

March 13, 1972

**AGREEMENT BETWEEN THE GOVERNMENT OF INDIA AND THE GOVERNMENT OF NEPAL
REGARDING THE ESTABLISHMENT OF TELEPHONE EXCHANGES**

Kathmandu

The Government of INDIA,

Hereinafter called the 'G.O.I.'

AND

His Majesty's Government of Nepal

Hereinafter called 'H.M.G.',

BEING desirous of co-operating with each other in promoting the development of internal Telecommunication facilities in Nepal,

HAVE agreed as follows:

Article 1

The G.O.I. agrees to make available funds to the extent of Rs. 51.80 lakhs (Rupees fifty one lakhs and eighty thousand only) in Indian Currency for the establishment, of telephone exchanges at Biratnagar, Jhanakpur and Jhapa in Nepal, according to the scheme appended herewith, hereinafter, called the

Project. This aid will be utilised before 31.3.1974. The cost of installation of the said exchanges in excess of Rs. 51.80 lakhs (Indian Currency) shall be borne by H.M.G.

Article 2

The building component of the Project will be executed by the Central Engineering Division of H.M.G. The telecommunication component will be executed under the auspices of the Telecommunication Board, hereinafter called the 'Board' already set up by HMG for the purpose of Telecommunication development. The Director, Member (Posts & Telegraphs) and member (Finance and Accounts) of the Indian Cooperation Mission (hereinafter called 'ICM') will be advisers to the Board and will be invited to attend all such meetings of the Board which relate to the Projects provided here in this Agreement.

Article 3

The G.O.I. will place at the disposal of the Board a Telegraph Engineering Division, hereinafter called the 'Division', of the Indian Posts & Telegraphs under Divisional Engineer, Telegraphs (Hereinafter called 'DET') for the execution of the telecommunications component of the Project. The G.O.I. will also provide the technical, accounting and other staff of the Division except to the extent suitable qualified Nepali staff is made available by HMG. The Posts and Telegraphs stores and equipment required for the Project will also be supplied by GOI. The codes and rules (Financial, Administrative and Technical) of the Indian Posts and Telegraphs Department, will be adopted by the Board for the Division and will apply mutatis mutandis.

The acceptance testing of the installations done by the DET will be carried by the additional Chief Engineer, Technical & Development Circle, Posts & Telegraphs, Jabalpur, on behalf of the G.O.I. and expenses in this regard will be debitable to the Project.

Article 4

The DET will submit expenditure statements relating to the telecommunication component of the Project each month to the Board. He will also render accounts to the Accountant General, P&T, Delhi, or the Branch Audit at Delhi for the money spent from Indian Aid Funds for final accounting and auditing.

The Director, ICM or his nominee may inspect any record and accounts with reference to the Aid provided by the G.O.I. under this Agreement.

The requirements of funds for the telecommunication component of the Project will be worked out and intimated to the Board as well as the I.C.M. by the DET on an annual basis and the ICM will arrange for the release of the necessary amounts to the DET accordingly under intimation to the Board.

Article 5

HMG will arrange annual audit of works and expenditure so as to complete full cycle of Audit at least once every year and will also carry out final completion of audit of each work within six months from

the date of completion of the work. Such audit report will be forwarded to the Director, ICM within the next financial year. Audit charges will be borne by HMG.

Article 6

The Board will approve the annual budget estimates for the Project and review the progress of work periodically. Budget estimates as approved by the Board will be duly reflected in HMG's budgets.

Article 7

The GOI will provide, at additional expense, training facilities at the Project or in India as needed above, any modification may be made in consultation between HMT and the ICM.

Article 8

Whereas generally the Project would be in accordance with the scheme appended herewith and implemented as indicated above, any modification may be made in consultation between HMT and the ICM.

Article 9

HMG will provide the necessary land for the Project free from all encumbrances. The payment of compensation, if any, and the settlement of claims from disputes arising, therefrom will be the responsibility of H.M.G. HMG shall also arrange the supply of timber sand, stone, limestone and other raw materials required for the Project, free of royalty, excise duty, licensing fee and other levies.

Article 10

H.M.G. will ensure that the goods, materials, equipments, machinery and transport, etc., which are brought into Nepal or are moved from one place to another within Nepal, for the execution of the Project either by the Project Authorities or by the contractors employed on the Project, are afforded expeditious transit from India to Nepal or within the territory of Nepal, and are exempt from Licensing requirements and from payment of all customs duties, taxes, cesses, and levies of any kind. HMG will also ensure that the goods, materials, equipment, machinery and transport etc. brought into Nepal from India as above, will be allowed to be taken back to India when no longer required for the execution of the Project subject to the provisions contained in Article 21 hereunder. Exemptions from licensing requirements and from payment of all customs duties, taxes, cesses and levies of any kind shall also extend to the transport and goods for personal use of India-based personnel working for the Project. The principles and procedures regarding the facilities to be extended to the Indian contractors and exemption from import and export duties and other local levies, of all supplies, materials, equipments and vehicles etc. imported for contract work, as worked out between the Director Indian Cooperation Mission, and HMG for the Trisuli Hydel Project will apply *mutatis mutandis* to the Project. This will include exemption from income tax and other taxes except contract tax.

