## BASIC INFORMATION

### A. Basic Project Data

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<td>Pacific Aviation Safety Office Reform Project</td>
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<td></td>
<td></td>
<td>Additional Financing II</td>
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<td>Pacific Aviation Safety Office</td>
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### Proposed Development Objective(s) Parent

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.

### Components

- **Component A: Transitional Management and Support**
- **Component B: Establishment of a Pool of Regional Aviation Inspectors**
- **Component C: Quality Management**
- **Component D: Supporting Regional Aviation Infrastructure**

### Financing (in US$, millions)

#### SUMMARY

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<td><strong>Financing Gap</strong></td>
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#### DETAILS

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Environmental Assessment Category
Not Required (C)

Decision
The review did authorize the preparation to continue

B. Introduction and Context

Regional Context

1. The economic geography of Pacific Island countries (PICs) presents unique development challenges, including remoteness from major markets, high dispersion, and small population size. The Pacific is the largest expanse of ocean in the world, and the PICs are situated far from countries of any substantial size. Excluding Papua New Guinea, all PICs have populations of less than one million inhabitants, with Tuvalu as the smallest among them (population less than 10,000). These constraints limit international competitiveness, and present structural barriers that hinder economic growth. The PIC economies depend largely on natural resources such as agriculture and fishing, remittances from nationals working abroad, donor and development aid, and tourism. As a group, these countries’ development priorities focus on two strategic areas: (i) mitigating the impact of economic isolation by encouraging regional and global integration; and, (ii) building resilience against external shocks.

2. Poverty outcomes differ widely across the PICs, with moderate levels of poverty and very low levels of extreme poverty in the Polynesian countries and Fiji, while the Micronesian and Melanesian countries have a much higher incidence of poverty. Although absolute poverty in the region is limited, real per capita income has remained virtually unchanged since the mid-1990s and economic progress tends to be volatile and vulnerable to external shocks. Similarly, there are relatively large differences in inequality. These differences seem to be driven, however, by country-specific factors and do not correlate in any obvious manner with the level of poverty or income of a country, nor with cultural country groupings.

3. PICs are mostly of volcanic origin or atolls that formed around now-submerged oceanic volcanos, located around the southwestern part of the Pacific Rim of Fire. Their location around the equator and on the Pacific Ring of Fire exposes them to frequent and intense natural disasters, including tropical cyclones, earthquakes, volcanic eruptions, and tsunamis.

4. Despite notable differences in history, culture and resources among PICs, a spirit of mutual respect and cooperation - often referred to as ‘the Pacific Way’ - has long been a cornerstone of the regional approach for consensus building. Limited human resources among PICs necessitate a high degree of collaboration. This has been achieved through several regional institutions, as these countries together look to respond to shared opportunities and address potential economic vulnerabilities.
Sectoral and Institutional Context

5. The aviation sector provides vital national, regional and international connectivity for Pacific island countries (PICs). Air connectivity is essential to meeting educational and medical needs, and enables effective regional integration with its Pacific neighbors. Air services are essential for the import and export of goods, and are a prerequisite for tourism development. Characterized by a diverse mix of long, thin air transport markets, the high dependence on air linkages emphasizes the importance of an effective aviation safety and security oversight system to ensure that services are maintained and, where possible, expanded to facilitate economic and tourism development. A reliable network of air links, within and among island countries and to major hubs such as Australia and New Zealand and beyond, is therefore essential to the viability of these countries from humanitarian, political and economic perspectives.

6. Compliance with aviation safety and security regulation is an obligation under international treaties, and a prerequisite for maintaining international and domestic air services. Assessments of the aviation sector in the South Pacific by the International Civil Aviation Organization (ICAO) have found that many of the countries lack the proper policy, regulatory and infrastructure to conform with ICAO Standards and Recommended Practices (SARP). In recent years, these standards have been continuously expanded. The PICs have received less than satisfactory results from the ICAO-mandated Universal Safety Oversight Audit Program (USOAP) and Universal Security Oversight Audit Program (USAP).

7. The specialized nature of aviation places a high burden on small countries with limited human resources. The Pacific Aviation Safety Office (PASO) was formally established with the 2006 ratification of the Pacific Islands Civil Aviation Safety and Security Treaty (PICASTT). Formed through an Asian Development Bank loan that was guaranteed by four Member States (Kiribati, Samoa, Papua New Guinea and Vanuatu), PASO is part of a broader effort by the Pacific countries to increase regional integration and address the issue of scarce, highly specialized human resources. PASO’s role is to provide safety and security regulatory advice in the oversight to its Member States aviation sectors. However, its current business model had been constrained in its ability to effectively deliver on this mandate.

