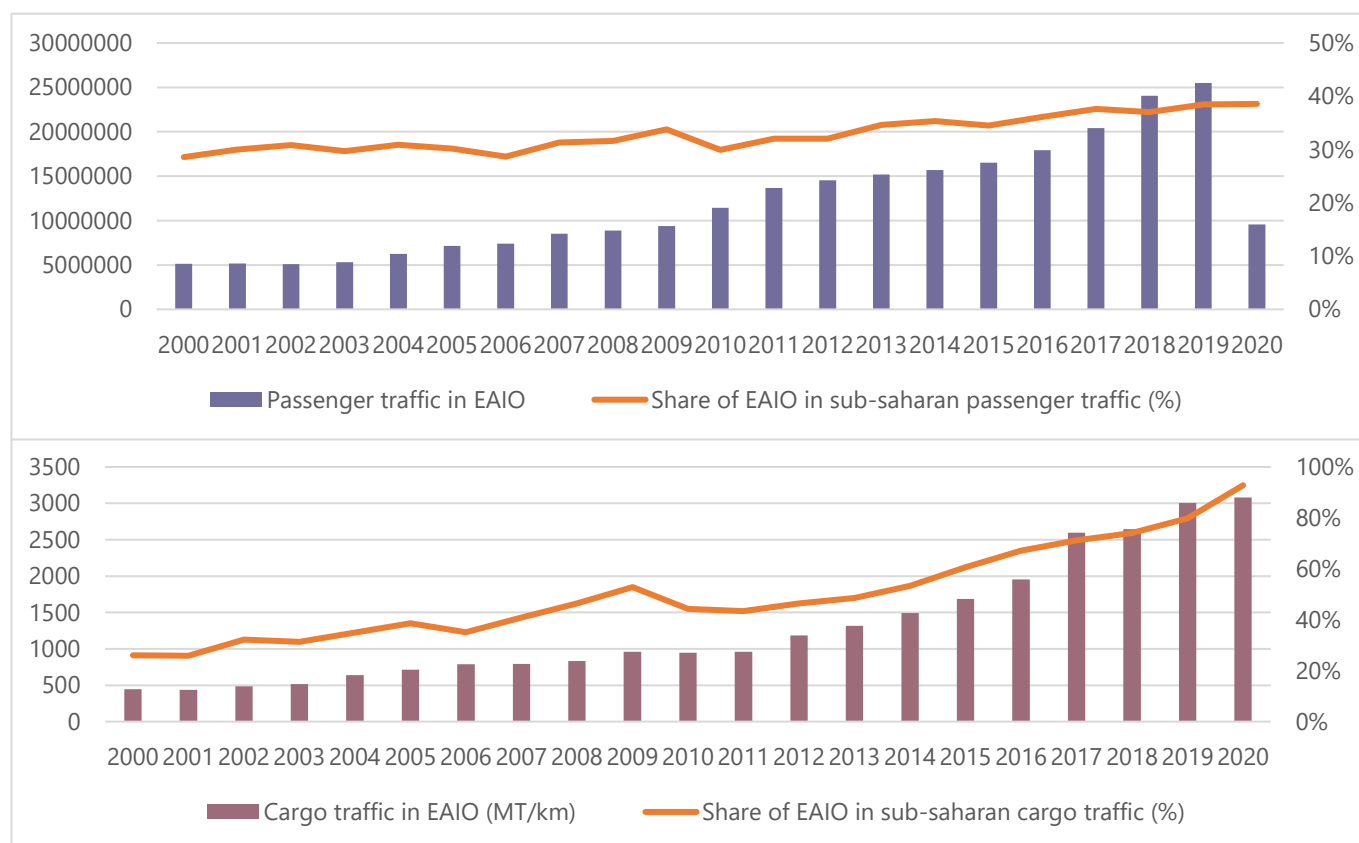


Figure 1: Evolution of passenger and cargo traffic between 2000 and 2020 (World Bank)

... a strategic sector for the countries of the EAIO region, perceived as a vector for economic development

The development of the airport sector is prioritized by many countries in the region as it is considered particularly strategic in economic development. For the Indian Ocean islands, the integration between airport infrastructure and tourism is particularly strong, with air transport constituting the main entry point for Mauritius, Madagascar and Seychelles. Conversely, the Comoros, which is poorly connected to the African continent as a result of the limited number of direct air routes, remains on the periphery of passenger and good traffic.

