

**AGREEMENT BETWEEN THE GOVERNMENT OF
INDIA AND HIS MAJESTY'S GOVERNMENT
OF NEPAL REGARDING COTTAGE
INDUSTRIES**

Kathmandu, 27 December 1977

The Government of INDIA, hereinafter called the 'GOI'

AND

His Majesty's Government of NEPAL, hereinafter called 'HMG'.

BEING DESIROUS of cooperating with each other in promoting the development of village, cottage and small scale industries in Nepal;

HAVE AGREED as follows :

Article I

The Government of India agreed to make available funds to the extent of Rs. 13.00 lakhs IC out of Rs. 17.33 lakhs IC incurred by His Majesty's Government of Nepal for the continuation of the scheme for the development of Village, Cottage and Small Scale Industries in Nepal, hereinafter called the 'Programme'. The remaining amount of Rs. 4.33 lakhs IC would be met by H.M.G. as per arrangements contained in Article IX hereunder.

Article II

The Department of Cottage Industries of H.M.G. hereinafter called 'Department' would be executing agency.

Article III

The Programme aims at development of :

- (a) Handicraft Promotion Scheme
- (b) Industrial Services Schemes
- (c) Regional Village Industries Development Schemes, Pokhara.

Article IV

Whereas, generally the scheme would be executed in accordance with the above mentioned Programme, any modification or additions within the spirit of the Agreement may be made by mutual agreement between Department and the Indian Cooperation Mission hereinafter called 'ICM'.

Article V

The Director, Indian Cooperation Mission, hereinafter called the 'Director, ICM' and/or his nominees would act as advisers to the Department for the execution of the Programme. The Director, ICM and/or his nominees will be consulted in the formulation of detailed plans and monthly progress reports would be made available to them in respect of the Programme executed under this Agreement.

Article VI

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

Article VII

HMG will provide the necessary land for the execution of the Programme, 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 on disputes arising from the above will be the responsibility of HMG.

HMG will ensure that the goods, materials, equipments, machinery and transport, etc. required in connection with the execution of different schemes under the Programme are exempt from payment of all customs duties, taxes, cesses and levies of any kind.

Article VIII

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

Article IX

The liability of the Government of India towards this Programme will be 75% and HMG's liability will be 25%.

Article X

Within the overall financial ceiling of Rs. 13.00 lakhs IC Government of India's aid will be available in cash and kind as may be mutually agreed upon between the Director, ICM and the Department from time to time.

Article XI

Subject to the provision of Article IX above, the funds provided by GOI in the Agreement will be utilised for :

1. Salary, allowances, travelling allowance.
2. Office expenses including stationery, furniture, rent and periodicals.
3. Fuel for vehicles.
4. Raw materials.
5. Stipend to trainees.
6. Meeting the cost of buildings/construction works for the execution of the Programme.
7. Machinery equipment and tools.
8. Repair and maintenance of buildings, machinery, equipment and tools.
9. Miscellaneous : This includes exhibition, research and handicraft, sample collection, etc.

Article XII

Procurement of stores, equipment and other necessary machinery will be the responsibility of the Department, but the Director, ICM will render necessary assistance where possible, in this respect when approached by the Department.

Article XIII

The expenditure for any purchase made through GOI will be incurred directly by the GOI and debited to the funds to be provided by the GOI under the Agreement.

Article XIV

The Indian aid, available in cash, will be by way of advances to be paid to the account maintained in Nepal Rashtra Bank in the name of Department of Cottage Industries of HMG for the exclusive

development of Village, Cottage and Small Scale Industries. This aid will not be mingled with any other aid received from other agencies. The advances will be made on a quarterly basis and accounts of the first quarter will be submitted before request for the third quarter advance is made. Likewise, accounts will continue to be rendered. An Accountant of the ICM will assist the Department in preparation of the accounts, checking them and recasting them in proper form before rendition to the Auditor General of Nepal for scrutiny 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 and will also carry out final completion audit of each scheme. Such audit reports will be forwarded to the Director, ICM within the next financial year.

Article XV

The contribution of HMG under Article IX will be deposited into the account to be opened in the Nepal Rashtira Bank as stipulated in Article XIV above.

Article XVI

All unspent balances of cash advanced by the Government of India, after meeting the liabilities, shall be refunded to GOI on completion or termination of this Agreement.

Article XVII

In the event of legal action arising out of activities in connection with the execution of the Programme. HMG will assume full responsibility for the defence of such action in Nepal and will take responsibility for the continued execution of the Programme 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 XVIII

Cash release of Rs. 6 lakhs I.C. has already been provided by the Government of India for the implementation of the scheme and a further sum of Rs. 7 lakhs I.C. would be made available for debiting to the overall aid under this Agreement.

Article XIX

Arrangements will be made to reflect Indian Assistance under

this Agreement by the Department of Cottage Industries of HMG in HMG's annual budget.

Article XX

This Agreement shall be deemed to have taken effect from 1st April 1972 and shall remain in force unless terminated by either party by giving three months' notice in writing to the other party.

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

DONE at Kathmandu in the English language in three original copies, all of which are equally authentic, on this day of twenty seven December one thousand nine hundred and seventy seven.

For the Government
of India

For His Majesty's
Government of Nepal

Sd/-
S.S. VARMA
Director
Indian Cooperation Mission

Sd/-
NARA KANTA ADHIKARY
Secretary
Ministry of Finance
