

No. 3956

**UNITED STATES OF AMERICA
and
CEYLON**

**Exchange of notes constituting an agreement relating to
economic assistance. Colombo, 28 April 1956**

Official text : English.

Registered by the United States of America on 26 July 1957.

**ÉTATS-UNIS D'AMÉRIQUE
et
CEYLAN**

**Échange de notes constituant un accord relatif à l'assistance
économique. Colombo, 28 avril 1956**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 26 juillet 1957.

No. 3956. EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND CEYLON RELATING TO ECONOMIC ASSISTANCE. COLOMBO, 28 APRIL 1956

I

The American Ambassador to the Prime Minister and Minister of Defence and External Affairs of Ceylon

THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA
AMERICAN EMBASSY
COLOMBO, CEYLON

No. 182.

April 28, 1956

Dear Mr. Minister :

I have the honor to refer to discussions between our two Governments with reference to a development assistance program. As both Governments recognize that economic assistance can promote economic development and stability in Ceylon, and considering that, under legislation enacted by the Congress of the United States, the United States is enabled to furnish such assistance to the Government of Ceylon, it is deemed desirable to set forth the understandings which will govern the furnishing of such assistance by the Government of the United States, the receipt of such assistance by the Government of Ceylon, and the measures which the two Governments will take individually and together in furtherance of the above objectives.

These understandings are as follows :

Paragraph I

The Government of the United States, subject to the terms and conditions specified in applicable United States laws and regulations and the provisions set forth in this Agreement, will furnish such development assistance or authorized related assistance to the Government of Ceylon as may be requested by the Government of Ceylon and approved by the Government of the United States. Such assistance will be furnished in such form, on such terms, and pursuant to such additional arrangements as may be agreed upon between appropriate representatives of the agency designated by the Government of the United States to administer such assistance and representatives of any agency or agencies designated by the Government of Ceylon, or between other designated representatives of the two Governments. Commodities or services furnished hereunder may be distributed

¹ Came into force on 28 April 1956 by the exchange of the said notes.

within Ceylon on terms and conditions mutually agreed upon by such representatives. To the extent that commodities to be provided pursuant to this Agreement may be obtained other than by United States Government procurement, the Government of Ceylon will cooperate with the Government of the United States to assure that procurement will be at reasonable prices and on reasonable terms. Assistance provided hereunder shall be in addition to that provided under the technical cooperation program conducted pursuant to the General Agreement for Technical Cooperation between the Government of the United States of America and the Government of Ceylon signed at Colombo, November 7, 1950.¹

Paragraph II

It is understood that, in order to assure the maximum benefits to the people of Ceylon from the assistance to be furnished hereunder by the Government of the United States, the Government of Ceylon intends to continue to pursue all appropriate measures to promote economic development and maintain stable economic conditions in Ceylon and to reduce its need for assistance for the achievement of those objectives. For those purposes the Government of Ceylon will make effective use of the assistance provided hereunder, and will coordinate and integrate any operations carried on pursuant to this Agreement with other technical cooperation and development programs in Ceylon.

Paragraph III

Recognizing that the effectiveness of this assistance program will be enhanced by the two Governments sharing reasonably the financing of cooperative operations hereunder and by the expenditure of local currency which may derive from the assistance provided hereunder by the Government of the United States, the Government of Ceylon agrees :

(a) To bear a fair share of the costs of cooperative projects or operations carried out pursuant to this Agreement ;

(b) With regard to any case where commodities may be furnished hereunder on a grant basis under arrangements which will result in the accrual of proceeds to the Government of Ceylon from the import or sale thereof, to establish in its own name a special account in the Central Bank of Ceylon (Referred to below as the "Special Account") and, except as may otherwise be specifically agreed by the Government of the United States, to deposit promptly in this account the amount of local currency equivalent to any such proceeds. The Government of the United States will from time to time notify the Government of Ceylon of its local currency requirements for expenditures incident to the furnishing of assistance under this Agreement or under the above-mentioned General Agreement for Technical Cooperation and the Government of Ceylon will thereupon make such sums available out of any balances in the Special Account in the manner requested by the Government of the United States in its notification. The Government of Ceylon may draw upon any remaining balance in the Special Account for purposes of economic development in Ceylon and for other purposes beneficial to Ceylon as may be agreed upon from time to time by the representatives referred to in Paragraph I. Any unencumbered balances of funds which remain in the Special Account upon termination of assistance to

¹ United Nations, *Treaty Series*, Vol. 92, p. 125.

Ceylon under this Agreement shall be disposed of for such purposes as may, subject to approval by Act or joint resolution of the Congress of the United States, be agreed to between the Government of the United States and the Government of Ceylon.

