



## **B. Introduction and Context**

### **Country Context**

The Pacific island countries (PICs), despite notable differences in history, culture and endowments, face similar development challenges arising from their dispersion, remoteness and small populations. As a group, these countries' development priorities focus on two strategic areas: (i) mitigating economic isolation by encouraging regional and global integration; and, (ii) building resilience against external shocks. These areas are especially pressing in countries such as Kiribati and Tuvalu, which are among the most remote and geographically isolated countries in the world.

Under such circumstances, the aviation sector provides vital national, regional and international connectivity. Air services are essential for the import and export of goods, and a prerequisite for tourism development. Shipping can play an important role in goods transport, but given long distances, is often not a viable alternative either for passenger transport or for export of high value, time sensitive commodities and/or import of emergency supplies. Major vessels typically arrive at the main islands monthly at best, with routes and schedules primarily determined by cargo considerations. A reliable network of air links, within and among island countries and to major hubs such as Australia and New Zealand beyond, is therefore essential to the viability of these countries from humanitarian, political and economic perspectives.

Compliance with aviation safety and security regulation is not negotiable. It is an obligation under international treaties entered into by the Pacific island states, and a prerequisite for maintaining international and domestic air services. Without safe and secure systems in place, these services could not continue.

### **Sectoral and Institutional Context**

The specialized nature of aviation places a high burden on small countries with limited human resources. To help address the shortcomings of the policy and regulatory environment, the Pacific Aviation Security Office (PASO) was established in 2004 through the Pacific Islands Civil Aviation Safety and Security Treaty (PICASST) with support from an Asian Development Bank (ADB) regional loan. PASO has 10 Member States (Cook Islands, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu) and three Associate Member States (Australia, Fiji, and New Zealand).

PASO role is to provide safety and security oversight to the aviation sector, and currently provides advisory, inspection, and oversight services covering the areas of: (i) aerodrome assessment (ii) security (iii) aircraft airworthiness (iv) flight operations and; (v) personnel licensing. Many developing member countries of PASO are working towards regulatory harmonization and the implementation of an oversight program, which are in compliance with Standards and Recommended Practices (SARP) of the International Civil Aviation Organization (ICAO).

Assessments of the aviation sector in the South Pacific by ICAO have found that many of the countries lack the proper policy, regulatory and infrastructure to comply with ICAO requirements (referred to as SARP). With the exception of Tuvalu, the developing member countries of PASO are signatories to international and regional treaties, primarily the Chicago Convention, which commit them to complying with aviation safety and security standards through the uniform application of ICAO safety and security standards. In recent years, these standards have been continuously expanded, particularly those related to security. However, most PASO members are unable to fully meet all of their oversight

obligations. As a result, the PICs have received less than satisfactory results from the ICAO-mandated Universal Safety Oversight Audit Program and Universal Security Oversight Audit Program. To maximize the efficiency and effectiveness of operations and create a least-cost operating environment for airlines, the legislation and regulations of member countries should be harmonized as appropriate to create a common inspection regime and common compliance protocols.

In mid-2011, the ADB started a Technical Assistance project (TA 43429) to assist a number of the developing member countries of PASO to update and harmonize their legislation and regulations around those of New Zealand. The technical assistance also aims to assist PASO to refine its management systems to help ensure financial sustainability. The conclusion from that latter part of the ADB-funded TA is that PASO current financial performance is not sustainable and a far-reaching restructuring is urgently needed. As such, significant reforms are required to drive the necessary change in PASO and refocus the organization on objectives consistent with a Regional Safety Oversight Organization (RSOO) and the global framework of ICAO.

In December 2011, IDA approved the Pacific Aviation Investment Program (PAIP), a regional, horizontal Adaptable Program Loan that consists of a series of projects designed to ensure that critical aviation infrastructure meets operational safety requirements and to strengthen regulatory compliance of international air transport of participating countries in the region. As part of the program, donor support from the Pacific Region Infrastructure Facility has financed a detailed organizational analysis and the preparation of a PASO Business Plan. The business plan reinforces PASO's role as a critical component for the continuing development of PIC aviation by providing a practical and achievable roadmap for a successful future. The business plan was adopted by the PASO Council at its Annual Meeting in May 2013 and the PASO Reform Project was approved by the Board of Executive Directors on September 30, 2013 and became effective on December 12, 2013.

### **C. Proposed Development Objective(s)**

#### **Original Project Development Objective(s) – Parent**

The project development objective “to ensure effective regional delivery of aviation safety and security oversight in Pacific Island Countries by strengthening the Pacific Aviation Safety Office’s technical and coordination capacity.”

#### **Proposed Project Development Objective(s) - Additional Financing**

The project development objective is “to strengthen the Pacific Aviation Safety Office’s coordinative capacity to deliver regional aviation safety and security oversight, and technical and advisory services to the Pacific Island Countries.”

#### **Key Results**

The success of the project outcomes will be evaluated by: Successful recruitment of technical coordinators with expertise in airworthiness, flight operations, security and aerodromes; Establishment of a Register of Inspectors (ROI); and Percentage of recommended Annual Work Programs implemented by PASO member states.