8. In 2017 ICAO presented a new conceptual framework, referred to as a Global Aviation Safety Oversight System, that represents an evolving effort to improve aviation safety oversight as next generation aircraft and air navigation platforms present new safety and security challenges. The rationale for adapting a new safety oversight system is rooted in the underperformance of contracting States relative to the global average of ICAO’s USOAP indicators. Numerous civil aviation authorities worldwide are unable to keep pace of aviation industry changes, due both to a lack of financial resources and highly specialized skillsets. In the unique case of limited capacity environments, such as those found in small island developing states, these shortcomings are usually more frequent and disruptive in an already constrained aviation environment, such as the PICs.

9. ICAO’s vision is centered on states’ collaborative support, to realize an integrated global system that can deliver on the aviation safety oversight mandates, as opposed to the safety oversight model

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PASO comprises ten Member States: the Cook Islands, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu; as well as three Associate Member States: Australia, Fiji, and New Zealand. All developing member countries of PASO have agreed to regulatory harmonization with the New Zealand Civil Aviation Regulations.
currently in place. This could essentially be achieved by strengthening and empowering Regional Safety Oversight Organizations (RSOOS), such as PASO. RSOOs are regional entities mandated by states to carry out part or all aviation safety and security regulation and oversight or advisory services. RSOOs would constitute the pillars of a new, global safety oversight system, and would need to demonstrate their ability to deliver different levels of service, and thus qualify as ICAO-recognized safety oversight providers. PASO’s function and intrinsic economy of scale is consistently aligned with ICAO’s vision. Through PASO, Pacific Islands States are enabled to leverage the expertise and resources unattainable through an alternatively independent (and unsustainable) state by state implementation model.

C. Proposed Development Objective(s)

Original PDO
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.

Current PDO
The project development objective is to strengthen the coordination capacity of the Pacific Aviation Safety Office to deliver regional aviation safety and security oversight, and technical and advisory services to the Pacific Island Countries.

Key Results

10. 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 Program implemented by PASO Member States.

D. Project Description

11. The Project currently consists of four components:

(a) Component A: Transitional Management and Support (approximately US$1.75 million including contingencies) - to assist PASO’s 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 PASO’s governance and management; (iii) evaluating PASO’s funding approach, including finding new revenue sources; (iv) conducting workshops and seminars for PASO Council members; (v) developing a communications strategy; (vi) implementing the new Business Plan, with assistance, as necessary, from the Technical and Fiduciary Services Unit (TFSU) provided by Tonga Airports, Ltd. in accordance with their Service Agreement; and, (vii) carrying out annual financial audits of the Project as agreed with the Association.

(b) Component B: Establishment of a Pool of Regional Aviation Inspectors (approximately US$0.27 million including contingencies) – to 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; (iii) providing the necessary training for inspectors to ensure they meet skill levels necessary to provide PASO services; and, (iv) providing training to PASO staff to develop the human resources to deliver the necessary services.

(c) **Component C: Quality Management (approximately US$0.23 million including contingencies)** – to strengthen the overall quality management of PASO, including by: (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. The final stage of the IT enhancements entails the implementation and roll-out of all PASO community applications and databases, such as the document management system and the central repository, to be centrally managed by PASO but accessible to all Member States.

(d) **Component D: Supporting Regional Aviation Infrastructure (approximately US$0.85 million including contingencies)** – to expand regional aeronautical data and communication network through the acquisition and installation of very small aperture terminal equipment for the Cook Islands and Niue.

12. The proposed AFII will finance the following activities:

(a) **Component A – Transitional Management and Support (approximately US$1.405 million)**

(i) *Pacific Aviation Safety and Security Levy Implementation (approx. US$350,000):* An implementation plan has been produced that outlines milestones and next steps for applying a total cost-share model across PASO Member States applied from 1 January 2020. The report outlines that it is expected to take approximately 56 weeks and require the PASO team’s stakeholder engagements. This activity will also finance the services of a Legal Advisor to support PASO to remain current with revising Service Level Agreements and amendments to the Constitution accordingly. The legal advisory role may also provide further guidance on any proposed governance structure and implementation arrangement requirements, as may be necessary to enable PASO to undertake additional advisory services.

