

**AGREEMENT BETWEEN HIS MAJESTY'S
GOVERNMENT OF NEPAL AND THE
GOVERNMENT OF INDIA CONCERNING
THE CONSTRUCTION OF TRISULI
HYDRO-ELECTRIC PROJECT
Kathmandu, 20 November 1958**

PREAMBLE

Whereas His Majesty's Government of Nepal are keen to develop the Hydro-electric potential in their country, and Government of India are willing to co-operate with His Majesty's Government of Nepal to attain this objective, the two Governments have entered into this Agreement regarding the construction of the Trisuli Hydro-electric Project (hereinafter called the Project) at a cost of approximately Rs. 3.5 crores as defined hereunder :—

- (i) (a) A pick-up weir, water conductor system and a power station located at Trisuli, which will comprise the entire civil works for the 21,000 K.W. scheme;
- (b) The initial installation at the power station will be comprised of three generating units of 3,000 K.W. and the scheme would be capable of expansion with an ultimate installation of 7 units of 3,000 K.W. The fourth generating unit of 3,000 K.W. will also be installed taking into account the actual demand for power.
- (ii) Transmission lines to convey power from the above power station to Kathmandu valley with a sub-station located near Kathmandu.

Article I

1. The Government of India agree to take up the execution of the Project through its own construction organisation set up for this purpose in conformity with the further provisions of this agreement. The Project on completion will be handed to His Majesty's Government of Nepal.

2. The Electricity Department of His Majesty's Government of Nepal will be kept in touch with all the phases of the Project undertaking at all stages. A three member Committee to review the progress of the Project will be set up with one representative of His Majesty's Government of Nepal and one representative each of the Government of India and the Director, Indian Aid Mission.
3. The Government of India agree to provide training facilities at the Project for the engineering staff deputed to the Project by His Majesty's Government of Nepal.
4. The Government of India, if required for the construction of the Project, will employ staff deputed by His Majesty's Government of Nepal for this purpose. They will be appointed to posts for which they are qualified by their training and experience.

Article II

The Government of India will provide out of the said amount of Rs. 3.5 crores funds, in Indian rupees, for :—

1. The purchase of stores, equipment, vehicles and machinery required in connection with the Project.
2. Meeting the salaries, allowances and travelling expenses of the staff engaged by the Government of India for execution of the Project; and
3. Payment of salaries and allowances and travelling expenses of the Nepalese personnel deputed by His Majesty's Government of Nepal and employed on the Project. This will not include the trainees.

Article III

1. His Majesty's Government of Nepal agree to procure locally available materials such as timber, sand, stone, lime stone, etc. free of royalties and other levies.
2. His Majesty's Government of Nepal agree to acquire the necessary land and right of way, wherever needed, quarrying rights, for the execution of this Project. The payment of compensation, if any, and the settlement of claims or disputes arising therefrom will be the responsibility of His Majesty's Government of Nepal.
3. After the Project has been completed and handed over to His Majesty's Government of Nepal, the responsibility of its subsequent maintenance and repairs will be that of His Majesty's Government of Nepal.

4. His Majesty's Government of Nepal will install at their own cost an efficient distribution system in the Kathmandu Valley. The Government of India, if requested, will make the services of engineering staff available for the planning and execution of this scheme.

Article IV

The Government of India will endeavour to complete the Project during the period from the date of this Agreement upto the 31st March, 1961. If the project is not completed within this period, the work may be continued beyond 31st March, 1961 with the concurrence of the participating Governments, until the Project is completed.

Article V

Of the construction equipment, machinery, vehicles etc. purchased out of the Project funds, the project will be debited only with the depreciation in value of these articles except those which may be required and retained for maintenance. Any of these items, except those used for Tunnel construction, which in view of the two participating Governments may be required by His Majesty's Government of Nepal for construction of other Projects in that country, will be made over to that Government in accordance with the terms of a separate agreement between the two Governments.

Article VI

His Majesty's Government of Nepal will provide foreign exchange needed for purchase of machineries, generators, turbines, transmission lines, materials, stores, equipment and vehicles for the Project not manufactured in India against the allotments made in Indian currency by Government of India.

Article VII

His Majesty's Government of Nepal will not levy any import duty on any goods or materials brought into Nepal in connection with and for the use in the construction of the Project nor levy any tax on personnel employed on this Project.

Article VIII

His Majesty's Government of Nepal will make necessary security arrangements for the protection of the personnel as also the materials at various sites of construction during the execution of the Project and

until completion and handing over of the same to His Majesty's Government of Nepal for operation.

Article IX

His Majesty's Government of Nepal will make necessary arrangements for the acquisition of land and/or buildings required for the project and resolve all administrative difficulties regarding the application of Electricity Laws and settling of disputes, if any, arising in connection therewith.

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

DONE at Kathmandu in the English language and in Nepali, in duplicate, on this Twentieth day of November, 1958.

For his Majesty's Government
of Nepal :

SECRETARY
Ministry of Finance

For the Government of India :

DIRECTOR
Indian Aid Mission,

No.F.73/PA/IAM/58
Directorate,
Indian Aid Mission,
(Nepal)
Kathmandu,

20th November, 1958

My Dear SECRETARY,

I am writing this letter to explain our understanding of the interpretation of Article VI of the Agreement concerning the construction of Trisuli Hydro-Electric Project.

2. Under this Article, His Majesty's Government have assumed the responsibility for providing the necessary foreign exchange for the purchase of machineries etc. The question of the maintenance of the separate account with the Reserve Bank of India for the foreign exchange earned by His Majesty's Government has already been settled in principle. It will come into force after the necessary

exchange of letters. The foreign exchange required for this project will be provided by His Majesty's Government out of their separate account with the Reserve Bank of India when it is opened or out of their own separate resources of foreign exchange.

3. The responsibility of the Government of India will be restricted only to the provision of equivalent amount in Indian currency. The Government of India will not be required to find any part of the foreign exchange for this project.
4. This may kindly be confirmed.

Yours sincerely,
Sd./- H. LAL
Director.

Shri NIR RAJ RAJBHANDARI,
Secretary,
Ministry of Finance,
His Majesty's Government of Nepal,
Kathmandu.

HIS MAJESTY'S GOVERNMENT OF NEPAL
MINISTRY OF FINANCE

SINGH DURBAR
20th November, 1958

My dear DIRECTOR,

Please refer to your letter No. F.73/PA/IAM/58 dated 20th November, 1958 regarding the interpretation of Article VI of the Agreement concerning the construction of Trisuli Hydro-electric Project.

The interpretation of Article VI given in your letter is confirmed. His Majesty's Government of Nepal will find the necessary foreign exchange required for this Project. The Government of India will only provide the equivalent amount in Indian currency and will not be required to find any part of foreign exchange.

Yours sincerely,
Sd./- NIR RAJ RAJBHANDARI

Shri H. LAL, I.C.S.,
Director,
Indian Aid Mission,
Kathmandu.