

No. 17759

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**UNITED STATES OF AMERICA  
and  
SRI LANKA**

**Agreement for sales of agricultural commodities under  
Public Law 480, Title I, Programme (with agreed minutes of 5 January 1978). Signed at Colombo on 9 January 1978**

**Amendment to the above-mentioned Agreement**

*Authentic texts of the Agreement: English and Sinhalese.*

*Authentic text of the agreed minutes and the amendment: English.*

*The Agreement and the certified statement were registered by the United States of America on 17 April 1979.*

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

**Accord relatif à la vente de produits agricoles conclu en  
application du titre I de la *Public Law* 480 (avec procès-verbal approuvé du 5 janvier 1978). Signé à Colombo le  
9 janvier 1978**

**Modification visant l'Accord susmentionné**

*Textes authentiques de l'Accord : anglais et cinghalais.*

*Texte authentique du procès-verbal et de la modification : anglais.*

*L'Accord et la déclaration certifiée ont été enregistrés par les États-Unis d'Amérique le 17 avril 1979.*

# AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF SRI LANKA FOR SALES OF AGRICULTURAL COMMODITIES UNDER PUBLIC LAW 480, TITLE I PROGRAM

The Government of the United States of America and the Government of the Republic of Sri Lanka agree to the sales of agricultural commodities specified below. This Agreement shall consist of the Preamble, Parts I and III, of the Title I Agreement signed March 25, 1975,<sup>2</sup> together with the following Part II:

## PART II. PARTICULAR PROVISIONS

### Item I. *Commodity table*

<i>Commodity</i>	<i>Supply period (U.S. Fiscal Year)</i>	<i>Approximate maximum quantity (metric tons)</i>	<i>Maximum export market value (millions)</i>
Wheat/wheat flour (flour basis) .....	1978	100,000	\$17.4
TOTAL			\$17.4

### Item II. *Payment terms*

#### Convertible local currency credit

1. Initial payment—3 percent.
2. Currency use payment—none.
3. Number of installment payments—31.
4. Amount of each installment payment—approximately equal annual amounts.
5. Due date of first installment payment—ten years after date of last delivery of commodities in each calendar year.
6. Initial interest rate—2 percent.
7. Continuing interest rate—3 percent.

### Item III. *Usual marketing table*

<i>Commodity</i>	<i>Import period (U.S. Fiscal Year)</i>	<i>Usual marketing requirement (metric tons)</i>
Wheat/wheat flour (flour basis) .....	1978	188,000

### Item IV. *Export limitations*

A. The export limitation period shall be U.S. Fiscal Year 1978 or any subsequent U.S. Fiscal Year during which commodities financed under this Agreement are being imported or utilized.

<sup>1</sup> Came into force on 9 January 1978 by signature, in accordance with part III (A).

<sup>2</sup> United Nations, *Treaty Series*, vol. 998, p. 227.

B. For the purpose of Part I, Article III A4 of the Agreement, the commodities which may not be exported are: for wheat/wheat flour—wheat, wheat flour, rolled wheat, semolina, farina, and bulgur (or the same product under a different name).

Item V. *Self-help measures*

A. In implementing these self-help measures, specific emphasis will be placed on contributing directly to development progress in poor rural areas and on enabling the poor to participate actively in increasing agricultural production through small farm agriculture.

B. The Government of the Republic of Sri Lanka agrees to increase agricultural productivity with particular emphasis on food production. The Government of the Republic of Sri Lanka further agrees to:

1. Improve coordination between deliveries of grain made by donor countries and domestic production so that current storage and warehousing facilities do not become overfilled, thus lessening the possibility of grain loss due to pests and spoilage.
2. Develop better statistical procedures for estimating foodgrain production forecasts and consumption requirements.
3. Continue with improvements in on-farm water delivery facilities and management techniques, as well as rehabilitate and expand village water storage.
4. Intensify and decentralize agricultural research which can complement production oriented extension programs addressing the needs of farmers holding small and medium-sized plots (1-5 acres).
5. Encourage participation of the rural farming population in the decision making process through increased reliance on cooperatives and other district level organizations.
6. Make more effective use of land affected by land reform; including those distributed for settlement; and adopt a program of clearance and leveling of swamp and jungle land.

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

A. The proceeds accruing to the importing country from the sales of the commodities financed under this Agreement will be used for financing the self-help measures set forth in Item V and for agricultural development objectives identified in the National Budget of the Government of the Republic of Sri Lanka, including the following: irrigation, land development, and population planning.

B. In the use of proceeds for these purposes emphasis will be placed on directly improving the lives of the poorest of the recipient country's people and their capacity to participate in the development of their country.

Item VII. *Other provisions*

In case of an inconsistency between the Sinhala and English texts of this Agreement, the English text shall prevail.

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

DONE at Colombo, in duplicate, in English and Sinhala, this ninth day of January, 1978.

For the Government  
of the United States of America:

*[Signed]*

HERBERT LEVIN  
Chargé d'affaires a.i.