### **D. Project Description**

**Component A: Transitional Management and Support (approximately US\$ 1.65 million including contingencies)**

This component comprises a program of activities to assist PASO through the restructuring process including, financing the costs associated with: (i) implementing a new organizational framework and staff changes, including financing of severance packages for termination of existing contracts of staff; (ii) conducting legal reviews for strengthening its governance and management; (iii) evaluating the PASO funding approach, including finding new revenue sources; (iv) conducting workshops and seminars for PASO Council members; (v) developing a communications strategy; (vi) transitional support to implement the new Business Plan, including engagement of TFSU for provision of support to PASO as per terms of a Service Agreement; and, (vii) carrying out annual financial audits of the Project as agreed with the Association.

**Component B: Establishment of a Pool of Regional Aviation Inspectors (approximately US\$0.27 million including contingencies)**

This component will support the establishment of a pool of inspectors to be used by PASO to oversee aviation safety and security, through a series of activities including: (i) establishing a comprehensive Register of Inspectors for the region available for PASO-related services; (ii) establishing a Regional Program of Inspectors to build and assess the capacity of inspectors from member states; (iii) provision of necessary training for inspectors to ensure they meet skill levels necessary to provide PASO services; and, (iv) provision of training to PASO staff to develop the human resources to deliver the necessary services.

**Component C: Quality Management (approximately US\$0.23 million including contingencies)**

Overall quality management of PASO will be strengthened by activities including: (i) establishing a quality assurance system for PASO to ensure that all operations meet an appropriate standard; and (ii) implementing a PASO Management Information System with an appropriate IT network, including a document management system.

**Component D- Safety Equipment and Infrastructure (approximately US\$0.65 million including contingencies)**

A new Project Component would be added to enable PASO to assist Cook Islands and Niue, which have requested support for the purchase of specialized equipment and infrastructure consistent with regional PAIP investment. Installation of Very Small Aperture Terminal (VSAT) equipment will enable an expanded regional roll-out of a dedicated and secure point-to-point aeronautical communications network. Installing harmonized technologies in seven Pacific countries and territories, rather than five, will significantly increase the effectiveness and value of the network, help minimize operations and maintenance costs and increase network benefits and sustainability for the entire communications system, thereby enhancing safety for all air operators in the region.

**E. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)**

The parent project is located at the PASO office in Port Vila, Vanuatu. Additional Finance activities will facilitate investments related to the installation of communication equipment at existing international airport locations or telecommunication facilities in the Cook Islands and Niue. Given the space and location requirements for the small works associated with the installation of the VSAT equipment, the impact is not considered to require a change in the current Environmental Category C

classification, as the impact is not considered significant or irreversible.

#### **F. Environmental and Social Safeguards Specialists on the Team**

Ross James Butler (GSURR); Nicolas Valentine (GSURR)

### **II. IMPLEMENTATION**

PASO's coordination of the procurement and installation of the equipment, together with the support of the PAIP Technical and Fiduciary Service Unit at Tonga Airports, Ltd, permits the Cook Islands and Niue to participate in a regional supply and installation of aviation equipment with Kiribati, Samoa, Tonga, Tuvalu and Vanuatu. Including the Cook Islands and Niue will enable an expanded regional roll-out of a dedicated and secure ground-to-ground data and communication network.

Similar to other PAIP projects, a Service Agreement between PASO and the PAIP TFSU is in place and would be amended to facilitate implementation support for the additional activity. To date, TFSU has been instrumental in the design and fiduciary aspects of the VSAT regional program activity.

It is also expected that Service Level Agreements (SLA) between PASO and the two member states would be the mechanism to formalize PASO's role in coordinating and contracting the activity on the behalf of the Cook Islands and Niue governments. Memorandum of Understanding would be appended to the SLA which would serve to outline the roles and responsibilities related to procurement, financial and contract management and contract liabilities between the relevant parties.

The project activity would be carried out by an extension of an earlier competitive regional procurement process that was undertaken during Phase 1 of the PAIP implementation. Due to the highly specialized nature of the aviation communications equipment and services, the procurement approach of direct contracting and variations in quantities for the acquisition and installation of the goods is justified in this case.

### **III. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP	No	

7.60		
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#### IV. Key Safeguard Policy Issues and Their Management

##### A. Summary of Key Safeguard Issues

<p><b>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</b></p> <p>The VSAT installations comprise a two-way satellite ground station with a dish antenna that is less than three metres in diameter. The VSAT infrastructure is minimally intrusive and is expected to be installed either on, or adjacent to, existing airport building facilities (eg. international airport terminal or control tower) or telecommunication facilities in the Cook Islands and Niue. No significant environmental or social impacts are anticipated.</p>
<p><b>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</b></p> <p>The long-term impacts from the Additional Financing will be positive; leading to improved aviation safety in PASO member countries.</p>
<p><b>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</b></p> <p>No alternatives are contemplated. The infrastructure and PASO reforms are essential.</p>
<p><b>4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.</b></p> <p>Not applicable</p>
<p><b>5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.</b></p> <p>Not applicable</p>

#### V. Contact point

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##### Borrower/Client/Recipient

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## Implementing Agencies

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## VI. For more information contact:

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## VII. Approval

Task Team Leader(s):	Name: Christopher J. De Serio	
<i>Approved By:</i>		
Safeguards Advisor:	Name: Peter Leonard <i>for [Signature]</i>	Date: <i>2/1/2016</i>
Practice Manager:	Name: Michel Kerf <i>[Signature]</i>	Date: <i>2/1/2016</i>
Country Director:	Name: Franz Drees-Gross <i>Mona Sue Acting CD</i>	Date: <i>2/3/2016</i>