Government strategies are generally focused on developing international airports. For example, Burundi has made the rehabilitation and expansion of Melchior Ndadaye International Airport a priority. A similar dynamic can be seen in Kenya, with the expansion and renovation of Jomo Kenyatta International Airport, and in Uganda (Entebbe International Airport). **In order to adapt to the growing demand (pre-Covid-19 period), many countries are considering (or have already initiated) the construction of new infrastructure.** Ethiopia is considering the construction of a mega-airport hub some 50 km south of Addis Ababa, a project led by Ethiopian Airlines. In Uganda, it is the development of the Lake Albert oil reserves project that has justified the launch of a Kabaale/Hoima international airport project started in 2018 and financed by the British export credit agency. **Development strategies for medium-sized airports are more erratic or non-existent,** and in some cases pose the risk of building white elephants. The example of the rehabilitated Isiolo airport in Kenya is

emblematic. Although recently inaugurated in 2017, it remains well below its maximum capacity of 125,000 passengers per year, with no scheduled commercial flights at the moment.

The limited financial headroom of national authorities and difficulty in accessing financing can constrain the development of airport projects. This is the case in Burundi, for example, which is facing difficulties in financing its international or secondary airport rehabilitation/construction projects, or in Sudan. The scale of the investments required is prompting some countries to look at financing solutions such as partial concessions or new forms of PPP, as in Ethiopia, for the financing of the Bishoftu airport mega-hub, estimated at 5 Bn USD. **The support of donors and development agencies for airport infrastructure development is gradually decreasing.** Donor priorities (at least in the West) have changed, with the airport sector being considered less and less a priority and funding being redirected to sectors that contribute to climate change mitigation or adaptation. For example, AFD, which has contributed to the rehabilitation of certain airports, notably in Kenya, Ethiopia and Somalia, no longer funds airport infrastructure as a priority.

... active cooperation with France and French companies, along with the arrival of new players

Cooperation between France and the EAIO countries in the airport sector is important. To this end, several French Treasury grants (FASEP) have been allocated. In Rwanda, a project to manage drone traffic in the area of the current Kigali airport in collaboration with Innov'ATM, the Rwanda Airport Company and the Rwanda Civil Aviation Authority has in this way, been funded. In Djibouti, ADPI and Egis are carrying out a study for the modernisation of the country's airport capacities, also financed by a FASEP. **French companies are present in a wide variety of airport sector segments in the region.** A historical presence of these companies can be noted in some countries, such as Tanzania, where the terminal 2 of the Julius Nyerere International Airport was built by the Bouygues group in the 1980s and equipped with various French equipment. **The French presence is relatively diversified.** In the field of engineering and construction, the activities of Egis, Bouygues and ADPI are noteworthy. The supply of air traffic management equipment (radars, simulators, control systems) and specialized materials is an interesting market for French companies (Thales, Smith Detection). Companies are also active in airport services: catering (Newrest, Nas-Servair), duty-free stores (Largardère). Investment funds such as Meridiam may also be involved in PPP-type formats (as in Madagascar). The new airport projects being considered in Rwanda, Tanzania, Uganda and Ethiopia represent opportunities for French companies already present or new entrants.

