No. 18655

UNITED STATES OF AMERICA
and
BANGLADESH

Agreement for sales of agricultural commodities under Public Law 480 Title I Program (with agreed minutes and related letter). Signed at Dacca on 25 April 1979

Authentic text: English.

Registered by the United States of America on 18 April 1980.

ÉTATS-UNIS D'AMÉRIQUE
et
BANGLADESH

Accord relatif à la vente de produits agricoles en vertu du programme prévu par le titre I de la *Public Law* 480 (avec procès-verbal approuvé et lettre connexe). Signé à Dacca le 25 avril 1979

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 18 avril 1980.

AGREEMENT[1] BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH 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 People's Republic of Bangladesh have agreed to the sales of agricultural commodities specified below. This Agreement shall consist of the Preamble, Parts I and III of the PL 480 Title I Agreement of October 4, 1974,[2] together with the following Part II:

PART II. PARTICULAR PROVISIONS

Item I. COMMODITY TABLE

Commodity	*Supply Period (U.S. Fiscal Year)*	*Approximate Maximum Quantity (Metric Tons)*	*Maximum Export Market Value (Millions)*
Soybean/Cottonseed Oil ..	1979	10,000	$6.1

Item II. PAYMENT TERMS

Convertible Local Currency Credit

1. Initial Payment—None.
2. Currency Use Payment—One percent for Section 104(A) purposes.
3. Number of Installment Payments—Thirty-one.
4. Amount of Each Installment Payment—Approximately equal annual installments.
5. Due Date of First Installment Payment—Ten years after date of last delivery of commodities in each calendar year.
6. Initial Interest Rate—Two percent.
7. Continuing Interest Rate—Three percent.

Item III. USUAL MARKETING TABLE

Commodity	*Import Period (U.S. Fiscal Year)*	*Usual Marketing Requirements (Metric Tons)*
Edible Vegetable Oil and/or Oil Bearing Seeds (Oil Equivalent Basis)	1979	None

Item IV. EXPORT LIMITATIONS

(A) The export limitation period shall be U.S. fiscal year 1979 or any subsequent U.S. fiscal year during which commodities financed under this Agreement are being imported or utilized.

(B) For the purpose of Part I, Article III.A.4. of the Agreement, the commodities which may not be exported are: for Soybean/Cottonseed Oil—all

[1] Came into force on 25 April 1979 by signature, in accordance with part III (B).
[2] United Nations, *Treaty Series*, vol. 967, p. 203.

edible vegetable oils, including peanut oil, soybean oil, cottonseed oil, sunflower oil, sesame oil, rapeseed oil and any other edible vegetable oil or oil bearing seeds from which these oils are produced, except for 5,000 metric tons of sesame seeds and 10,000 metric tons of peanuts for use other than crushing.

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) To increase domestic production, the Bangladesh Government agrees to: (1) pursue agricultural research goals which aim to increase and diversify food production; (2) take effective measures to disseminate agricultural research information through the extension service and by other means to Bangladesh farmers; (3) strengthen rural institutions and promote participation in agriculture and other productive processes; and (4) strengthen and expand cash-based rural works programs that generate increased purchasing power for the rural poor.

(C) To improve planning for agricultural development and the food needs of its population, the Government of Bangladesh agrees to develop policy options with respect to the rationalization of agricultural development goals, rural income, employment goals and maintenance of reliable supplies of foodgrains.

(D) To improve access of poorer segments of the population to food, while increasing domestic food production, the Government of Bangladesh agrees to a gradual shift of the ration system toward the more vulnerable groups, beginning in 1979. This effort will include reducing the subsidy and/or quantity of the ration in the statutory ration areas, except under emergency conditions. Except under emergency conditions, the Bangladesh Government will (1) continue to limit distribution of foodgrains in 1979/80 made under the Modified Ration System to Class A cardholders, and (2) limit edible oil distribution in the Modified Ration System to Classes A, B and C cardholders.

(E) To protect its food supplies, the Bangladesh Government agrees to continue to improve and upgrade foodgrain storage and stock management to ensure the effective and economic management of its foodgrain stock and distribution systems.

(F) Continue to constrain edible oil offtakes from the public ration system except Modified Ration and Relief at the level of 3,000 Metric Tons per month except under emergency conditions.

(G) Maintain the overall ration price of edible oil to equal or exceed the import value CIF Chittagong.

Item VI. ECONOMIC DEVELOPMENT PURPOSES FOR WHICH PROCEEDS ACCRUING TO IMPORTING COUNTRY ARE TO BE USED

The importing country undertakes to use the commodities provided hereunder (other than any part of such commodities excluded herefrom by subsequent agreement of the parties) or the proceeds generated by their sale, for specific projects or programs which directly benefit the needy people of that country, and to furnish to the exporting country information that demonstrates how such projects or programs will benefit such needy people. Such information shall be deemed to be incorporated in, and to be part of, this Agreement.

