

**AGREEMENT BETWEEN THE GOVERNMENT OF
INDIA AND HIS MAJESTY'S GOVERNMENT OF
NEPAL FOR DEVELOPMENT OF IRRIGATION,
DRINKING WATER SUPPLY AND POWER**
Kathmandu, 4 March 1959

His Majesty's Government of Nepal (hereinafter referred to as H.M.G.) and the Government of India :

Being desirous of co-operating with each other in promoting the development of Minor Irrigation and Power and Water Supply in Nepal have agreed as follows :—

Article I

- (1) This agreement is in addition to, and does not derogate from the agreement entered into between the H.M.G. and the Government of India on the 14th July, 1954 (hereinafter referred to as 1954 agreement). The projects falling within the purview of the 1954 agreement and mentioned in the Schedule to this agreement will continue to be governed by the terms of that agreement except that the execution of works shall now be entrusted to the Canals and Drinking Water Supply Board. All new works falling within this agreement will be governed by this agreement.
- (2) The Government of India agree to provide further financial assistance of Rs. 50 Lakhs to H.M.G. for the implementation of the development of Irrigation and Power and Water Supply in Nepal (hereinafter called the Programme) in conformity with the provision of the agreement.
- (3) The Programme aims to take up the implementation of the projects costing not more than Rs. 12 Lakhs each, for the development of Irrigation, provision of drinking water supply and the establishment of small power plants limited to 100 K.W. capacity in Nepal. These limits may be relaxed in suitable cases in consultation with the Director, Indian Aid Mission.

Article II

- (1) The Programme will be implemented through a Board called Canals and Drinking Water Supply Development Board (hereinafter called the Board) which has been constituted by His Majesty's Government under the Development Board's Act 2213. If H.M.G. at any time during the continuance of this agreement desires to dissolve the Board, H.M.G. will obtain the advice of the Director, Indian Aid Mission (hereinafter referred to as Director, I.A.M.), as to the consequential measures to be taken in relation to the works in hand.
- (2) The Director, I.A.M., shall act as Adviser to the Board, and shall be invited to attend all its meetings; and in his absence he may nominate any other officer of IAM to attend the meetings of the Board on his behalf.
- (3) In particular, the Board shall, before taking a decision thereon, obtain the advice of the Director, IAM on the size and location of Projects, annual budgets and formation and introduction of administrative financial and procurement procedures.
- (4) The members and officers of the Indian Aid Mission will be technical advisers to the Board in their respective spheres.
- (5) The Board shall set up an office of the Chief Accounts Officers to assist the Board in framing financial and accounting rules and to maintain proper accounts. The Government of India will lend the services of one or more Account Officers to advise and assist the Chief Accounts Officer.

Article III

The financial assistance from the Government of India will be utilised :—

- (i) For the purchase of stores, equipment, vehicles and machinery required in connection with the Programme;
- (ii) For meeting the expenditure on salaries, allowances and travelling expenses on staff employed by the Board referred to later, specifically for the execution of the Programme;
- (iii) For meeting the cost of personnel, including one or more Accounts Officer, obtained from India to advise and assist in the execution of the Programme;
- (iv) For meeting cost of training local staff for manning the subordinate services; and

- (v) For meeting the expenditure incurred on construction of works in connection with the execution of the Programme.

Article IV

- (1) H.M.G. will supply timber, sand, stone, limestone, and such other raw materials as may be necessary free of royalty for the requirements under the Programme.
- (2) H.M.G. will acquire land for construction of works.
- (3) H.M.G. will meet all the expenditure on maintenance and repairs on all completed works.
- (4) H.M.G. will appoint an Audit Agency to complete a full cycle of audit at least once every year, and also carry out the final completion audit within six months from the date of the completion of the project. The audit charges will be borne by His Majesty's Government.