For the Government  
of the Republic of Sri Lanka:

*[Signed]*

C. P. CHANMUGAM  
Deputy Secretary to the Treasury

## AGREED MINUTES

EMBASSY OF THE UNITED STATES OF AMERICA  
COLOMBO, SRI LANKA

January 5, 1978

Dear Mr. Velayutham:

This letter will constitute the agreed minutes of our negotiations on the Agreement between our Governments to be signed on January 9, 1978, for sales of agricultural commodities.

Discussions began with a general review of the provisions of Public Law 480 and of A.I.D.'s airgram AIDTO Circular A-487 dated July 4, 1974, the contents of which are incorporated herein by reference. It was further understood and agreed that:

1. Purchase authorizations issued under this Agreement will contain requirements that invitations for bids (IFBs) for both commodity and freight must be submitted to the Office of the General Sales Manager, U.S. Department of Agriculture (USDA), Washington, for review prior to their release to prospective bidders. The primary purpose of this requirement is to enable the USDA to ensure that invitations do not contain terms or conditions which may be in conflict with purchase authorization terms and P.L. 480 financing regulations. Prior review of invitations will also give the USDA specialists an opportunity to provide advice and assistance in assuring realistic commodity delivery schedules and maximum flexibility in matching the available shipping to the commodity contracts.
2. Purchases of food commodities under the Agreement must be made on the basis of IFBs publicly advertised in the United States and on the basis of bid offerings which must conform to the IFBs. Bid offerings must be received and publicly opened in the United States. After bids have been opened, Sri Lankan tendering officials in the United States may consult with appropriate Ministry officials in Colombo prior to making awards. All awards under IFBs must be consistent with open, competitive, and responsive bid procedures.
3. In making awards, the recipient country must normally accept the lowest FAS price offered in conformity with IFB specifications. However, if the buyer can demonstrate that an award at a higher FAS price, in combination with a lower freight cost, would result in the lowest landed cost, the USDA is prepared to allow an exception to this rule.
4. Commissions, fees, or other payments to any selling agent are prohibited in any purchase of commodities under the Agreement.
5. If the Government of Sri Lanka nominates a purchasing agent and/or shipping agent to procure commodities or arrange ocean transportation under the Agreement, the Government of Sri Lanka must notify the General Sales Manager, USDA, in writing of such nomination and provide along with the notification a copy of the proposed agency agreement. All purchasing and shipping agents must be approved by the General Sales Manager's office in accordance with new regulatory standards designed to eliminate certain potential conflicts of interest.

6. Recent legislation amending Section 401 of P.L. 480 provides that no agricultural commodity may be financed or otherwise made available under P.L. 480 except upon determination by the U.S. Secretary of Agriculture that: (i) adequate storage facilities are available in the recipient country at the time of exportation to prevent the spoilage or waste of the commodity, and (ii) the distribution of the commodity in the recipient country will not result in a substantial disincentive to domestic production in that country. Purchase authorizations will be issued only after these determinations have been made.
7. With regard to the determination of adequate storage facilities, the Government of Sri Lanka will provide the Embassy with a statement with supporting analysis that adequate facilities are expected to be available to handle (including port facilities), store, and distribute the commodity provided under the Agreement during the proposed delivery periods without spoilage or waste. This information will have to be updated at a later date based on actual conditions (including port congestion) relevant to specific delivery periods prior to the issuance of each purchase authorization.
8. While the Embassy has made a preliminary determination that distribution of the commodity provided under the Agreement would not be a significant disincentive to the domestic production of rice, the situation with regard to other potential wheat substitutes is not clear. As empirical evidence on the disincentive effects of concessional food imports on domestic production is scarce, the Government of Sri Lanka agreed to commission a detailed study of this subject.
9. To assist the U.S. Secretary of Agriculture in making the necessary determinations, the Government of Sri Lanka will provide the Embassy with the following information at least three working days before signing the Agreement: (i) the type and grade of commodity to be purchased in accordance with U.S. official standards; (ii) the proposed contracting and delivery schedules; (iii) the name and addresses of banks, both U.S. and foreign, which will be handling financial operations; and (iv) the assurance that appropriate authorities of the Government of Sri Lanka are prepared to make immediate transfers of funds to cover ocean freight costs and to meet the initial payment requirement related to contracts to be concluded pursuant to the Agreement. As a general rule, purchase authorizations will not be issued until the USDA has received this information by cable from the Embassy.
10. Arrangements have also been made by the Government of Sri Lanka to relay to the Sri Lanka Embassy in Washington all instructions, information, and authority necessary to enable timely implementation of the Agreement, including: (i) commodity specifications, (ii) contracting and delivery periods, (iii) the names and addresses of U.S. and foreign banks handling transactions (e.g. letters of credit for commodity and freight), (iv) authority to request and sign purchase authorizations and other necessary documents, (v) complete instructions, information, and authority regarding arrangements for purchasing commodities and contracting for freight (including the appointment of purchasing and/or shipping agents if applicable), and (vi) instructions to contact the Programs Operations Division, Office of the General Sales Manager, USDA, regarding the foregoing.

