



Nepal: Civil Aviation Sector Improvement Program

Project Name	Civil Aviation Sector Improvement Program								
Project Number	38349-029								
Country / Economy	Nepal								
Project Status	Active								
Project Type / Modality of Assistance	Loan Technical Assistance								
Source of Funding / Amount	<table><tr><td colspan="2">Loan 3948-NEP: Civil Aviation Sector Improvement Program</td></tr><tr><td>Concessional ordinary capital resources lending</td><td>US\$ 50.00 million</td></tr><tr><td colspan="2">TA 6531-NEP: Supporting the Civil Aviation Sector Improvement Program</td></tr><tr><td>Technical Assistance Special Fund</td><td>US\$ 500,000.00</td></tr></table>	Loan 3948-NEP: Civil Aviation Sector Improvement Program		Concessional ordinary capital resources lending	US\$ 50.00 million	TA 6531-NEP: Supporting the Civil Aviation Sector Improvement Program		Technical Assistance Special Fund	US\$ 500,000.00
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Concessional ordinary capital resources lending	US\$ 50.00 million								
TA 6531-NEP: Supporting the Civil Aviation Sector Improvement Program									
Technical Assistance Special Fund	US\$ 500,000.00								
Operational Priorities	OP2: Accelerating progress in gender equality OP6: Strengthening governance and institutional capacity OP7: Fostering regional cooperation and integration								
Sector / Subsector	Transport / Transport policies and institutional development								
Gender	Some gender elements								
Description	The proposed policy-based loan (PBL) to Nepal for the Civil Aviation Sector Improvement Program will provide budget support for civil aviation sector reforms in restructuring of the current Civil Aviation Authority of Nepal (CAAN) and strengthening of its oversight functions, management accountability, and operational efficiency. The program is consistent with Asian Development Bank (ADB) country partnership strategy for Nepal, 2020-2024. The program is aligned with ADB's Strategy 2030 operational priorities of strengthening governance and institutional capacity (operational priority 6) and fostering regional cooperation and integration (operational priority 7). The program will support gender quality and social inclusion initiatives of the implementing agency as well.								
Project Rationale and Linkage to Country/Regional Strategy	Nepal has maintained a traditional civil aviation sector structure whereby functions of regulation, safety oversight, and service provision are absorbed by one entity, Civil Aviation Authority of Nepal (CAAN). The roles of regulator and service provider lodged in a single organization create a source of conflict of interest. The regulatory function may not provide adequate oversight on service provision and may raise operating costs and result in suboptimal performance as a service provider. There are also repercussions on aviation safety, which have been noted and highlighted by international aviation agencies. The International Civil Aviation Organization states in its Global Aviation Safety Plan (Appendix A of Organizational Challenges Roadmap) that an independent regulatory authority should be established and maintained, which includes separation of oversight functions from service provision functions where these exist within the authority. The European Commission has banned Nepali airlines from flying to the European Union because of a lack of safety oversight by the aviation authority of Nepal. To remedy this situation, the Nepal Aviation Safety Plan has placed the separation of the CAAN as a priority measure to comply with the international standards. The change of the governance structure in the civil aviation sector is the most fundamental and imminent reform requirement. The government is in the process of enacting new civil aviation legislation, which were originally drafted with the assistance of the consulting services under the ADB-funded Air Transport Capacity Enhancement Project. The main objective of the new bills is to reform the civil aviation sector in Nepal by bifurcating the roles of the regulator and the operator (CAAN) into separate entities.								
Impact	Safe, reliable, standard, easily available, accessible for the general public, sustainable, and effective air services developed Aviation safety performance in Nepal enhanced								

Project Outcome	
Description of Outcome	Nepal's aviation safety oversight capabilities and operational efficiencies strengthened
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	Legal framework of the civil aviation reforms approved Independent regulatory body for the civil aviation established and functionalized Independent service provider for the civil aviation established and functionalized
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Nation-wide

Safeguard Categories	
Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	

Business Opportunities	
Consulting Services	ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.
Procurement	Not Applicable.
Responsible ADB Officer	Nakai, Kanzo
Responsible ADB Department	South Asia Department
Responsible ADB Division	Transport and Communications Division, SARD
Executing Agencies	Ministry of Finance
Timetable	
Concept Clearance	27 Nov 2019
Fact Finding	17 Mar 2020 to 23 Mar 2020
MRM	22 Apr 2020
Approval	30 Jun 2020
Last Review Mission	-
Last PDS Update	27 Sep 2022

Loan 3948-NEP

Milestones						
Approval	Signing Date	Effectivity Date	Closing			
			Original	Revised	Actual	
30 Jun 2020	09 Jul 2020	13 Jul 2020	30 Jun 2023	-	-	

Financing Plan			Loan Utilization			
	Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage
Project Cost	50.00		Cumulative Contract Awards			
ADB	50.00		27 Sep 2022	25.00	0.00	50%
Counterpart	0.00		Cumulative Disbursements			
Cofinancing	0.00		27 Sep 2022	25.00	0.00	50%

TA 6531-NEP

Milestones						
Approval	Signing Date	Effectivity Date	Closing			
			Original	Revised	Actual	
30 Jun 2020	24 Jul 2020	24 Jul 2020	30 Sep 2022	30 Sep 2023	-	

Financing Plan/TA Utilization							Cumulative Disbursements	
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
500,000.00	0.00	0.00	0.00	0.00	0.00	500,000.00	27 Sep 2022	0.00

Project Page	https://www.adb.org/projects/38349-029/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=38349-029
Date Generated	06 June 2023

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