Article V

- (1) The expenditure on purchase of any stores, equipment, vehicles and machinery through the Government of India under Item (i) and the cost of personnel under item (iii) of Article III will be paid for by the Government of India and debited to the aid funds under this Agreement.
- (2) To meet the other items of expenditure, the Director, Indian Aid Mission, will advance funds to the Board in instalments. Such advances shall be paid to an account to be opened in the Nepal Rastra Bank in the name of the Canal and Drinking Water Supply Development Board. These funds shall not be mixed with similar other funds from other agencies. Contributions of H.M.G. may include funds received from other agencies.
- (3) The account will be opened with an initial deposit of rupees seven lakhs, consisting of a permanent advance of rupees four lakhs and the first instalment of rupees three lakhs. Further advances will be made on the basis of certificates rendered by the Board which will be supported by an expenditure report from the Chief Accounts Officer of the Programme to the effect that 75% of the amount of the last instalment (excluding the permanent advance) had been expended for the purpose for which it was given. The permanent advance of rupees four lakhs will be adjusted in the final instalment to be paid under the Agreement.

- (4) The Board shall forward to the Director, Indian Aid Mission, returns of expenditure in the prescribed proforma by the first week of the second month following the month to which it pertains. H.M.G. of Nepal will further provide the Director, Indian Aid Mission, with full and complete information relative to such programmes, including the information necessary to evaluate the need for assistance, and statements as requested on the use of assistance received.

Article VI

- (1) H.M.G. will provide foreign exchange needed for purchase of machineries, materials, stores, equipment and vehicles for the project from countries other than India against the allotments made in Indian Currency by the Government of India.
- (2) The procurement of stores, equipment, and other necessary machinery will be the responsibility of the Board, but the Director, Indian Aid Mission will if possible render assistance in this respect when approached by the Board.

Article VII

- (1) All equipment, stores, machinery, vehicles and live-stock, left over on completion of the Programme, will be used only for the purpose of development of Irrigation and Power and Drinking Water Supply.
- (2) All unspent balances, after meeting the liabilities, of cash advanced by the Government of India, shall be refunded to the Government of India on completion or determination of this Agreement.

Article VIII

All commodities financed by the Government of India in pursuance of the Programme shall enter into Nepal free of import licensing requirements and of payment of any customs duties or any other direct or indirect levy aimed at the fact of importation or movement, sale or use of goods in Nepal.

Article IX

In the event of legal action arising from activities undertaken in pursuance to this Agreement, H.M.G. will assume full responsibility for the defence of such action in Nepal, and will take responsibility for assuring execution of projects undertaken pursuant to this Agreement, and will assure immunity, from garnishment or any other

legal process, of title to all such contributions or property derived therefrom.

Article X

H.M.G. will make necessary security arrangements for the protection of the personnel as also the materials at various sites of construction and operations during the implementation of the Programme.

Article XI

This Agreement shall come into force with effect from its signing and remain in force upto the 31st March, 1961, unless determined earlier by either party giving three months notice.

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

DONE at Kathmandu in Nepali and English languages, in two copies each of this 4th day of March, 1959.

For His Majesty's Government of
Nepal :

Sd/-
SRIBATSA RAJ
SECRETARY

For the Government of
India :

Sd/-
H. LAL
DIRECTOR
INDIAN AID MISSION,
4-3-1959

SCHEDULE OF PROJECTS

REFERRED TO IN ARTICLE I OF THE AGREEMENT.

S.No. Name of Work

1. Water Supply
 - (a) 260 hand pumps in Terai and 40 in Valley
 - (b) 1 hand pump in Mahottari
 - (c) 50 hand pumps in Kailali
 - (d) 2 hand pumps in Parsa District
 - (e) Additional two hand pumps in Parsa District
 - (f) 50 hand pumps in Valley

2. Pokhara Water Works
3. Panchmane Water Works
4. Amlekhganj Water Works
5. Satang Darang Water Works
6. Phale Bash Water Works
7. Karki Manthali Water Works
8. Balambu Water Works near Mata-Tirtha.

Irrigation Works :

1. Mahadeo Khola
2. Tika Bhairab Canal
3. Lower Vijaypur Project
4. Budhanil Kanth Canal
5. Tinao Project
6. Jhaj Canal
7. Phewatal Bund
8. Baglung Irrigation Project
9. Phalebash Irrigation Project
10. Ashe Khola Kulo.

Sd/-
SRIBATSA RAJ

Sd/-
H. LAL
4-3-1959