Paragraph IV

(a) The Governments will, upon the request of either of them consult regarding any matter relating to the application of this Agreement and operations thereunder. The Government of Ceylon will provide such information as may be necessary to carry out the provisions of this Agreement, including statements on the use of the assistance received hereunder and other relevant information which the Government of the United States, may need to determine the nature and scope of operations under this Agreement and to evaluate the effectiveness of the assistance furnished or contemplated ;

(b) The Government of Ceylon will give full and continuous publicity in Ceylon to the objectives and progress of the program under this Agreement, and will make public, upon termination of this program and at such other times during the course of the program as the Government of the United States may request, full statements of operations hereunder, including information as to the use of the assistance received and the use of the local currency deposited in the Special Account ;

(c) Funds, materials, and equipment financed by the Government of the United States and introduced into Ceylon for purposes of the General Agreement for Technical Cooperation referred to in paragraph I above shall be admitted into Ceylon free of customs duties and import taxes, and such funds, materials and equipment furnished for purposes of this Agreement or the said General Agreement for Technical Cooperation shall be exempt from other taxes, service charges, investment or deposit requirements, and currency controls ;

(d) All technical and administrative personnel of the Government of the United States, except citizens or residents of Ceylon, whether employed directly by that Government or under contract financed by that Government with a public or private organization, who are present in Ceylon to perform work under this Agreement or the above-mentioned General Agreement for Technical Cooperation and whose entrance into the country has been approved by the Government of Ceylon, shall be exempt from all income and social security taxes levied in Ceylon with respect to income upon which they are obligated to pay taxes of a similar kind to the Government of the United States, from any tariff, duty or property tax on personal property intended for their own use, and from payment of any other taxes or duties from which diplomatic personnel of the United States in Ceylon are now or may become exempt ;

(e) Funds introduced into Ceylon for purposes of furnishing assistance to be provided by the Government of the United States under this Agreement or the above mentioned General Agreement for Technical Cooperation shall be convertible into currency of Ceylon at the highest rate in terms of the number of Ceylon rupees per United States dollar which, on the date the conversion is made, is not unlawful in Ceylon ;

(f) The two Governments will establish procedures whereby the Government of Ceylon will so deposit, segregate or assure title to all funds allocated to or derived from any United States aid program that such funds shall not be subject to garnishment, attachment, seizure or other legal process by any person, firm, agency, corporation, organization

or government when the Government of Ceylon is advised by the Government of the United States that such legal process would interfere with the attainment of the objectives of the program.

Paragraph V

(a) The two Governments shall have the right at any time to observe operations carried out under this Agreement and the above mentioned General Agreement for Technical Cooperation. Either Government, during the period of any project or transaction under such agreements and for three years thereafter, shall have the right (1) to examine any property procured through financing by that Government under such agreements wherever such property is located, and (2) to inspect and audit any records and accounts with respect to funds provided by, or any properties and contract services procured through financing by, that Government under such agreements, wherever such records may be located and maintained. Each Government, in arranging for any disposition of any property procured through financing by the other Government under such agreements, shall assure that rights of examination, inspection and audit described in the preceding sentence are reserved to the Government which did the financing.

(b) The Government of Ceylon agrees to receive persons designated by the Government of the United States to discharge the responsibilities of the Government of the United States under this Agreement and to permit such persons to observe without restriction the distribution in Ceylon of commodities and services which may be made available hereunder, including the provision of the facilities necessary for the observation and review of the carrying out of this Agreement and use of the assistance furnished under it.

Paragraph VI

All or any part of the program of assistance provided hereunder may be terminated by either Government if it is determined by either Government that because of changed conditions the continuation of the assistance is unnecessary or undesirable, provided that any such termination shall not affect commitments hereunder with respect to assistance actually furnished pursuant to this Agreement. The termination of the assistance under this provision may include the termination of deliveries of any commodities hereunder not yet delivered.

The Government of the United States of America will consider the present note and your reply note concurring therein as constituting an agreement between our two Governments which shall enter into force on the date of your reply note.

Accept, Mr. Minister, the renewed assurances of my highest consideration.

Philip K. CROWE

The Honorable S. W. R. D. Bandaranaike
Prime Minister and Minister of Defence
and External Affairs
Colombo

II

*The Prime Minister and Minister of Defence and External Affairs of Ceylon to the
American Ambassador*

Colombo, 28 April, 1956

Dear Mr. Ambassador,

I have the honour to acknowledge the receipt of your note of 28 April, 1956, which reads as follows :

[See note I]

I confirm that the Government of Ceylon will consider your note and this reply as constituting an agreement between our two Governments which shall enter into force on the date of this reply.

Accept, Mr. Ambassador, the renewed assurances of my highest consideration.

S. W. R. D. BANDARANAIKE
Prime Minister and Minister of Defence
and External Affairs

His Excellency Mr. Philip Crowe
Ambassador of the United States of America
American Embassy
Colombo