
LOAN NUMBER 4704-NEP(COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])
(Strengthening Public Financial Management and Devolved Service Delivery
Program – Subprogram 2)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 17 DECEMBER 2025

NEP 59193

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 17 December 2025 between NEPAL ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 10 October 2025 ("Policy Letter"), setting forth certain objectives and policy actions, designed to develop the Borrower's public financial management sector ("Program"), as described in Schedule 1 to this Loan Agreement;

(B) the Program comprises the second subprogram of a programmatic approach, as described in paragraph 1 of Schedule 1 to this Loan Agreement ("Programmatic Approach"), and the Borrower has applied to ADB for a loan for the purposes of the Program; and

(C) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2022 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(v) is deleted and the following is substituted therefor:

"Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Borrower;

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

(c) Section 2.01(x) is deleted and the following is substituted therefor:

"Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement;

- (d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".
- (e) Section 5.01(b) is deleted.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

- (a) "Counterpart Funds" means the local currency generated from the Loan proceeds under the Program and referred to in paragraph 5 of Schedule 4 to this Loan Agreement;
- (b) "Deposit Account" means the account referred to in paragraph 3 of Schedule 3 to this Loan Agreement;
- (c) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2022, as amended from time to time);
- (d) "MOF" means the Borrower's Ministry of Finance, or any successor thereto acceptable to ADB;
- (e) "PDMF" means the policy design and monitoring framework, which combines the design and monitoring framework and the policy matrix, and which sets forth the Policy Actions as agreed between the Borrower and ADB;
- (f) "Policy Actions" means the policy actions, as agreed between the Borrower and ADB, accomplished or to be accomplished by the Borrower under the Program as set out in the PDMF; and
- (g) "Program Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the Budget and Program Division of MOF or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred million Dollars (\$100,000,000).

(b) The Loan has a principal repayment period of 16 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 February and 1 August in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 March 2026 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. As part of the reports and information referred to in Sections 6.01 and 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning: (i) the Counterpart Funds and the use thereof; and (ii) the implementation of the Program, including the accomplishment of the targets and carrying out of the Policy Actions.

ARTICLE V

Effectiveness

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Secretary or Joint Secretary (Foreign Aid Coordination Division) of the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Ministry of Finance
Singha Durbar
Kathmandu, Nepal

Facsimile Number:

(977) 1421 1332

E-mail Address: fso@mof.gov.np

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Number:

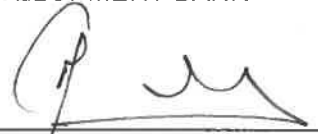
(632) 8636-2444.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

NEPAL

By 
GHANSHYAM UPADHYAYA
Secretary
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 
ARNAUD CAUCHOIS
Country Director
Nepal Resident Mission

SCHEDULE 1**Description of the Program**

1. The principal objective of the Programmatic Approach is to improve fiscal management at national and subnational government levels and the scope includes (i) improving expenditure and debt management at the national level and (ii) resource planning and management at the subnational level. The Programmatic Approach comprises two subprograms and the Program is the second subprogram. The Program is described in more detail in the Policy Letter and the PDMF.
2. The Program was completed by 9 October 2025.

SCHEDULE 2

Amortization Schedule

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in Dollars)*
01 February 2034	3,125,000
01 August 2034	3,125,000
01 February 2035	3,125,000
01 August 2035	3,125,000
01 February 2036	3,125,000
01 August 2036	3,125,000
01 February 2037	3,125,000
01 August 2037	3,125,000
01 February 2038	3,125,000
01 August 2038	3,125,000
01 February 2039	3,125,000
01 August 2039	3,125,000
01 February 2040	3,125,000
01 August 2040	3,125,000
01 February 2041	3,125,000
01 August 2041	3,125,000
01 February 2042	3,125,000
01 August 2042	3,125,000
01 February 2043	3,125,000
01 August 2043	3,125,000
01 February 2044	3,125,000
01 August 2044	3,125,000
01 February 2045	3,125,000
01 August 2045	3,125,000
01 February 2046	3,125,000
01 August 2046	3,125,000
01 February 2047	3,125,000
01 August 2047	3,125,000
01 February 2048	3,125,000
01 August 2048	3,125,000
01 February 2049	3,125,000
01 August 2049	3,125,000
Total	100,000,000

* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3**Withdrawal of Loan Proceeds**

1. Except as set out in this Schedule or as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.
2. An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.
3. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account (the Deposit Account) at Nepal Rastra Bank into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with the applicable regulations and procedures of the Borrower.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Borrower shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.
4. No Loan proceeds shall be withdrawn to finance any item specified in the Attachment to this Schedule.
5. Notwithstanding any other provisions of this Loan Agreement and except as ADB may otherwise agree, no withdrawal shall be made from the Loan Account unless: (i) the Borrower has met the Policy Actions for the release of the Loan proceeds, and (ii) those Policy Actions continue to be in effect.

Negative List

No withdrawals of Loan proceeds will be made for the following:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 4 (table) or any successor groups or sub-groups under future revisions to the United Nations Standard International Trade Classification, as designated by ADB by notice to the Borrower:

Table: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls and precious or semiprecious stones, unworked or worked
718	718.7	Nuclear reactors and parts thereof; fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Machinery for preparing and making up tobacco, not elsewhere specified
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases); and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations Standard International Trade Classification, Revision 4.

- (ii) expenditures for goods supplied under a contract that any national or international financial institution or agency has financed or has agreed to finance, including any contract financed under any loan or grant from ADB;
- (iii) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (iv) expenditures for narcotics;
- (v) expenditures for environmentally hazardous goods, the manufacture, use, or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party; and
- (vi) expenditures on account of any payment prohibited by the Borrower in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

SCHEDULE 4

Program Implementation and Other Matters

Implementation Arrangements

1. The Borrower shall oversee and monitor the implementation of the Program. The Program Executing Agency shall be the Budget and Program Division of MOF and be responsible for the execution of the Program by and amongst the various concerned departments and agencies.

2. Without limiting the generality of paragraph 1 of this Schedule, the Borrower shall cause the Program Executing Agency to coordinate all policy, legal and regulatory actions undertaken in connection with the Program, monitor the implementation of the Program and maintain all Program records.

Policy Actions and Dialogue

3. The Borrower shall ensure that all of the Policy Actions adopted under the Program continue to be in effect for the duration of the Programmatic Approach and thereafter.

4. The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.

Use of Counterpart Funds

5. The Borrower shall ensure that the Counterpart Funds are used to finance the implementation of certain programs and activities consistent with the objectives of the Program.

Governance and Anticorruption

6. The Borrower, the Program Executing Agency, and the implementing agencies shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

Monitoring and Review

7. The Borrower shall ensure that the impact of the Program following its completion is reported to ADB by the Program Executing Agency. The Program Executing Agency shall be responsible for: (a) carrying out monitoring and evaluation of the Program for at least 1 year after completion of the Program; and (b) maintaining all relevant monitoring data to evaluate the benefits of the Program.