(ii) *ICAO Pacific Small Islands Developing States (PSIDS) Aviation Needs Analysis (approx. US$300,000):* The project activity will seek to evaluate the benefits of establishing an ICAO sub-regional office in the Pacific.² The terms of reference for this study were developed to determine the needs of PSIDS in respect of aviation safety, air navigation capacity and efficiency and aviation security. Based upon this needs assessment, a range of possible solutions will be explored, including, but not limited to the establishment of an ICAO office in the Pacific Region. A Feasibility Study will be undertaken to evaluate the role and functions of any proposed regional sub-office options, considering its relationship with other forums, offices and initiatives, such as PASO, the Pacific Islands Forum, the Asia Pacific Air Navigation Planning and Implementation Regional Group and the Regional Aviation

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² The 39th Assembly of ICAO discussed the potential merits of establishing an ICAO sub-regional office in the Pacific to provide more direct support to small island developing states.
Safety Group Asia Pacific and other aviation-related regional arrangements and treaties. The assignment will be conducted by independent consultants with appropriate aviation regulatory and institutional expertise. A clear stakeholder consultation strategy for ascertaining feedback from all ICAO contracting States impacted by the proposal will be integral to the activity, as well as expectations related to the high-level decision processes ICAO will be expected to take prior to its commitment to establishing an office.

(iii) *Communications and Marketing (approx. US$40,000)*: This activity will finance the services of a marketing and communications consultant to update and implement PASO’s media and communications strategy, and build the capacity of PASO staff over a two-year period.

(iv) *Project Manager (approximately US$160,000)*: Day-to-day project management requirements will be handled through a two-year period (or potentially three-year assignment, depending on implementation status).

(v) *Project Steering Committee Meetings (approximately US$90,000)*: Funding is necessary to convene Council Members that have been delegated to lead the transition process.

(vi) *PASO Staff training (approximately US$60,000)*: Internal PASO staff are to be trained and developed to effectively contribute to PASO business.

(vii) *Support from the Technical and Fiduciary Service Unit (approx. US$270,000)*: The TFSU will continue to provide project implementation support through their handling of procurement, financial management, and in coordinating Program and Project Steering Committee meetings, respectively.

(viii) *Project support costs (US$60,000)*: an incremental operating costs budget for three years, as defined by the Financing Agreement.

(ix) *Annual Project Financial Audits (US$45,000)*: PASO undergoes an annual financial audit to ensure compliance with financial requirements.

(b) **Component B – Capacity Development for the Regional Inspectorate Program (approximately US$1.105 million)**

(i) *Regulatory Advisor (approx. US$80,000)*: This activity will finance the services of a specialized Regulatory Advisor to support developing/implementing training packages for inspectors, Regional training to support Member States through PASO and providing advice to PASO and Member States over a two-year period.

(ii) *PASO Regional inspectors training (approx. US$350,000)*: The activity will finance specific induction and training for qualified inspectors in the delivery of PASO services, specifically tailored to drive the desired culture, performance and consistency of inspectors work under the guidance of PASO.

(iii) *Pacific Inspector Development Program training (approx. US$300,000)*: There is a need to develop inspectors across all PASO States. The approach will be to identify high potential candidates and finance the development and delivery of multiple, and specifically targeted training sessions for regulatory authorities in Member States. The trainings will ensure consistency in regulatory knowledge across the project and will support Member States in increasing their effectiveness as regulators, a key factor in ensuring safe and secure aviation.
The training requirements will be guided by the training needs analysis developed by each PAIP state, as well as training needs analysis provided by other PASO Member States.

(iv) Director Training (approx. US$200,000): Annual directorship trainings for PASO Council Members, including the Chairman, and the General Manager will be financed. This supports better governance, leadership and strategic direction for the organization. This activity will result in several training sessions for Council members with qualified service providers.

(v) USOAP/USAP Advisor (approximately US$175,000): This activity will finance an adviser to work directly with Civil Aviation Authorities in the region to specifically improve their ICAO “Effective Implementation” scores by supporting them with their USOAP/USAP and State Letters.

(c) Component C – Quality Management Systems (approx. US$840,000)

(i) PASO IT Office Upgrade (approx. US$65,000): An IT strategy and procurement plan for associated IT systems for PASO has been completed with the current project funding. PASO requires upgrading of its hardware and software. The activity will include supply and installation of a server, a desktop refresh for the office, and updating of software licenses, and an upgrade to the PASO external website.

(ii) Information Technology Platform (approx. US$775,000): The activity will finance the development of: (i) appropriate IT infrastructure to streamline quality assurance systems, corporate services, the technical document repository, and standardization of on-line reporting frameworks. Without a central repository system or document management application, PASO has not been able to effectively assist Member States in a key area of need – data collection and analysis requirements of ICAO State Safety Programs; and (ii) an adequate and effective IT-enabled internal web-based interfaces with partitioned portals for both PASO Inspectors and national aviation authorities.

(d) Component D – Supporting Regional Aviation Infrastructure (approx. US$500,000)

Technical Assistance on Management of RPAS in the Pacific Region (approximately US$500,000): Consultancy services to develop a common regional approach to supporting relevant policy, regulatory management, and contingency response planning related to RPAS integration in Member States’ national airspace. This activity will comprise three parts: (i) management of airspace incorporated with drone activity as per normal operations; (ii) the process for certification and registration/licensing of drones through well-developed systems and processes (operational manuals) that are consistent across the region; and (iii) the use and management of drones to support emergency and recovery services in the event of natural disasters, including how this is incorporated into local operations and airspace management given the mix of civilian and military aircraft supporting recovery operations.