11. The Government of Sri Lanka was informed that commodity suppliers in the United States are refusing to load vessels when acceptable letters of credit for both commodity and freight suppliers are not available at the time of loading. This has resulted in costly claims by vessel owners for demurrage and/or detention of claims and carrying charges by commodity suppliers. Delays in opening letters of credit and settlement of the final ten percent of freight will also result in higher commodity prices and freight rates. As a consequence, letters of credit must be opened for 100 percent of the ocean freight charges in favor of the supplier of ocean transportation not later than 48 hours prior to the vessel's presentation for loading.
12. The usual marketing requirement (UMR) in Part II, Item III, of the Agreement is 188,000 metric tons of wheat flour (or 250,000 metric tons of wheat on a grain equivalent basis) for import through normal commercial channels during U.S. Fiscal Year 1978. This UMR is the same as that contained in the Title I Agreement signed October 29, 1976, and is substantially below the five year average of commercial imports (FY 1972 to 1976). In future agreements the Government of the United States would look for increases in the UMR until it returns to the full level of the five year average.
13. Taking into account Sri Lanka's current economic and financial situation, Part II, Item II, of the Agreement provides for an initial payment of 3 percent, rather than the normally required 5 percent, and no currency use payment.
14. Particular attention was drawn to Part I, Article I (E), of AIDTO Circular A-487, which provides that the export market value specified in Part II may not be exceeded. This means that if commodity prices increase over those used in announcing the quantities and market values indicated in Part II of the Agreement, the quantity to be financed under the Agreement will be less than the approximate maximum quantity set forth in Part II. Should commodity prices decrease, however, the quantities of commodities to be financed will be limited to those specified in Part II.
15. Recent legislation amending Sect 106 (B) and 109 (A) of P.L. 480 requires: (i) specific emphasis on implementation of self-help measures so as to contribute directly to development progress in poor rural areas and to enable the poor to participate actively in increasing agricultural production through small farm agriculture; and (ii) use of proceeds for purposes which directly improve the lives of the poorest of the recipient country's people and their capacity to participate in the development of their country. These requirements are reflected in the Agreement text Part II, Items V and VI.
16. Reporting is an essential part of the P.L. 480, Title I program. Discussions were held with the Government of Sri Lanka about its responsibilities for submission of timely reports on compliance, shipping and arrival information (ADP sheets), self-help and use of sales proceeds, as required under Part I, Article III (D), of the Agreement signed March 25, 1975.
17. For identification and publicity of the commodities to be received, in accordance with Part I, Article III (I), of the March 25, 1975, Agreement, the Government of Sri Lanka will insure insofar as practicable that food commodities are marked or identified at point of distribution or sale as being provided on a concessional basis to the Government of Sri Lanka by the people of the United States. In addition, the Government of Sri Lanka will

publicize to the people of Sri Lanka, by public media and other means, including newspapers and radio, that the commodities are being provided on a concessional basis through the friendship of the American people. Quarterly reports on measures taken to implement these requirements will be submitted on the same schedule as other quarterly reporting required under the Agreement.

18. The Government of the United States, cognizant of the new economic policy of the Government of Sri Lanka, takes note of the request of the Government of Sri Lanka for an additional 100,000 metric tons of wheat flour beyond that provided under this Agreement. The Government of the United States and Sri Lanka recognize, however, that the provision of an additional amount of wheat flour beyond that amount to be provided under this Agreement is dependent upon a number of factors, including, but not limited to, budgetary restraints and commodity availability in the United States.

Please sign and return to me the attached copy of this letter to serve as a record of the matters on which we have agreed during negotiations of the new P.L. 480, Title I Sales Agreement.

Sincerely yours,

[Signed]

JOHN P. SPILLANE  
First Secretary  
Economic/Commercial

*I concur in the above statements.*

[Signed]

B. VELAYUTHAM  
Director  
Division of External Resources  
Ministry of Planning  
and Economic Affairs

Mr. S. Velayutham  
Director  
External Resources Division  
Ministry of Planning and Economic Affairs  
Colombo



AMENDMENT TO THE AGREEMENT OF 9 JANUARY 1978<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF SRI LANKA FOR SALES OF AGRICULTURAL COMMODITIES UNDER PUBLIC LAW 480, TITLE I PROGRAM

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By an agreement in the form of an exchange of notes dated at Colombo on 12 April 1978, which came into force on 12 April 1978, the date of the note in reply, in accordance with the provisions of the said notes, the above-mentioned Agreement of 9 January 1978 was amended as follows:

In Part II, Item I. *Commodity table*: under appropriate columns (1) for the line designated Wheat/wheat flour, delete “100,000” and “\$17.4” and insert “200,000” and “\$35.4”; and under Maximum export market value of the line designated Total, delete “\$17.4” and insert “\$35.4”.

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<sup>1</sup> See p. 134 of this volume.