

## MATRIX OF POTENTIAL ENVIRONMENTAL AND SOCIAL IMPACTS AND MEASURES

Policy Actions	Environment Impacts	Social Impacts	Mitigating Measures/ Reforms
<b>TRANCHE 1 (June 2020)</b>			
<b>Reform Area 1: Legal framework for the civil aviation reforms finalized</b>			
<p>1.1 The Cabinet shall have submitted to the Parliament a bill on the establishment of the CAA Nepal as the regulatory body. The bill shall specify:</p> <ul style="list-style-type: none"> <li>(i) duties, responsibilities, and rights of the CAA Nepal with regard to air service operation, registration of aircraft and national symbol, airworthiness, repair and maintenance of aircraft, and personal license or certificate;</li> <li>(ii) establishment, duties, responsibilities, and rights of the Board of CAA Nepal;</li> <li>(iii) appointment, duties, responsibilities, and rights of the director general as an executive head;</li> <li>(iv) provisions on staff numbers, gratuity fund, and staff management, including principles of staff transfer, remuneration, and benefits by the organizational change;</li> <li>(v) transfer of properties, assets, and liabilities of CAAN to CAA Nepal;</li> <li>(vi) fund sources separated from those of the service provider;</li> <li>(vii) accounting requirements including internal audit;</li> <li>(viii) provisions on conflict of interests; and</li> <li>(ix) procedures to set rules to implement the Act of CAA Nepal.</li> </ul>	<p>No anticipated negative environment impacts</p> <p>Proposed policy reforms present opportunity to improve safety in the civil aviation sector through the legal framework on the duties, responsibilities, and rights of the CAA Nepal</p>	<p>No impact on involuntary resettlement and/or indigenous peoples</p>	<p>No mitigating measures or reforms required</p>
<p>1.2 The Cabinet shall have submitted to the Parliament a bill for the establishment and management of ASAN as the service provider. The bill shall specify:</p> <ul style="list-style-type: none"> <li>(i) duties, responsibilities, and rights of the ASAN with regard</li> </ul>	<p>No anticipated negative environment impacts</p> <p>Proposed policy reforms present</p>	<p>No impact on involuntary resettlement and/or indigenous peoples</p>	<p>No mitigating measures or reforms required</p>

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<p>to construction, operation, and management of airports, flight and landing of aircrafts, air navigation and air space, and airport safety;</p> <p>(ii) provisions to allow private sectors to be involved in construction, operation, and management of airports;</p> <p>(iii) establishment, duties, responsibilities, and rights of the Board of ASAN;</p> <p>(iv) appointment, duties, responsibilities, and rights of the managing director as an executive head;</p> <p>(v) provisions on staff numbers, gratuity fund, and staff management, including principles of staff transfer, remuneration, and benefits by the organizational change;</p> <p>(vi) transfer of properties, assets, and liabilities of CAAN to ASAN;</p> <p>(vii) fund sources separated from those of the regulator;</p> <p>(viii) accounting requirements including internal audit;</p> <p>(ix) provisions on conflict of interests; and</p> <p>(x) procedures to set rules to implement the Act of ASAN.</p>	<p>opportunity to improve safety in the civil aviation sector through the legal framework on the duties, responsibilities, and rights of the ASAN</p>		
<b>TRANCHE 2 (JULY 2020–JUNE 2022)</b>			
<b>Reform Area 1: Legal framework for the civil aviation reforms finalized</b>			
<p>1.1. Nepal Civil Aviation Authority Act, 2076 (CAANepal Act) and Nepal Air Service Authority Act, 2076 (ASAN Act) shall have been approved by the Parliament and become effective.</p>	<p>No anticipated negative environmental impacts</p>	<p>No impact on involuntary resettlement and/or indigenous peoples</p>	<p>No mitigating measures or reforms required</p>
<p>1.2 Following approval of the legislation by the Parliament, the government, through MOCTCA and MOF, shall have approved rules to implement the NCAA Act and ASAN Act, as</p>	<p>No anticipated negative environment impacts</p>	<p>No impact on involuntary resettlement and/or indigenous peoples</p>	<p>No mitigating measures or reforms required</p>

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per Article 57 (CAANepal Act) and Article 54 (ASAN Act).			
<b>Reform Area 2: Regulator of Civil Aviation Authority of Nepal (CAANepal) established and functionalized</b>			
2.1. The CAANepal shall have been legally established, in accordance with the CAANepal Act, to commence its regulatory functions with the (i) establishment of the board; (ii) appointment of the Director General; (iii) completion of staff transfer from CAAN to CAANepal; (iv) completion of transfer of properties, assets, and liabilities from CAAN to CAANepal; and (v) arrangement of gratuity fund.	No anticipated negative environment impacts	No impact on involuntary resettlement and/or indigenous peoples	No mitigating measures or reforms required
2.2. The CAANepal shall have approved and notified, through an internal circular, its organizational structure and key performance indicators as per ICAO SARPs, in the following areas: (i) Aviation safety: State Safety Program levels of implementation and effectiveness (ii) AVSEC: State AVSEC levels of implementation and effectiveness (iii) Licensing and certification of service providers (iv) Authorization and approval of aviation activities under the authority of CAANepal (v) Surveillance, inspection, audits of service providers (vi) Capacity development required for the ability to effectively and continuously meet the organization's mandate	No anticipated negative environment impacts	No impact on involuntary resettlement and/or indigenous peoples	No mitigating measures or reforms required  Applicable standards and recommended practices set by ICAO and other international organizations aligned with the ADB SPS
2.3. MOCTCA and CAANepal shall have approved the updated Nepal Aviation Safety Plan revised from the current one (2018–2022), based on ICAO's latest safety audit and ICAO's relevant standards and guidelines.	No anticipated negative environment impacts  The revised Nepal Aviation Safety	No impact on involuntary resettlement and/or indigenous peoples	No mitigating measures or reforms required  Applicable standards and recommended