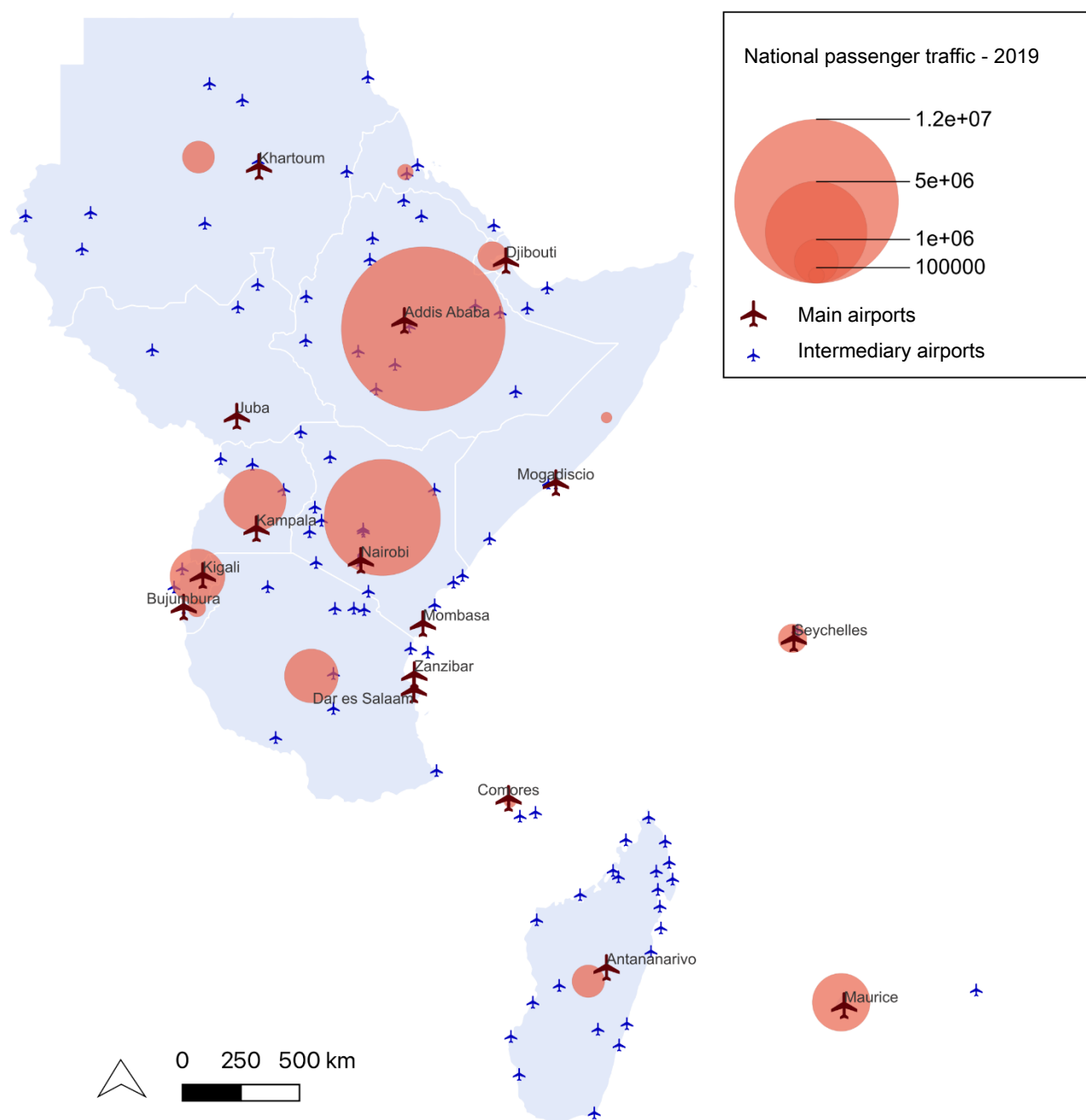
The dynamism of the airport sector in the region is a pull factor for other players, particularly from emerging countries, who are active in financing, construction and the operations. The Exim Bank of China has already financed several projects in the region, such as the extension and rehabilitation of Entebbe airport in Uganda (200 MUSD) or Bole airport in Ethiopia (345 MUSD, financed via two loans). Qatar has recently shown an interest in the airport sector in Rwanda, announcing the acquisition of a 60% stake in the capital of the project company NBIA (New Bugesera International Airport). In the operations and construction segment, the management of Mogadishu airport was entrusted to the Turkish group Favori in 2013, while the China Civil Engineering Construction Corp (CCECC) signed agreements with the State of Puntland for the construction of Bosaso airport. China Communications Construction Company has also carried out the renovation and expansion of Bole airport in Ethiopia.

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Graph of the month

Passenger traffic and main airports in EAIO



Map edited by the Regional economic department with data from the World Bank*.

* Due to a lack of consolidated data for several countries, the data for Comoros, Djibouti, Burundi and Uganda are taken from national sources.