

Agreement between The Government of the Republic of India and The Royal Government of Bhutan Regarding the Kurichu Hydroelectric Project in Bhutan

February 18, 1994

The Government of the Republic of India and the Royal Government of Bhutan,

Bearing in mind the friendly relations subsisting between the two Governments and their peoples and wishing to strengthen the same;

Noting the desire of the Royal Government of Bhutan to develop the hydroelectric potential in their country and their request to the Government of the Republic of India for assistance in the construction of the Kurichu Hydroelectric Project;

Noting further the role of the development of water resources in the economic development of Bhutan and in the strengthening of economic cooperation between the two countries;

Have, with respect to the Kurichu Hydroelectric Project in Bhutan, agreed as follows:

Article 1

M/s Water and Power Consultancy Service Ltd. (WAPCOS), a Government of India undertaking, has prepared in December, 1991 a Detailed Project Report on the Kurichu

Article 4

The Royal Government of Bhutan and the Government of India agree to jointly develop the Hydroelectric Project in Bhutan (hereinafter called "the Project"). The Project broadly envisages the construction of the following:

- i) A dam consisting of a spillway, overflow and non-overflow sections, penstocks, a power house and a switchyard having an installation of 3 units of 15 MW each in Phase I (with scope for addition of one unit of 15MW) and a tail race channel.
- ii) 132 KV transmission system from Kurichu to Nanglam on India- Bhutan border.
- iii) any other works that may become necessary and are agreed upon between the two Governments.

Article 2

The project will be owned solely by the Royal Government of Bhutan.

Article 3

The Government of the Republic of India agrees to provide funds for the financing of phase-I of the project of 3x15 MW with civil works being designed and constructed in a manner as to permit further expansion of the installed capacity to 60 MW. For this propose, the Government of the Republic of India will make available to the Royal Government of Bhutan:

- a) a sum of Rs. 154 crores as a grant, and
- b) a sum of Rs. 102 crores as a loan.

The loan shall carry an interest rate of 10.75 % per annum and shall be repayable in equated 24 half yearly installments starting from the date of commissioning of the first generating unit of the project.

The amount spent on investigations of the project shall be part of the total grant.

The two Governments shall through mutual consultation arrange additional resources, if required.

Article 4

The Royal Government of Bhutan and the Government of India agree to appoint National Hydroelectric Power Corporation (NHPC), a Government of India Enterprise, as the executing agency for the Construction of the project on a turnkey basis. The two governments also agree to the setting up of "Kurichu Project Authority". The Authority will be constituted as an autonomous body and would be responsible for the control and monitoring of the project and arrangement of funds. The Minister for Trade and Industry and Power, Royal Government of Bhutan will be the Chairperson of this Authority. The Chairperson will be assisted by Directors of the Authority in the administrative, technical, financial and organisational matters of the project. The authority will frame its own rules of business.

There will be four Directors to be nominated by the Royal Government of Bhutan who will be Bhutanese nationals and three Directors to be nominated by the Government of the Republic of India who will be Indian nationals. The general Manager of the Project will be the ex-officio Director-secretary of the Authority.

A representative from the Corporate Office of NHPC will be a permanent invitee at the meetings of Kurichu Project Authority.

Article 5

The recruitment of labour force, technical, administrative and other personnel of the Authority, NHPC or any contractor engaged on the Project will be confined to the nationals of either country.

Article 6

NHPC will also be responsible for the preparation of detailed engineering drawings and specifications. WAPCOS (India) Ltd., New Delhi will be consultants for the Kurichu Project Authority and would render expert technical advice as and when required by the Kurichu Project Authority.

Article 7

After completion of the project, the Royal Government of Bhutan will continue to avail itself of the technical and managerial expertise of Government of the Republic of India through such arrangement as may be worked out from time to time.

Article 8

The requirement of funds for the execution of the Project will be worked out by the Authority in accordance with the programme and progress of the construction. The release of funds on the basis of the recommendations of the Authority will be mutually decided by the two Governments from time to time.

Article 9

The Government of the Republic of India agree to purchase surplus power from the project at mutually agreed rates. The two Governments shall, however, review periodically the Surplus power available, and examine the possibility of increasing the installed capacity to utilise the transmission infrastructure.

Article 10

The Royal Government of Bhutan agree to make available free of cost, land required for the project. Timber, boulders aggregates and any other construction materials required for the project would be provided free of royalty or any other taxes.

The Royal Government of Bhutan shall make necessary arrangements for the acquisition of land, buildings, the right of way where needed, cutting of trees necessary for the Project and field facilities required for the Project and shall resolve administrative and other difficulties if any. The payment of compensation, if any, and settlement of claims or disputes arising in connection with any arrangements shall be the sole responsibility of the Royal Government of Bhutan.

The scope of the project shall include all auxiliary, ancillary works and all activities necessary for the execution of the project.

Article 11

The selection and appointment of technical, administrative and other personnel shall be confined to the nationals of either country. The Royal Government of Bhutan shall issue identity cards/permits, without payment of security deposits, to the concerned employees of Government of India and National Hydroelectric Power Corporation engaged in connection with the project and to the members of their families. However, such security deposits shall be payable for all labour and for staff appointed by other sub-contractors.

The Royal Government of Bhutan shall issue/renew identity cards on payment of prescribed fee for personnel employed for the project.

Article 12

The Royal Government of Bhutan shall issue on recommendations of the National Hydroelectric Power Corporation licenses to their Indian sub-contractors engaged for the Construction of the Project. Bhutanese trade licenses shall be issued, if required to supply contractors based in India.

Article 13

The Royal Government of Bhutan shall provide facilities to ensure free movement and transportation of machinery and equipment required for the project.

Article 14

No taxes, levies/duties shall be levied by Royal Government of Bhutan for any activity/work in connection with the project.

Article 15

The Government of the Republic of India and the Royal Government of Bhutan agree to provide full facilities for the installation of telephone, telegraph, telex and radio communication, that are required for construction and operation of the project.

Article 16

The personnel of the executing agency shall, at all times, respect the Laws of the Land. However, no suit, prosecution or legal proceedings shall be instituted against any person in the employment of the executing agency/agencies for anything which is done in good faith, or purported to be done in good faith for the construction of the project.

Article 17

Any difference regarding the interpretation or application of any provision of this Agreement shall be resolved by mutual consultations between the two Governments

Article 18

This agreement shall enter into force upon signature. It may be amended or modified at any time by agreement between the two countries.

In witness whereof, the Parties have caused to be subscribed thereto the signature of their duly authorised representatives.

Done at New Delhi on the 18th day in the month of February, 1994, in two originals each in Hindi, Dzonghka and English languages, all the texts being equally authentic.

Sd/-

(N.K.P. SALVE

Minister of Power

*For the Government of
the Republic of India*

Sd/-

(LYONPO OM PRADHAN)

Minister of Trade & Industry

*For the Royal Government of
Bhutan*