

**Loan and Guarantee Act, 2025(1968)**

Date of Royal Seal and Publication

2025.7.9(25-10-1968)

Amending Acts:

1. Loan and Guarantee (First Amendment) Act, 2030(1973) 2030.5.15(31-8-1973)
2. Loan and Guarantee (Second Amendment) Act, 2033(1976) 2033.7.4(20-10-1976)
3. Loan and Guarantee (Third Amendment) Act, 2041(1984) 2041.5.15(3-9-1984)
4. Loan and Guarantee (Fourth Amendment) Act, 2043(1986) 2043.4.30(14-8-1986)
5. Loan and Guarantee (Fifth Amendment) Act, 2045(1985) 2045.6.26(12-10-1988)
6. Loan and Guarantee (First Amendment) Act, 2048(1991) 2048.7.28(14-11-1991)
7. Loan and Guarantee (Seventh Amendment) Act, 2050.6.27(13-10-1993)  
2050(1993)
8. Loan and Guarantee (Eighth Amendment) Act, 2051(1995) 2051.9.28(12-1-1995)
9. Loan and Guarantee (Ninth Amendment) Act, 2052(1995) 2052.7.21(7-11-1995)
10. Loan and Guarantee (Tenth Amendment) Act, 2053(1996) 2053.7.19(4-11-1996)
11. Loan and Guarantee (Eleventh Amendment) Act, 2054.8.26(11-12-1997)  
2054(1997)
12. Loan and Guarantee (Twelfth Amendment) Act, 2055.6.28(14-10-1998)  
2054(1998)
13. Loan and Guarantee (Thirteenth Amendment) Act, 2058.8.14(19-11-2001)  
2058(2001)

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14. Loan and Guarantee (Fifteenth Amendment) Act, 2063.6.5(21-9-2006)  
2063(2006)
15. Loan and Guarantee (Sixteenth Amendment) Act, 2065.9.2(17-12-2008)  
2065(2008)

16. Loan and Guarantee (Seventeenth Amendment) Act, 2066(2009) 2066.8.10(25-11-2009)
17. Republic Strengthening and Some Nepal Laws Amendment Act, 2066(2010)<sup>1</sup> 2066.10.7.(21-1-2010)

Act Number 19 of the year 2025

.....<sup>2</sup>

### **An Act Made To Provide for Power to Borrow Loans and Give Guarantee**

Whereas, there is a constitutional provision that no loan shall be borrowed nor guarantee be given except in accordance with law; and

Whereas, it is expedient to provide for powers that the Government of Nepal may from time to time borrow loans as required against the security of the consolidated fund or other governmental fund for development works of <sup>3</sup>.....Nepal and that it may give guarantee in a manner to be chargeable on such fund;

Now, therefore, His Majesty King Mahendra has, on the advice and with the consent of the National Panchayat, enacted his Act.

**1. Short title, extension and commencement:** (1) This Act may be called as Loan and Guarantee Act, 2025(...).

(2) This Act shall commence at once.

**2. Definitions:** Unless the subject or the context otherwise requires, in this Act:

(a) “Agency” means any international and foreign agency and institution.

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<sup>1</sup> This Act came into force on 15 Jesta 2065(28-5-2008).

<sup>2</sup> Repealed by Republic Strengthening and Some Nepal Laws Amendment Act, 2066(2010).

<sup>3</sup> Repealed by Republic Strengthening and some Nepal Laws Amendment Act, 2066(2010)

(b) “Institution” means a body corporate company or firm established pursuant to Nepal law.

**3. Power to borrow loan:** (1)<sup>4</sup>The Government of Nepal may from time to time borrow loan in foreign currency to be set as per the prevailing exchange rate in an amount not exceeding a total of three hundred thousand million rupees,<sup>5</sup> as per necessity, from any foreign government or agency for any approved development plan.

**Explanation:** Only the amount due and payable by the Government of Nepal, out of the amount as referred to in the loan agreement concluded with a foreign government or agency shall be considered as a loan.

(2) The amount of principal and interest of a loan borrowed pursuant to sub-section (1) shall be chargeable on the consolidated fund or other government fund, and the period of repayment of the principal or interest of such a loan shall be as specified in the agreement concluded with the lending foreign government or agency.

**4. Power to give guarantee:** (1)<sup>6</sup> The Government of Nepal may cause a loan to be lent by any foreign government or agency or other institution and give guarantee for the loan for any project included in any approved development plan or for the purchase of a new aircraft for the Nepal Airlines Corporation.

(2) In giving guarantee pursuant to sub-section (1), the Government of Nepal shall consider the matters namely the reason why the institution is borrowing loan, national interest to be served by the borrowing and whether the

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<sup>4</sup> Amended by Second Amendment.

<sup>5</sup> Amended by Seventeenth Amendment.

<sup>6</sup> Amended by Sixteenth Amendment.

principal and interest of the loan can be repaid within the period specified in the agreement concluded with the lending foreign government or agency or institution.

(3) An institution that has borrowed a loan against the guarantee given by the Government of Nepal pursuant to sub-section (1) shall not revalue its capital, reduce its capital and any act that has the potentiality of freezing capital without prior approval of the Government of Nepal, and it shall be the duty of such an institution to abide by the directions given by the Government of Nepal from time to time on any matters falling within the ambit of that loan.

(4) If an institution which has borrowed a loan against the guarantee given by the Government of Nepal pursuant to sub-section (1) is dissolved or the Government of Nepal is of the opinion that the institution is likely to be dissolved, the Government of Nepal shall withhold the assets of the institution and recover the amount to the extent of the guarantee given by it as well as interest thereon.

(5) Notwithstanding anything contained in the prevailing Nepal law, no person shall have any claim on the assets of the borrower institution until the amount guaranteed by the Government of Nepal as well as interest thereon is recovered.

(6) If there is a possibility that an institution which has borrowed a loan against the guarantee given by the Government of Nepal may suffer loss or be dissolved, the partners of the institution if it is a firm, and the chief administrative office of the institution if it is a body other than a firm shall, also taking advice of the board of directors, make a detailed report to Government of Nepal immediately.

(7) If an institution which has borrowed a loan against the guarantee given by the Government of Nepal fails to repay the principal or interest as per the

agreement concluded with the lending foreign government or agency or institution, the amount of the principal or interest that could not be so repaid shall be chargeable on the consolidated fund or any other government fund.

**5. Commission:** (1) The Government of Nepal shall, by publishing a notice in the Nepal Gazette, take commission at the rate specified in the notice in consideration for the guarantee given pursuant to sub-section (1).

(2) Notwithstanding anything contained in sub-section (1), the Government of Nepal may exempt wholly or partly the commission as referred to in that sub-section or remit the same.

**6. Matter of borrowing of loan or giving of guarantee to be laid before Legislature-Parliament<sup>7</sup>:** The agreement on the borrowing of a loan or the giving of a guarantee by the Government of Nepal pursuant to this Act shall be laid before the Legislature-Parliament<sup>8</sup> as promptly as possible.

**7. Repeal:** The Loan Act, 2017 (...) is hereby repealed.

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<sup>7</sup> Amended by Republic Strengthening and Some Nepal Laws Amendment Act, 2066(2010).

<sup>8</sup> Amended by Republic Strengthening and Some Nepal Laws Amendment Act, 2066(2010).