

May 10, 1972

**AGREEMENT BETWEEN THE GOVERNMENT OF INDIA AND HIS MAJESTY'S GOVERNMENT OF NEPAL  
REGARDING SETTING UP INDUSTRIAL ESTATES AT NEPALGANJ AND DHARAN**

**Kathmandu**

The Government of INDIA (hereinafter referred to as GOI) and His Majesty's Government of NEPAL (hereinafter referred to as HMG),

BEING DESIROUS of cooperating with each other in promoting industrial development,

HAVE agreed as follows:

**Article I**

The GOI agree to make available funds to the extent of Rs. 40.91 lakhs (Rupees forty lakhs ninety one thousand only) in Indian currency for setting up of Industrial estate at Nepalganj and Dharan, generally in accordance with the appended scheme hereinafter called 'the Project'. This aid will be utilised before 31st March, 1974.

**Article II**

The Project, except the building/construction works, will be executed by the Department of Industries, HMG. The Chief Engineer, ICM Highway Projects, who will execute the building/construction works will submit quarterly expenditure statements to the Department of Industries, HMG. He will also render accounts to the Accountant General in India for the money spent from Indian aid funds.

### **Article III**

Whereas, generally, the Project would be executed in accordance with the scheme appended herewith and implemented as indicated in Article II above, any modification and/or addition within the spirit of the Agreement may be made as mutually agreed upon between HMG and the Indian Cooperation Mission (hereinafter called 'ICM').

### **Article IV**

The Director, ICM, and/or his nominees would act as Advisers to the Department of Industries, HMG in the execution of the Project. The Director and/or his nominees will be consulted in the formulations of detailed plans and periodical progress reports would be made available to them, in respect of the Project executed under the agreement.

### **Article V**

The Member (Finance and Accounts) of the ICM will have access to all matters connected with the finance and accounts relating to the Project. He will also advise HMG in the preparation of annual budget, inspection of local accounts and release of funds for the implementation of the Project.

### **Article VI**

HMG will provide the necessary land for the execution of the Project, free from all encumbrances, and supply timber sand, stone, limestone and other raw materials which may be required, free of royalty and other levies. The payment of compensation, if any, and the settlement of claims or dispute arising from the above will be the responsibility of HMG.

### **Article VII**

HMG will make provision of foreign exchange, if necessary against the allotments made in Indian currency by GOI.

### **Article VIII**

HMG will ensure that the goods, materials, equipment, 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 as above will be allowed to be taken back to India. India when no longer required for the execution of the Project 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 personnel 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, equipment and vehicles, etc. imported for contract work, as worked out between the Director, ICM 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 IX**

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 cooperation to the Project authorities in the maintenance of peaceful labour relations and the safeguarding of the personnel and property of the Project.

#### **Article X**

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

#### **Article XI**

HMG will ensure expeditious grant of licences, permits and similar other authorizations necessary to enable the Project Authorities or their contractors to execute the work relating to the Project.

#### **Article XII**

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

#### **Article XIII**

The GOI shall depute adequate number of personnel e.g. Technical Advisers, Engineers and other technicians for advising and assisting the Department of Industries, HMG, in the execution of the Project.

#### **Article XIV**

The funds provided by GOI under this Agreement will be utilised for :

1. Purchase of stores, equipment, machinery and vehicles required in connection with the execution of the Project;

2. Meeting the expenditure on salaries, allowances, travelling allowances etc., to the staff employed for the execution of the Project;
3. Meeting the cost of personnel obtained from India to advise and assist in the execution of the Project;
4. Meeting the expenditure on building/construction works as provided in the Project; and
5. Meeting the cost, if any, of training the local staff in India.

#### **Article XV**

The expenditure of any purchase made through GOI and the expenditure under items (iii), (iv), and (v) of Article XIV above will be incurred directly by the ICM and the amount debited to the aid under this Agreement.

#### **Article XVI**

The Indian aid available in cash will be by way of advances, to be paid in the account maintained in the Nepal Rastra Bank in the name of "Scheme for the Industrial Estates Dharan and Nepalganj, Indian Assistance to HMG". The advances will be made on the quarterly basis and accounts of first quarter will be submitted before request, for the third quarter advance is made. Likewise accounts will continue to be submitted. The Accountants of ICM will assist in the collection of accounts, checking them and recasting them in proper form before rendition to the Auditor General of Nepal for security and certification.

HMG will arrange annual audit of expenditure by the Auditor General of Nepal so as to complete full cycle of audit at least once every year. Such audit reports will be forwarded to the Director, ICM, within the next financial year.

#### **Article XVII**

On the completion/termination of this Agreement, all unspent balances of cash advanced by the GOI, after meeting their liabilities, shall be refunded to the GOI.

#### **Article XVIII**

The contributions of HMG for the Project will be deposited quarterly in the account to be opened in the Nepal Rastra Bank as stipulated in Article XVI.

#### **Article XIX**

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 actions in Nepal and will take responsibility for the continued execution of the Project and will ensure 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 XX**

Any expenditure incurred by the GOI before the signing of this Agreement in pursuance of the implementation of the Project shall be debited to the overall aid under this Agreement.

#### **Article XXI**

Arrangements will be made to reflect Indian assistance under this Agreement in HMG's budget.

#### **Article XXII**

This Agreement shall come into force with effect from the date on which it is signed and will remain in force until the March 31, 1974 unless terminated earlier by either party by giving three months notice in writing to the other party or extended by mutual agreement, as necessary.

IN WITNESS WHEREOF, the undersigned, being duly authorized by their respective Governments, have signed the Agreement.

DONE at Kathmandu in the English language in four copies on this tenth day of May Ninteen Hundred 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)