A report of such use shall be submitted by the importing country within six months after the last delivery of commodities to the importing country hereunder.

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

DONE at Dacca, in duplicate, this 25th day of April 1979.

For the Government of the United States of America:

[*Signed*]

DAVID T. SCHNEIDER
Ambassador Extraordinary and Plenipotentiary

For the Government of the People's Republic of Bangladesh:

[*Signed*]

MOHAMMED ALI
Joint Secretary
External Resources Division
Ministry of Finance

AGREED MINUTES OF MEETINGS BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA (USG) AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH (BDG) FOR NEGOTIATING A PL 480 TITLE I AGREEMENT FOR FY 1979

1. *Reference to the FY 1975 PL 480, Title I Agreement:*

USG officials pointed out that the Preamble, Part I and Part III of the FY 1975 PL 480 Title I Agreement signed October 4, 1974, and the agreed minutes contained herein, will be considered an integral part of the FY 1978 PL 480 Title I Agreement.

2. *Financial Terms:*

USG officials explained that the financing, as set forth in Part II, Item II, of the proposed agreement, provides for $6.1 million under the same convertible local currency terms as in the FY 1978 Title I Agreement.

3. *Commodity Composition:*

(A) USG officials explained that the commodity composition, as shown in Part II, Item I, of the proposed agreement, provides for 10,000 metric tons of soybean/cottonseed oil with an export market value of $6.1 million.

(B) USG officials advised that the USG is providing only crude degummed soybean oil in bulk as the price for refined oil in drums would substantially reduce the quantity that can be made available under the proposed program. Furthermore, the inclusion of only a relatively small quantity of refined vegetable oil in drums would inordinately increase shipping costs. USG officials referred to the letter dated April 25, 1979, from Ambassador David T. Schneider to Mr. Mohammed Ali, Joint Secretary, External Resources Division, Ministry of Finance, concerning the budgetary limitations. USG officials stated that the USG considers the letter a part of the proposed agreement and that the letter would be published with the agreement in the United States.

(C) USG officials explained that in view of limitations during the current fiscal year on PL 480 funds and commodities, the export market value of $6.1 million specified in Part II of the proposed agreement may not be exceeded. U.S. officials pointed out that, as explained in article I (E) of Part I of the agreement, if vegetable oil prices increase over those contemplated in Part II of the Agreement, the quantity to be financed under the Agreement will be less than the approximate maximum quantity—10,000 metric tons—set forth in Part II. However, should prices of vegetable oil decrease, the quantity to be financed will be limited to the 10,000 metric tons specified in Part II.

4. *Usual Marketing Requirements:*

USG officials explained that Part II, Item III, of the draft agreement does not provide for a Usual Marketing Requirement (UMR) for vegetable oil in FY 1979. The USG has waived the usual requirement for procuring a five-year average of commercial imports from non-communist country sources because of financial and economic constraints faced by Bangladesh.

USG officials advised that the USG was extending the permissible export waiver for 5,000 metric tons of sesame seed and 10,000 tons of peanuts to cover Fiscal Year 1979 or the second year of the three year period requested by the BDG to export these oilseeds. USG officials explained, however, that granting of this waiver was conditioned on the following points:

1) The oilseeds cannot be sold for crushing or oil extracting purposes.
2) The BDG will take specific steps to expand and enhance oilseed oil extracting facilities in Bangladesh to handle current and future oilseed production. The USG looks to the BDG for progress in this area.
3) The BDG will provide information and data on compliance with these conditions in reports submitted to the U.S. Embassy.

5. *Self-help Measures and Use of Proceeds:*

USG officials explained that Sections 106(*b*) and 109(*a*) of U.S. Public Law 480 require 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. These requirements are reflected in Part II, Item V, of the draft agreement.

USG officials explained further, with reference to Part II, Item VI, of the draft agreement, "Economic Development Purposes for Which Proceeds Accruing to Importing Countries Are to Be Used", that the BDG must indicate specific projects or programs which will utilize the vegetable oil or proceeds in a manner that will directly benefit the needy. BDG officials proposed, and USG officials agreed that the use of vegetable oil as set forth in Item V, paragraph D, for categories A, B and C cardholders of the Modified Ration System is in fulfillment of Part II, Item VI, of the Agreement.

The USG representatives noted the BDG's promise at the last AID Group meeting to establish a technical cell under the Cabinet Committee on Food to look after operational as well as policy formulation functions. The USG representatives reminded the BDG representatives that the U.S. viewed the establishment of a food policy cell as critical for achieving Bangladesh's development goals in agricultural development. The USG representatives stated that continued lack of progress in this area would affect future PL 480 agreements.

