

No. 13365

**UNITED STATES OF AMERICA
and
SRI LANKA**

**Agreement for sales of agricultural commodities (with
related letter dated 22 November 1973). Signed at
Colombo on 23 November 1973**

Authentic texts of the Agreement: English and Sinhalese.

Authentic text of the related letter: English.

Registered by the United States of America on 30 May 1974.

**ÉTATS-UNIS D'AMÉRIQUE
et
SRI LANKA**

**Accord relatif à la vente de produits agricoles (avec lettre
connexe en date du 22 novembre 1973). Signé à
Colombo le 23 novembre 1973**

Textes authentiques de l'Accord: anglais et cinghalais.

Texte authentique de la lettre connexe: anglais.

Enregistré par les États-Unis d'Amérique le 30 mai 1974.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF SRI LANKA FOR SALES OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Government of Sri Lanka have agreed to the sales of the agricultural commodities specified below. This Agreement shall consist of the preamble and part I and III of the October 27, 1967, Agreement,² and the Convertible Local Currency Annex of the December 20, 1971, Agreement,³ and the following part II:

PART II PARTICULAR PROVISIONS

ITEM I. *Commodity table*

<i>Commodity</i>	<i>Supply period (fiscal year)</i>	<i>Approximate maximum quantity (metric tons)</i>	<i>Maximum export market value (millions)</i>
Wheat/wheat flour	1974	20,000 (wheat flour)	\$4.9

ITEM II. *Payment terms*

Convertible Local Currency Credit

1. Initial Payment—None.
2. Number of Installment Payments—31.
3. Amount of Each Installment Payment—approximately equal annual amounts.
4. Due Date of First Installment Payment—10 years after the date of last delivery of commodities in each calendar year.
5. Initial Interest Rate—2 per cent.
6. Continuing Interest Rate—3 per cent.

ITEM III. *Usual marketing requirements*

<i>Commodity</i>	<i>Import period (fiscal year)</i>	<i>Usual marketing requirements</i>
Wheat/wheat flour	1974	50,000 metric tons (wheat flour)

ITEM IV. *Export limitations*

A. With respect to each commodity financed under this Agreement, the export limitation period for the same or like commodity shall be fiscal year 1974 or any subsequent fiscal year during which each commodity financed under this Agreement is being imported and utilized.

¹ Came into force on 23 November 1973 by signature, in accordance with part III (B).

² United Nations, *Treaty Series*, vol. 696, p. 319.

³ *Ibid.*, vol. 822, p. 295.

B. For the purposes of part I, article III, A, 3, of the Agreement, the commodities considered to be the same as, or like, the commodities financed under this Agreement are: for wheat/wheat flour—wheat, wheat flour, semolina, farina, and bulgur (or same product under a different name).

ITEM V. *Self-help measures*

The Government of Sri Lanka will continue directing attention to:

- (1) Maintaining a favorable investment climate for agriculture.
- (2) Increasing land productivity by the improvement and expansion of water management practices.

Additional emphasis will be placed on:

- (3) Intensifying and expanding crop diversification programs and adopting appropriate producer price incentives.

ITEM VI. *Economic development purposes for which proceeds accruing to importing country are to be used*

The proceeds accruing to the importing country from sales of the commodity received under this Agreement shall be used for financing of the agricultural self-help measures set forth in item V and for other economic development objectives related to the agricultural sector in the national budget of the Government of Sri Lanka.

ITEM VII. *Ocean freight (differential)*

The Government of the exporting country shall bear the cost of ocean freight differential for commodities it requires to be carried in United States flag vessels but, notwithstanding the provisions of paragraph 1 of the Convertible Local Currency Credit Annex, it shall not finance the balance of the cost of ocean transportation of such commodities.

ITEM VIII. *Other provisions*

Substitute the following for paragraph 4 of the Convertible Local Currency Credit Annex:

The total amount of the proceeds accruing to the importing country from the sale of commodities financed under this Agreement, to be applied to the economic development uses set forth in part II of this Agreement, shall not be less than the local currency equivalent of the dollar disbursement by the Government of the exporting country in connection with the financing of the commodities (other than the ocean freight differential), provided, however, that the sales proceeds to be so applied shall be reduced by the payment, if any, made by the Government of the importing country pursuant to the proviso in section 103 (b) of the Act (such payment is herein called "the currency use payment"). The exchange rate to be used in calculating this local currency equivalent shall be the rate at which the central monetary authority of the importing country, or its authorized agent, sells imports of the same commodities. Any such accrued proceeds that are loaned by the Government of the importing country to

private or nongovernmental organizations shall be loaned at rates of interest approximately equivalent to those charged for comparable loans in the importing country. The Government of the importing country shall furnish, in accordance with its fiscal year budget reporting procedures, at such times as may be requested by the Government of the exporting country but not less often than annually a report of the receipt and expenditure of the proceeds, certified by the appropriate audit authority of the Government of the importing country, and in the case of expenditures the budget sector in which they were used.

IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

DONE at Colombo in duplicate, this 23rd day of November 1973.

For the Government
of the United States of America:

[*Signed*]

CHRISTOPHER VAN HOLLEN
American Ambassador

For the Government
of Sri Lanka:

[*Signed*]

H. A. DE S. GUNASEKERA
Secretary
Ministry of Planning
and Economic Affairs

RELATED LETTER

AMERICAN EMBASSY, COLOMBO, SRI LANKA
UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT

November 22, 1973

Dear Mr. Fernando:

I am writing to confirm the understandings reached in your office on November 19, 1973, you and Mr. S. Velayutham, Deputy Director, External Resources Division, representing the Government of Sri Lanka, and Miss Patricia M. Byrne, Deputy Chief of Mission of the American Embassy, and I representing the Government of the United States, in negotiations related to the Agreement of November 23, 1973, pertaining to the sale of United States Public Law 480, Title I, food commodities to Sri Lanka during United States Fiscal Year 1974.

