

Agreement on Economic Co-operation

March 05, 1973

AGREEMENT BETWEEN THE GOVERNMENT OF INDIA AND HIS MAJESTY'S GOVERNMENT OF NEPAL REGARDING ECONOMIC COOPERATION

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 cooperating with each other in promoting the economic development of Nepal, HAVE agreed as follows :

Article I

The GOI agree to make available funds to the extent of Rs. 4.00 crores (Rupees four crores only), in Indian currency for the implementation of various development projects as appended herewith, hereinafter called the 'Programme'. This aid will be utilised before March 31, 1973, except for the iodised salt project under the Special Rural Areas Development and the improving and the black-topping of the Kathmandu-Godavari Road Project for which the aid will be utilised before March 31, 1974, and March 31, 1975, respectively. Unspent balance would be utilised by mutual agreement.

Article II

The Chief Engineer, ICM Highway Projects, will execute the work of improving and black topping of the Kathmandu-Godavari Road and will submit quarterly expenditure statements to the HMG. He will also render accounts to the concerned Accountant General in India for the money spent from the Indian aid funds. The building/construction work under the Programme will be executed as far as possible by the Central Engineering Division. The remaining portion of work including the buildings not taken up by the Central Engineering Division will be implemented by the concerned Ministries/Departments/Agencies of HMG.

ARTICLE III

Whereas, generally the Programme would be in accordance with the projects appended herewith and implemented as indicated in Article II above, any modification and/or addition within the spirit of the Agreement may be made in consultation between HMG and the Indian Cooperation Mission hereinafter called 'I.C.M.'

Article IV The Director, ICM and/or his nominees would act as Advisers to the concerned Ministries/Departments of HMG for the execution of the Programme. They will also be Members of the Committees which have already been formed and/or which will be formed by HMG for the implementation of the Programme in future, except in regard to the Remote Areas Development Committee where they will be invited to attend all the meetings in which projects under this Agreement are considered. The Director and/or his nominees will be consulted in the formulation of detailed plans and periodical progress reports would be made available to them in respect of the Programme executed under this Agreement.

Article V

HMG will provide the necessary land for the execution of the Programme, free from all encumbrances. The payment of compensation, if any, and the settlement of claims from disputes arising therefrom, will be the responsibility of HMG. HMG shall also arrange the supply of timber,

sand stone, limestone and other raw materials, required for the projects free of royalty, excise duty, licensing fee and other levies.

Article VI

HMG will provide foreign exchange, if any, against the allotment made in Indian currency by the GOI.

Article VII

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 projects either by the project authorities or by the contractors employed on the projects are afforded expeditious movement 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 projects. 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 personal working for the projects. 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, Indian Cooperation Mission, and HMG for the Trisuli Hydel Project will apply mutatis mutandis to the projects. This will include exemption from Income and other taxes except contract tax.

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

Article VIII

The Government of India shall depute adequate number of personnel e.g. Technical Advisers, Engineers, Overseas, Horticulturists and other technicians for advising and assisting the respective departments of HMG in the execution of the Programme.

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 Programme 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 projects.

Article X

Contractors of the projects from outside Nepal will be free to import any amount of Indian currency and may be deemed necessary but will convert it into Nepalese currency at legally recognised exchange counters for the 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 other such authorisations to enable the project authorities or their contractors to execute work relating to the Programme.

Article XII

HMG will make necessary security arrangements for the protection of the personnel as well as

materials, equipment, etc. at the various sites of construction and operations including the transit where necessary.

Article XIII

In the event of legal action arising from activities undertaken in pursuance of the Programme, HMG will assume full responsibility for the defence of such action in Nepal and will make responsibility for the continued execution of the projects 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 Programme.

Article XIV

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

1. the purchase of equipment essential for the projects required in connection with the execution of the Programme;
2. meeting the expenditure on salaries, allowances and travelling allowance etc., of the staff employed for the execution of the Programme;
3. meeting the cost of personnel obtained from India to advise and assist in the execution of the Programme; and
4. meeting the expenditure on construction of buildings, roads and bridges.

Article XV

The expenditure for any purchases made through GOI, the expenditure under item (iii) of Article XIV and the expenditure under item (iv) of Article XIV relating to the improving and black topping of the Kathmandu-Godavari Road will be incurred directly by the ICM and the amounts debited to the aid under this Agreement.

Article XVI

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

Article XVII

Subject to the stipulations in Article XIV and XV above, a detailed procedure for the release of funds in respect of the project taken under the Programme and submission of utilisation certificates shall be determined by the Director, ICM and HMG. Secretary in the Ministry of Finance separately.

Article XVIII

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

Article XIX

All the equipment, stores, machinery, etc. left over on completion of the works, will be used only for mutually agreed construction works. All unspent balances and cash advanced by GOI after meeting the liabilities shall either be refunded to the GOI on completion or termination of this Agreement or otherwise disposed of in accordance with a separate Agreement to be entered into for this purpose.

Article XX

This Agreement shall come into force with effect from the date on which it is signed and will remain in force up to the 31st March 1975, 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 day of Fifth March One Thousand Nine Hundred and Seventy Three.