6. *Reporting Requirements:*

USG officials emphasized that reports required by the draft agreement are obligatory and essential to fulfillment of the Agreement. They referred specifically to the report required from the BDG under Part II, Item VI, of the draft agreement concerning benefits to needy people from the use of the vegetable oil and reports under Part I, article III (D), of the Agreement concerning compliance, arrival shipping information, self-help and use of proceeds.

7. *Other Requirements:*

USG officials informed the BDG officials that recent U.S. legislation (The International Development and Food Assistance Act,, effective October 1, 1977, and the Food and Agriculture Act of 1977) and amendments to Title I Financing Regulations contain certain provisions affecting the development, implementation and operation of PL 480 programs. These provisions were described as follows:

1. Purchase authorizations will be issued under the Agreement only after the Secretary of Agriculture has determined that (*a*) adequate storage facilities are available in the recipient country at the time of exportation to prevent the spoilage or waste of the commodity, and (*b*) the distribution of the commodity in the recipient country will not result in a substantial disincentive to domestic production. This preliminary determination has been made by the Secretary of Agriculture.
2. Purchases of food commodities under the Agreement must be made on the basis of invitations for bid (IFB) publicly advertised in the United States and on the basis of bid offerings which must conform to the IFB. Bid offering must be received and publicly opened in the United States. All awards under IFB's must be consistent with open, competitive and responsive bid procedures.
3. Terms of all IFB's (including IFB's for ocean freight) must be approved by the General Sales Manager/USDA prior to issuance.
4. Commissions, fees or other payments to any selling agent are prohibited in any purchase of food commodities under the Agreement.
5. If the Government of Bangladesh nominates a purchasing agent and/or shipping agent to procure commodities or arrange ocean transportation under the Agreement, the BDG 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.

8. *Implementation of the Agreement:*

During the negotiations USG officials requested and received from the BDG officials assurances that arrangements have been made by appropriate BDG authorities to relay to its Washington Embassy all instructions, information and authority necessary to enable timely implementation of the Agreement, including (1) commodity specifications, (2) contracting and delivery periods, (3) names and addresses of U.S. and foreign banks handling transactions (letters of credit for commodity and freight), (4) authority to request and sign purchase authorizations and other necessary documents, (5) complete instructions/information/authority regarding arrangements for purchasing commodities and contracting for freight (including the appointment of purchasing and/or shipping agents if appliable), and (6) instructions to contact Program Operations Division, Office of the General Sales Manager, USDA regarding the foregoing.

9. *Letters of Credit:*

USG officials advised BDG officials that U.S. commodity suppliers are refusing to load vessels when acceptable letters of credit for both commodity and freight supplier are not available at the time of loading. This has already resulted in costly claims by vessel owners for demurrage and/or detention claims and carrying charges by commodity suppliers. Delays in opening letters of credit and settlement of final ten percent of freight will also result in higher commodity prices and freight rates. BDG officials assured USG officials that appropriate measures will be taken to ensure that operable letters of credit for both commodity and freight will be opened and confirmed by designated U.S. banks immediately after contracting under each purchase authorization is concluded, and before vessels arrive at loading ports. USG officials advised, with particular regard to ocean freight, that letters of credit for 100 percent of ocean freight charges must be opened in favor of the supplier of the ocean transportation prior to the vessel's presentation for loading.

The above sets forth the understanding between the USG and the BDG.

For the Government
of the United States of America:

[*Signed*]

DAVID T. SCHNEIDER
Ambassador Extraordinary
and Plenipotentiary

April 25, 1979

For the Government
of the People's Republic of Bangladesh:

[*Signed*]

MOHAMMED ALI
Joint Secretary
External Resources Division
Ministry of Finance

April 25, 1979

RELATED LETTER

EMBASSY OF THE UNITED STATES OF AMERICA

DACCA, BANGLADESH

April 25, 1979

Dear Mr. Ali:

I refer to the negotiations between officials of our two governments for the provision of edible vegetable oil with an export value not to exceed $6.1 million under PL 480 Title I for FY 1978/79. During the negotiations, U.S. officials informed you and your colleagues that, because of budget and commodity constraints, the U.S. Government is not able to meet in full your government's official request for various commodities under PL 480 for FY 1978/79.

I wish to restate that severe U.S. budget limitations and higher commodity prices have reduced PL 480 funding availability and necessitated a reduction in the commodity size of the overall PL 480 Title I program for FY 1979. Therefore, the U.S. Government is able to meet only a portion of your government's request for commodities. Wheat requested by your government is the subject of current negotiations for an FY 1978/79 PL 480 Title III program.

The U.S. Government considers this letter a part of the FY 1978/79 PL 480 Title I Agreement and the Agreed Minutes to be signed April 25, 1979. This letter will be published together with the Agreement and the Agreed Minutes in the official records of the United States.

Sincerely,

[*Signed*]

DAVID T. SCHNEIDER
Ambassador

Mr. Mohammed Ali
Joint Secretary
External Resources Division
Ministry of Finance
Sher-e-Bangla Nagar
Dacca