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	Plan to improve overall safety of the civil aviation sector		practices set by ICAO and other international organizations aligned with the ADB SPS
<b>Reform Area 3: Service Provider of Air Service Authority of Nepal established and functionalized</b>			
3.1. The ASAN shall have been legally established, in accordance with the ASAN Act, to commence its service provider functions with the (i) establishment of the board; (ii) appointment of Managing Director; (iii) completion of staff transfer from CAAN to ASAN; (iv) completion of transfer of properties, assets, and liabilities from CAAN to ASAN; and (v) arrangement of gratuity fund.	No anticipated negative environment impacts	No impact on involuntary resettlement and/or indigenous peoples	No mitigating measures or reforms required
3.2. The ASAN shall have approved the creation of the following units: (i) environment and social unit, and (ii) legal and/or procurement unit.	No anticipated negative environment impacts  The creation of the environment and social unit to help ensure better implementation of environmental safeguards, including implementation of environmental laws and standards, in the civil aviation sector	No impact on involuntary resettlement and/or indigenous peoples	The new environment and social unit to be created to strengthen the capacity of project implementation of the ASAN in line with national and other applicable safeguards standards, including the ADB SPS
3.3. The ASAN shall have approved and notified, through an internal circular, the integrated institutional management strategy comprising the (i) medium-term business plan; (ii) medium-term financial framework, and forecasted financial statements based on projections of revenue/fee and expenditure/investment consistent with the business plan; and	No anticipated negative environment impacts	No impact on involuntary resettlement and/or indigenous peoples	The TA to support the development of the integrated institutional management strategy in line with the ADB SPS when required; business plans to include adequate budget and manpower complement to ensure sufficient

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(iii) financial management improvement plan with timelines, including introduction of (a) accrual-based financial statements, (b) an enterprise resource planning system at least in the fields of financial budget, asset management, and accounting, and (c) management accounting system.			institutional support for the social and environment unit
<p>3.4. ASAN shall have approved and notified, through an internal circular, the KPIs with clear distinction between those for airports and air navigation services, in the following areas:</p> <ul style="list-style-type: none"> <li>(i) Core business operation and functions</li> <li>(ii) Aviation safety: KPIs shall be consistent with ICAO's SARPs</li> <li>(iii) AVSEC: KPIs shall be consistent with ICAO's SARPs</li> <li>(iv) Service quality: KPI's shall be consistent with industry standards and guidance materials as published by ACI and CANSO, respectively</li> <li>(v) Productivity and/or cost effectiveness</li> <li>(vi) Financial</li> <li>(vii) Social and environmental: KPIs shall be consistent with industry standards and guidance materials as published by ICAO, IATA, ACI, and CANSO</li> </ul>	<p>No anticipated negative environment impacts</p> <p>KPIs on safety, social, and environmental aspects of ASAN's operation to provide appropriate metrics to ensure that pertinent functions and standards are met</p>	<p>No impact on involuntary resettlement and/or indigenous peoples</p>	<p>The TA to support the development of the KPIs in line with the ADB SPS when required</p> <p>Applicable standards and recommended practices set by ICAO and other international organizations aligned with the ADB SPS</p>
<p>3.5. ASAN shall have approved its GESI initiatives, including the following:</p> <ul style="list-style-type: none"> <li>(i) GESI audit within ASAN</li> <li>(ii) GESI operational plan based on the GESI audit</li> <li>(iii) Increased percentage of women and those socially excluded in the workforce of ASAN than the current percentage, to be set by (a) Employees Regulation guided by the Civil Service Act for ASAN's new recruitment, and (b) GESI operational plan</li> </ul>	<p>No anticipated negative environment impacts</p>	<p>No impact on involuntary resettlement and/or indigenous peoples</p>	<p>The TA to support the development of GESI initiatives in line with the ADB SPS when required</p>

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<p>3.6. ASAN shall have approved an OCP to ensure safe, efficient, and effective aviation services. The OCP shall include the following:</p> <ul style="list-style-type: none"> <li>(i) Equipment and high technology requirements to comply with ICAO's SARPs</li> <li>(ii) Gap analysis of technical and operational human resource requirements and development of training needs</li> <li>(iii) Assessment of feasibility of use of external resources including the private sector for specific needs</li> </ul>	No anticipated negative environment impacts	No impact on involuntary resettlement and/or indigenous peoples	Applicable standards and recommended practices set by ICAO and other international organizations aligned with the ADB SPS.

ACI = Airport Council International, ADB = Asian Development Bank, ANS = air navigation services, ASAN = Air Service Authority of Nepal, AVSEC = aviation security, CAAN = Civil Aviation Authority of Nepal, CAANepal = new Civil Aviation Authority of Nepal, CANSO = Civil Air Services Organization, GESI = gender equality and social inclusion, IATA = International Air Transport Association, ICAO = International Civil Aviation Organization, KPI = key performance indicator, MOCTCA = Ministry of Culture, Tourism, and Civil Aviation, MOF = Ministry of Finance, NCAA = Nepal Civil Aviation Authority, OCP = operational capacity program, SARPs = Standards and Recommended Practices, SPS = Safeguard Policy Statement, TA = technical assistance.

Source: Asian Development Bank.