The contract tax payable by Indian contractors will be collected by the Project authorities but credited to Project funds under advice to HMG.

Article 11

H.M.G. will provide the foreign exchange needed for purchase of machinery, materials, stores, equipment and vehicles for the Project against allotments made in Indian currency by the G.O.I.

Article 12

The Project Authorities, or their contractors shall be allowed to import from India skilled and semi-skilled labour to the extent not available in Nepal. HMG will make arrangements to ensure that the requirements of unskilled labour for the Project are fully met.

HMG will extend all possible help and co-operation to the Project Authorities in the maintenance of peaceful labour relations and the safeguarding of the personnel and property of the Project in the event of a strike.

Article 13

Contractors of the Project from outside Nepal will be free to import any amount of currency and may be deemed necessary but will convert it into Nepalese currency at legally recognised exchange counters for transactions inside Nepal for the execution of their work. They will be allowed to repatriate their currency holding which will be converted into Indian currency by the Nepal Rastra Bank.

Article 14

HMG will ensure expeditious grant of licences, permits and other such authorisations to enable the Project Authorities or the contractors to execute work relating to the Project.

Article 15

HMG will make necessary security arrangements for the protection of the personnel as well as materials, equipments etc at all the various sites of construction and operations, including in transit where necessary.

Article 16

In the event of any legal action arising from activities undertaken in pursuance of this Project. HMG will assume full responsibility for the defence of such action in Nepal and will take responsibility for the continued execution of the Project and will assure immunity from garnishment or any other legal process of title to all contributions made for or property and benefits derived from the execution of the Project.

Article 17

The funds provided by the G.O.I. under this Agreement will be utilised for :

1. The purchase of stores, equipment, vehicles and machinery required in connection with the execution of works
2. Meeting the expenditure on salaries, allowances and travelling allowances etc. of the staff employed for the execution of the works;
3. Meeting the cost of personnel obtained from India to advise and assist in the execution of the work;
4. Meeting the expenditure on construction of buildings; and
5. Meeting the expenditure on construction of other works.

Article 18

The expenditure for any purchases made through the GOI and the expenditure under item (iii) of Article 17 above, will be incurred directly by the G.O.I. and the amounts debited to the aid/under Agreement. The expenditure on item (iv) of Article 17 will be withheld by the ICM, and made available to the agency executing the said work. This amount will also be debited to the aid under this Agreement. Any expenditure already incurred by the G.O.I. for any of the purposes mentioned in this Agreement shall be eligible for being debited to the aid under this Agreement.

Article 19

Subject to the stipulations in Article 17 and 18 above, the aid available in cash will be by way of advances paid periodically by the I.C.M., into an account to be opened in the Nepal Rastra Bank in the name of the Project.

Article 20

HMG will take over the responsibility for maintenance of sections of the Project as and when they are certified as completed by the DET, unless it is otherwise agreed between HMT and GOI for the maintenance of the Project to be carried out by DET for some specified period, after its completion.

Article 21

Of the construction equipment machinery, vehicles etc purchased out of the project funds, the Project will be debited only with the depreciation in the value of these articles except those which may be required and retained for maintenance.

All residual construction equipment machinery, vehicles etc on the completion of the Project will be disposed of as under :

1. Items of equipment machinery, vehicles etc, required for other ICM Projects will be released on the authority of the Director, I.C.M. under intimation to H.M.G. The depreciated value of such items will be credited to the Project and debited to Aid funds.
2. If HMG are in need of certain items of surplus equipment, machinery, vehicles etc., such items may be released with the agreement and under the authority of the Director, I.C.M. Necessary credit of the depreciated value of such items will be afforded to the Project.

Article 22

This Agreement shall come into force with effect from the date on which it is signed and will remain in force until completion of the Project, unless terminated earlier by either Party by giving three months' notice in writing to the other Party.

IN WITNESS WHEREOF, we, the undersigned, being duly authorised by our respective Governments, have signed the Agreement.

DONE at Kathmandu in the English language in four original copies, all of which are equally authentic, on this thirteenth day of March, one thousand nine hundred and seventy two.

For the Government of India

Sd/-

RAJESHWAR PRASAD

Director

Indian Cooperation Mission

For His Majesty's Government of Nepal

Sd/-

B B PRADHAN

Secretary

Ministry of Finance, Kathmandu (Nepal)