

**AGREEMENT BETWEEN THE GOVERNMENT OF
INDIA AND HIS MAJESTY'S GOVERNMENT OF
NEPAL CONCERNING THE CONSTRUCTION
OF DEVIGHAT HYDRO-ELECTRIC PROJECT
Kathmandu, 8 June 1978**

The Government of the Republic of INDIA

AND

His Majesty's Government of NEPAL (HMG),

CONSIDERING the desire of His Majesty's Government of Nepal to develop the hydro-electric potential in their country by utilising at Devighat the tailrace discharge of the Trisuli Hydro-electric Project constructed by the Government of India under an agreement with His Majesty's Government;

AND taking note of the willingness of the Government of India to co-operate with His Majesty's Government of Nepal to attain this objective;

HAVE entered into this Agreement regarding the Devighat Hydro-electric Project (hereinafter called the 'Project').

Article I

The basic features of the Project include the following :

- (i) a cross regulator across the tailrace of the existing Trisuli Power Station and an intake structure;
- (ii) a water conductor system to convey the tailrace discharges from the Trisuli Power Station intake to forebay;
- (iii) three (3) penstocks leading the waters from the forebay to the power house;
- (iv) a power house to house three (3) units of 4700 kW each discharging back into the Trisuli river through a tailrace channel; and

- (v) an associated transmission system to feed the power from the Project into the nearest grid point.

Article II

The Government of India agree to execute the Project through its agency designated for the purpose and to provide the requisite funds in Indian Currency as grant for the purpose in conformity with the provisions of this Agreement.

Article III

In view of Nepal's growing power requirements the two Governments shall make efforts to expedite the execution and commissioning of the Project. Keeping in mind the necessity of expeditious and economical execution of the Project, His Majesty's Government of Nepal agree to the following :

1. HMG Nepal shall make available, at the earliest, the necessary land for the Project and ancillary purposes like roads, etc. free of cost and of all encumbrances, and provide right of way wherever needed. Timber and wood shall be made available by HMG at conveniently located supply points free of royalty and all duties, taxes and other levies. Other building materials required for the Project, such as sand, stone, limestone, etc. shall be allowed to be quarried from suitable quarries within easy reach of the Project site and shall be free of royalty and all duties, taxes and other levies.
2. His Majesty's Government of Nepal will provide foreign exchange needed for the purchase of machineries, materials, stores, equipment and vehicles for the project not readily available in India against allotments made in Indian Currency by the Government of India.
3. The payment of compensation, if any, and settlement of claims and disputes arising from clause 1 above shall be the responsibility of HMG Nepal. The financial assistance to be provided by the Government of India shall not include any payments made in respect of such claims and disputes.
4. HMG shall make available for the Project, free of cost, all necessary facilities of accommodation, guest house, field hostel, hospital, workshop and other facilities constructed for the Trisuli Project. Construction power of about 2 MW, adequate water supply and telephone facilities, etc. shall be made available free of cost to the project by HMG Nepal.

5. HMG shall take necessary steps for the development of power distribution system for evacuation of electricity from the grid point. The completion schedule for the power distribution system shall be such as to match with the commissioning programme of the units.
6. HMG Nepal shall provide undermentioned facilities in respect of goods, materials, equipment, machinery, transport, vehicles, etc. which are required for the execution of the Project;
 - (i) Expeditious entry into Nepal or exit from Nepal.
 - (ii) Exemption from payment of all customs duties, taxes, cesses and levies of any kind whether at the border or on movement within Nepal. This exemption shall also apply in respect of vehicles hired by the Project authorities or their agents or contractors for movement of goods, materials, equipment, machinery, etc. for the project.
 - (iii) Further, when these items are no longer needed for the project, unless they have been otherwise paid for as mentioned in Article VII, they shall be allowed to be taken back to India without let or hindrance and shall be exempt from payment of all customs duties, taxes, cesses and levies of any kind.
7.
 - (a) Personnel employed by the project or by its agents or by its contractors shall be immune from legal process in respect of all acts performed by them in their official capacity in the execution of the Project and enjoy inviolability for all papers and documents relating to the project.
 - (b) HMG Nepal shall not levy any tax on any Indian National or Indian firm employed by the Project and its agents and contractors.
 - (c) HMG Nepal shall exempt from licensing fees and from payment of customs duties, taxes, cesses and levies of any kind, goods for household use and personal means of transport for use of all Indian personnel employed by the Project.
8. HMG shall exempt from payment of Contract Tax all contracts connected with the Project.
9. Contractors of the Project from India shall be free to import any amount of Indian currency that may be deemed necessary but shall convert it into Nepalese currency at legally recognized exchange counters for transactions inside Nepal for the execution

of their work. They shall be allowed to repatriate their currency holdings which shall be converted into Indian currency by the Nepal Rastra Bank.

10. His Majesty's Government of Nepal shall ensure expeditious grant of licences, permits and similar other authorisations necessary to enable the Project authorities, and their agents and contractors to execute the work relating to the Project.
11. HMG Nepal will make necessary security arrangements for the protection of the Project personnel, including contractors, their families and their personnel belonging as well as the materials, equipment, etc. at various sites in Nepal, including transit.

Article IV

The Government of India shall endeavour to complete the Project within about 5 years from the date of start of active construction of the project. The project shall be taken over by His Majesty's Government of Nepal within six months from the date of commissioning of the third unit of the power station. The date of commissioning shall be duly intimated to HMG Nepal.

Article V

The Indian Co-operation Mission, Kathmandu, shall provide the necessary liaison with HMG Nepal and inform HMG about the progress of work and the expenditure incurred every quarter.

Article VI

For the purpose of reviewing the progress of the project and removing bottlenecks, if any, there shall be a Review Committee consisting of one representative each of the participating Governments, the Director, Indian Co-operation Mission, and the Chief Project executive who shall be the Member Secretary of the Committee.

The Government of India will consider for appointment in lots that may be intimated to HMG, personnel deputed by HMG Nepal, provided such personnel have adequate qualifications, training and experience. The Government of India also agree to provide at the cost of HMG training facilities for technical personnel of HMG assigned by that Government for the purpose.

Article VII

When any goods, materials, or items of equipment, machinery, transport vehicles, etc. purchased by the Project are not required for

the Project, the Government of India shall be allowed to bring them to India or dispose them of in Nepal without let or hindrance, and HMG Nepal shall exempt all such goods, materials, equipment, machinery, transport vehicles, etc. from payment of all duties, taxes, cesses and levies of any kind. If HMG wants to have any of such articles for its use, it may be transferred to them on mutually agreed terms. The sale proceeds or the depreciated value of such articles which have been either disposed of by the project or transferred to HMG Nepal shall be credited to the project accounts.

Article VIII

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

Article IX

Any expenditure incurred by the Government of India before the signing of this agreement in pursuance of the implementation of the Project shall be debited to the overall grant under this Agreement.

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

DONE at Kathmandu this 8th day of June, One Thousand Nine Hundred and Seventy Eight, in duplicate, each in the Hindi, Nepali and English languages, provided that in case of doubt the English text shall prevail.

For the Government of India

For His Majesty's Government
of Nepal

Sd/-

N.B. MENON
Ambassador
of India in Nepal and on
Behalf of the President of India

Sd/-

DEVENDRA RAJ PANDAY
Acting Secretary
Ministry of Finance