E. Implementation

Institutional and Implementation Arrangements
13. **Institutional Arrangements.** The Grant recipient (executing agency) and implementing agency is PASO. The following entities will continue to be responsible for project implementation:

(i) **PASO Council.** The PASO Council, with representatives from each of the 13 PASO member countries, provides oversight to the organization. The Council will continue to consist of one representative from each of the 13 Member States, including the three non-voting Associate Member States of Fiji, Australia and New Zealand. Only PICASST signatories hold Council voting rights.

(ii) **PASO Steering Committee.** A steering committee established by the PASO Council is responsible for managing project implementation.

(iii) **PASO Manager.** A newly appointed PASO Manager will not sit on the Council, but will continue to report to the Council to ensure that the role is wholly accountable to the Council on behalf of management and staff.

14. **Implementation Arrangements.** The PASO Council has endorsed a new financing modality that will enable a more financial sustainable operating environment, which is to be implemented as part of the AFII. A project manager funded by the project will manage day to day activities related to implementation. The Technical and Fiduciary Service Unit (TFSU) established within Tonga Airports, Ltd. for coordinating the IDA-financed Pacific Aviation Investment Program\(^3\) activities will continue to support project-level implementation. The TFSU is responsible for providing procurement and financial management support, as well as technical guidance. An existing Service Agreement outlines the roles and responsibilities of the TFSU to support PASO with the transition and organizational reform.

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

The project is located at the PASO office in Port Vila, Vanuatu, an archipelago nation of 83 volcanic islands, 65 of which inhabited, that cover a total land area of about 12,200 km\(^2\). Vanuatu is in the "Pacific Ring of Fire" and is also at the center of the Pacific "cyclone belt". This results in a high frequency of earthquakes, volcanic eruptions, cyclones, tsunamis, storm surges, coastal and river flooding and landslides. Given its location and physical characteristics, the country suffers from extreme events associated with climate vulnerability, including sea level rise, temperature extremes and droughts. PASO occupies rented water front office space and its primary assets are in computer equipment and furniture, which are covered by standard insurance policies. Investments included under the project are focused on assisting PASO’s restructuring process, establishment of a pool of Regional Aviation Inspectors, strengthening the overall quality management of PASO, and delivery of upgraded information and communication technology (ICT) equipment installations in Cook Islands and Niue. These investments will entail minimal space and location

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3 In December 2011 IDA approved 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. Phase I of PAIP included projects in Kiribati, Tonga and Tuvalu. Phase 2 and Phase 3 included Samoa in April 2014, and Vanuatu in March 2015, respectively.
requirements at the respective international aerodromes. No adverse environmental and social impacts are foreseeable from these TA-type activities, and no physical footprint that could cause adverse impacts is planned. There are no significant risks anticipated that require environmental and social assessment.

G. Environmental and Social Safeguards Specialists on the Team

Ross James Butler, Social Safeguards Specialist
Nicholas John Valentine, Environmental Safeguards Specialist

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<th>SAFEGUARD POLICIES THAT MIGHT APPLY</th>
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KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The project development objective focuses on improving the effectiveness of aviation safety and security in Pacific Island Countries. There are no large scale or irreversible impacts associated with the proposed ICT equipment installations, which are not considered to require a change in the current Environmental Category C classification.
2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
There are no potential safeguard impacts anticipated by the project.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
Not appropriate.

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.
Since no safeguard issues are anticipated, no measures are warranted.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
The list of stakeholders include: (i) governments and their respective regulatory bodies overseeing air transport; (ii) national agencies and authorities managing airport operations; (iii) commercial and private aviation operators; (iv) population at large, whose livelihoods and national economies depend in large part on air connectivity as a regional public good. Since there are no safeguard issues, no consultations are necessary.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

CONTACT POINT

World Bank
Christopher J. De Serio
Sr Transport. Spec.

Borrower/Client/Recipient
Pacific Aviation Safety Office
Wlison Sagati
PASO Council Chairman

Implementing Agencies

Pacific Aviation Safety Office
Wilson Sagati
PASO Council Chairman

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APPROVAL

Task Team Leader(s): Christopher J. De Serio

Approved By

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<th>Safeguards Advisor:</th>
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<tr>
<td>Practice Manager/Manager:</td>
<td>Almud Weitz</td>
<td>27-Mar-2018</td>
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<tr>
<td>Country Director:</td>
<td>Michel Kerf</td>
<td>03-Apr-2018</td>
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