LOAN NUMBER 4799-NEP(COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])

(South Asia Subregional Economic Cooperation Customs and Logistics Reforms Program – Subprogram 2)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 6 JULY 2026

NEP 54402

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 6 July 2026 between NEPAL ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 2 June 2026 ("Policy Letter"), setting forth certain objectives and policy actions, designed to develop the Borrower's customs and logistics 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 6 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;

(g) "Program Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MOF, which is responsible for the carrying out of the Program; and

(h) "Program Implementing Agency" means the Borrower's Ministry of Industry, Commerce and Supplies, the Borrower's Department of Customs, and the Investment Board of Nepal, or any successor thereto each acceptable to ADB, which is responsible for the implementation of their respective parts of the Program, collectively the "Program Implementing Agencies".

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of fifty million Dollars ($50,000,000).

(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 December and 1 June 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 30 September 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 this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Secretary or Joint Secretary (International Economic Relations Division) of 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

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 increase the efficiency of domestic and cross-border trade of the Borrower. The Programmatic Approach comprises three subprograms and the Program is the second subprogram. The scope of the Program includes (i) improving customs processes for better trade facilitation; and (ii) developing and strengthening the logistics sector for export promotion. The Program is described in more detail in the Policy Letter and the PDMF.

2. The Program was completed by 30 June 2026.

SCHEDULE 2

Amortization Schedule

Payment Due Date	Payment of Principal (expressed in USD)
1 December 2034	1,562,500
1 June 2035	1,562,500
1 December 2035	1,562,500
1 June 2036	1,562,500
1 December 2036	1,562,500
1 June 2037	1,562,500
1 December 2037	1,562,500
1 June 2038	1,562,500
1 December 2038	1,562,500
1 June 2039	1,562,500
1 December 2039	1,562,500
1 June 2040	1,562,500
1 December 2040	1,562,500
1 June 2041	1,562,500
1 December 2041	1,562,500
1 June 2042	1,562,500
1 December 2042	1,562,500
1 June 2043	1,562,500
1 December 2043	1,562,500
1 June 2044	1,562,500
1 December 2044	1,562,500
1 June 2045	1,562,500
1 December 2045	1,562,500
1 June 2046	1,562,500
1 December 2046	1,562,500
1 June 2047	1,562,500
1 December 2047	1,562,500
1 June 2048	1,562,500
1 December 2048	1,562,500
1 June 2049	1,562,500
1 December 2049	1,562,500
1 June 2050	1,562,500
Total	**50,000,000**

* 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.

Attachment to Schedule 3

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 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.

3. The Borrower shall ensure that the Program Executing Agency and the Program Implementing Agencies are adequately staffed and provided with the necessary financial, technical and other resources to perform their respective functions and responsibilities under the Program.

Policy Actions and Dialogue

4. 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.

5. 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

6. 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

7. The Borrower, the Program Executing Agency, and the Program 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

8. 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.