1. It is understood that the Agreement will consist of: (a) a preamble incorporating by reference the preamble, part I and III, of the October 27, 1967, Agreement and the Convertible Local Currency Credit Annex of the December 20, 1971, Agreement, and (b) a new part II showing the particular provisions of this Agreement.

2. The commodity composition (part II, item I) of the Agreement will provide for 20,000 MT of wheat flour, or the wheat equivalent of 27,000 MT. In view of limited commodity availability for PL 480 programming during FY 1974, it is understood that this quantity of wheat flour represents the maximum quantity procurable through this Agreement under the current FY 1974 Title I allocation for Sri Lanka and that it will be necessary for the Government of Sri Lanka to arrange commercial purchases or concessional wheat flour imports from United States or other sources to meet the remainder of its requirements. While it is hoped that all of the wheat flour programmed can be shipped during the supply period indicated in part II, it is understood that it could become necessary to withhold some shipments. The Sri Lanka representatives noted their need for wheat flour in addition to that contained in the Agreement and expressed their hope that additional wheat flour will be provided at some later date. The United States representatives pointed out that at this time no indication of further commodity availability for wheat flour could be made for Fiscal Year 1974.

3. Notwithstanding 2, above, the \$4.9 million total export market value stated in part II of the Agreement will be the maximum value of commodities supplied under this Agreement unless it is later amended.

4. It is noted that no initial payment or currency use payment is being requested, in view of Sri Lanka's current financial situation.

5. As a result of consultations with other supplier countries, the Usual Marketing Requirement (UMR) for Fiscal Year 1974 was set at the level of 50,000 MT of wheat flour. It is noted that this UMR level takes into account Sri Lanka's financial situation.

6. Consistent with the policies underlying the PL 480 program, it is agreed that United States suppliers will obtain a fair share of additional commercial purchases of similar agricultural commodities by Sri Lanka. To this end it is agreed that United States suppliers will be given the opportunity to tender to supply such commodities to Sri Lanka.

7. It is noted that the self-help statements included in part II, item V, of the Agreement reaffirm measures included in previous agreements and add emphasis on crop diversification and producer price incentive programs. It is agreed that the self-help minute of understanding contained in paragraph (2) of the letter from Mr. Victor Skiles, United States A.I.D. Affairs Officer, to Mr. David Loos, Ministry of Planning

Government of Ceylon, dated October 9, 1967, and the termination clause, part III, paragraph A, of the October 27, 1967, Agreement will apply to this Agreement as well. The Government of Sri Lanka also agrees to continue to send annual reports on the progress of self-help, due on December 1 of each year.

8. Part II, item VI, of the Agreement stipulates the purposes for which the proceeds from the sale of commodities received under this Agreement shall be used. In this regard, it was noted that part II, item VIII, of the Agreement amends paragraph 4 of the Convertible Local Currency Credit Annex so that PL 480 sales proceeds are no longer required to be deposited in a special account in the name of the recipient country.

9. It is understood that the United States Government will bear the cost of ocean freight differential for commodities it requires to be carried in United States flag vessels as indicated in item VII of part II of the Agreement. A question arose as to whether the cost of ocean transportation was to be financed under the Agreement. A.I.D. Washington subsequently clarified the point as follows: The importing country pays the entire cost of ocean transportation. Upon submission of proper documentation, the United States then reimburses the differential between the United States and foreign flag rate on the 50 percent required by the Agreement to be shipped on United States flag vessels. The Government of Sri Lanka understands and agrees to this provision.

10. It is understood that the arrangements for identification and publicity agreed to during negotiations of previous PL 480 agreements are reaffirmed by the Government of Sri Lanka.

11. It is agreed that reporting is an essential part of programming responsibilities. The Government of Sri Lanka reaffirms its awareness of its responsibilities for the transmission of reports as required under the Agreement concerning the arrival and disposition of commodities and the use of commodity sales proceeds. Agreement was reached with respect to the requirements set forth in part I, article III, paragraph D, of the Agreement, that the Government of Sri Lanka will make appropriate arrangements to furnish the American Embassy a report by the fifteenth of January, April, July, and October covering information referred to in sub-paragraphs 2, 3, and 4 of paragraph D, article III. Further, the Government of Sri Lanka agrees to return the completed "arrival and shipping information" (ADP sheets) with appropriate notations certifying receipt of all commodities as soon as possible, but not later than 30 days from the date of unloading in the importing country or 30 days from the receipt of the ADP sheets, whichever is later.

12. The Government of Sri Lanka was informed that prior to its entering into the Agreement its officials in Washington must first discuss with United States Department of Agriculture officials specific provisions to be contained in the Agency Agreement and the qualifications of specific agents to be considered. It was noted that the Government of Sri Lanka does not engage an agent and its representatives in Washington would be instructed to be in touch with the USDA as soon as possible.

I would very much appreciate your signing and returning to me the attached copy of this letter, which will then serve as "Negotiating Minutes" recording matters on which we have agreed pertaining to the new sales Agreement.

Sincerely,

[Signed]

H. BIRNBAUM
A.I.D. Representative (Acting)

I concur in the above statements:

[*Signed*]

M. AUSTIN FERNANDO

Director

External Resources Division

Ministry of Planning and Economic Affairs

Mr. M. Austin Fernando

Director

External Resources Division

Ministry of Planning and Economic Affairs

Colombo