For the Government of India

Sd/-

P N KAUL

Director

Indian Cooperation Mission

Kathmandu

For His Majesty's Government of Nepal

Sd/-

B.B. PRADHAN

Secretary

Ministry of Finance

APPENDIX

PROJECTS APPROVED FOR ADDITIONAL ASSISTANCE TO NEPAL DURING THE YEARS 1967-68 TO 1974-75

PROVISION IN

RS. LAKHS IC

I AGRICULTURE AND ALLIED SCHEMES	
1. Purchase and distribution of agricultural seeds	4.45
2. Purchase and distribution of fruit seeds and plants	6.67
3. Purchase and distribution of livestocks	4.81
4. Veterinary Schemes	10.00
	<hr/> 25.93
II. MINOR IRRIGATION SCHEMES	
1. Minor irrigation	
2. Tubewells	103.70

III. RURAL DEVELOPMENT SCHEMES	
1. Panchayats - construction of small roads, bridges	29.63
culverts, drinking water wells etc.	
2. Bagmati Anchal	22.22
	<u>51.85</u>
IV EDUCATION	
1. Sports Fields	2.96
2. Students' Club	2.96
3. Staff Quarters	5.00
4. Science Block	7.41
5. Arts Block	4.44
6. Planning and Water Supply	0.93
7. Research Block (Gandhi Bhawan)	10.37
8. Girls' Hostel	3.34
9. Married Students' Hostel	4.45
10. Science Equipment	1.48
	<u>43.34</u>

V. SPECIAL RURAL AREAS DEVELOPMENT	
1. Iodised Salt	50.00
2. Construction of roads, mule trucks and school	50.74
buildings, water supply schemes, health schemes,	_____
horticulture etc.	100.74
VI. HEALTH SCHEMES	
1. 25 Bedded Hospital at Dhangadi	4.63
2. 25 bedded hospital at Rajbiraj	4.63
3. 15 bedded hospital at Trulihawa	3.70
4. 15 bedded hospital at Gulmi	4.07
5. 15 bedded hospital at Illam	2.22
6. Health Centre at Terathum	1.85
7. 6 Health Posts in Terai	3.34

	24.44
VI IMPROVING AND BLACK-TOPPING OF KATHMANDU-GODAVARI ROAD	50

Total	400.00

EXCHANGE OF LETTERS

HIS MAJESTY'S GOVERNMENT
MINISTRY OF FINANCE
SINGHA DURBAR
Kathmandu
Nepal
March 5, 1973

Dear Shri KAUL,

In respect of the Agreement between His Majesty's Government and the Government of India for taking up development Projects under the Additional Assistance programme, HMG agree to the adoption of the following procedures for release of funds and submission of accounts and utilisation certificates :

1. The Ministry of Finance will make periodical requests to the ICM for advancing funds to meet the expenditure on specific projects. List of projects will be forwarded with a request for the release of funds;
 2. ICM will release funds against these requests in favour of the Ministry of Finance. These funds will be deposited in a separate account under the head "ICM Special Development Account" to be opened in the Nepal Rastra Bank by His Majesty's Government;
 3. The special account will be operated by HMG's Ministry of Finance under their budgetary rules and regulations and release of funds will be made by them to the various departments of HMG. A quarterly statement of such releases of funds will be made available to the ICM.
 4. HMG's departments concerned with various projects will make available quarterly statements of receipts and expenditure to HMG's Ministry of Finance with a copy to ICM along with Progress Report of each Project;
 5. Releases will be made on a quarterly basis and accounts of the 1st quarter will be submitted before request for the third quarter release is made. Likewise accounts will continue to be submitted.
- I. The expenditure on building/construction incurred through HMG's Engineering Board will be accounted for in the same manner as is being done in the case of other projects under the execution of the Board.
- II. Accountants of ICM will assist in collection of accounts from the zonal/district headquarters, checking them and recasting them in proper form before rendition to the Auditor General of Nepal for scrutiny and certification.
- III. HMG will arrange annual audit of works and expenditure by the Auditor General of Nepal, so as to complete full cycle of audit at least once every year and will also carry out final completion audit of each project. Such Audit Reports will be forwarded to the Director, ICM within the next financial year.
6. The Member (Finance and Accounts) of the ICM would have access to all matters connected with Finance and Accounts of the project. He will also advise and assist HMG in the preparation of annual budgets, inspection of local accounts and release of funds to the concerned departments for the implementation of these projects.

Please accept the assurances of my highest consideration.

Yours sincerely,

Sd/-

B B PRADHAN
Secretary

Shri P N KAUL
Director
Indian Cooperation Mission
Hari Bhawan/Kathmandu
Nepal

LETTER

P N KAUL
Director
INDIAN COOPERATION MISSION
KATHMANDU (NEPAL)
5th March 1973

Dear Shri PRADHAN,

I have the honour to acknowledge receipt of your letter of even date, which reads as follows :

(Not Reproduced)

1. I am to state that on the basis of the assurances given by His Majesty's Government, the Government of India agree to adopt the above procedure for release of funds and submission of account in respect of the projects undertaken under the Additional Assistance Programme.
2. I have the honour to confirm that the above correctly sets out the understanding reached between us. Your letter and my reply thereto shall constitute an understanding between the Government of India and His Majesty's Government of Nepal, which shall come into force with immediate effect.

Accept, Sir, the assurances of my highest consideration.

Yours sincerely,

Sd/-

P N KAUL

Shri B B PRADHAN
Secretary
Ministry of Finance
His Majesty's Government of Nepal
Kathmandu