

**No. 18913**

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**SWITZERLAND  
and  
SRI LANKA**

**Agreement on a mixed credit (with exchanges of letters).  
Signed at Berne on 5 November 1979**

*Authentic texts : French, English and Sinhalese.  
Registered by Switzerland on 12 June 1980.*

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**SUISSE  
et  
SRI LANKA**

**Accord concernant l'ouverture d'un crédit mixte (avec  
échanges de lettres). Signé à Berne le 5 novembre 1979**

*Textes authentiques : français, anglais et cinghalais.  
Enregistré par la Suisse le 12 juin 1980.*

## AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE SWISS CONFEDERATION AND THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ON A MIXED CREDIT

In an endeavour to facilitate the purchase of Swiss goods by, and the supply of Swiss services to, nationals or entities of the Democratic Socialist Republic of Sri Lanka for the economic development of Sri Lanka, the Government of the Swiss Confederation and the Government of the Democratic Socialist Republic of Sri Lanka have agreed as follows:

*Article 1.* 1. The present Agreement covers a mixed credit in the total amount of thirty million Swiss francs.

2. This amount is divided into two parts:

- a) A Swiss Government part of fifteen million Swiss francs financed by the Swiss Confederation;
- b) A commercial banks part of fifteen million Swiss francs financed by a Consortium of Swiss Banks.

*Article 2.* 1. The mixed credit shall be utilized for the purchase of capital goods and the supply of services of Swiss origin and of civilian nature.

2. The total amount of the credit mentioned in article 1, paragraph 1, shall be divided into:

- a) A credit tranche A available for the financing of 85% of the FOB invoice value of Swiss supplies of capital goods; and
- b) A credit tranche B available for the financing of 80% of the contract value of Swiss supplies of services.

3. The amount allocated to tranches A and B is in principle 80% and 20%, respectively, of the total amount of the credit. These percentages may be modified upon agreement between the competent authorities mentioned in article 5, paragraph 1, of this Agreement.

4. The range of capital goods and services which may be financed under the credit shall be listed in a separate exchange of letters.

*Article 3.* In accordance with article 1, paragraph 2, of this Agreement, all payments under this credit, whether under tranche A (capital goods) or tranche B (services), shall be made in the proportions of fifty per cent out of the Swiss Government's part and fifty per cent out of the commercial banks' part.

*Article 4.* 1. The total amount of the credit shall be used for the execution of projects and programmes consistent with the economic development policy of the Government of the Democratic Socialist Republic of Sri Lanka. The objective of this policy includes the improvement of the living conditions of the poor, especially the rural poor, who constitute the vast majority of the people of Sri Lanka and whose main pursuit is agriculture. Rural electrification, rehabilitation and development of the rural infrastructure as well as public transportation and communications are some of the main instruments of Sri Lanka's development strategy. The implementa-

<sup>1</sup> Came into force on 5 November 1979 by signature, in accordance with article 16.

tion of these development objectives shall lead to the creation of new employment opportunities.

2. To the extent consistent with the policies and regulations of the Government of the Democratic Socialist Republic of Sri Lanka, the benefits of the terms of this credit shall be passed on to the final user/importer under the credit.

*Article 5.* 1. The inclusion of any purchase and supply within the scope of this Agreement shall be subject to prior agreement between the Ministry of Finance and Planning, on the Sri Lankan side, and the Federal Office for Foreign Economic Affairs as well as the Consortium of Swiss Banks, on the Swiss side.

2. Either governmental authority may propose to the other, through the channel of the competent Swiss Embassy that a specific supply of capital goods or services be financed under this Agreement.

*Article 6.* 1. All applications for the financing of contracts for the supply of goods and services under this Agreement shall be submitted within 24 months from its coming into force to the Federal Office for Foreign Economic Affairs.

2. In principle, the value of each contract financed under this Agreement should be not less than 50,000 Swiss francs per order placed with the same Swiss exporter. Partial shipments or progress payments shall be possible only for individual invoice amounts of not less than 50,000 Swiss francs except that this requirement shall not apply to the final shipment or to the final progress payment under a particular contract.

*Article 7.* 1. The following standard terms of payment shall apply to all contracts to be financed under this Agreement:

a) *Capital goods qualifying for credit tranche A*

i) The Sri Lankan buyer shall:

- Pay in effective and free Swiss francs 5% of the total FOB invoice value of the supply contract as down payment immediately after having received confirmation that the supply contract has been approved by the competent Sri Lankan and Swiss authorities mentioned in article 5, paragraph 1, of this Agreement; and
- Open an irrevocable letter of credit through a Sri Lankan Bank acceptable to the Swiss exporter with one of the six Swiss banks — designated by the Swiss exporter — in favour of the Swiss exporter for 10% of the FOB invoice value of the supply contract, to be utilized against remittance of the shipping documents specified in the letter of credit and a receipt of the Swiss exporter covering the aforementioned down payment of 5%; this letter of credit shall be opened by the Sri Lankan buyer immediately after having received confirmation that the supply contract has been approved by the competent Sri Lankan and Swiss authorities mentioned in article 5, paragraph 1 above;

ii) The Ministry of Finance and Planning shall authorize the Swiss bank through which the letter of credit has been opened to pay for account of the Sri Lankan buyer to the Swiss exporter and to the debit of tranche A of the mixed credit 85% of the FOB invoice value of the respective shipment, together with the full or partial utilization of the above-mentioned letter of credit. This payment authorization shall be granted through the approval of the contract by the competent Sri Lankan authority mentioned in article 5, paragraph 1, of this Agreement.

b) *Services qualifying for credit tranche B*

i) The Sri Lankan buyer shall:

- Pay in effective and free Swiss francs 10% of the total contract value as down payment, immediately after having received confirmation that the contract has been approved by the competent Sri Lankan and Swiss authorities mentioned in article 5, paragraph 1, above; and
- Open an irrevocable letter of credit through a Sri Lankan Bank acceptable to the Swiss exporter with one of the six Swiss banks — designated by the Swiss supplier — in favour of the Swiss supplier for 10% of the total contract value, to be utilized against remittance of the documents specified in the letter of credit and of a receipt of the Swiss supplier covering the aforementioned down payment of 10%; the respective letter of credit shall be opened by the Sri Lankan buyer immediately after having received confirmation that the contract has been approved by the competent Sri Lankan and Swiss authorities mentioned in article 5, paragraph 1, above.

ii) The Ministry of Finance and Planning shall authorize the Swiss bank, through which the letter of credit has been opened, to pay for account of the Sri Lankan buyer to the Swiss supplier and to the debit of tranche B of the mixed credit 80% of the total or partial contract value, together with the full or partial utilization of the above-mentioned letter of credit.

The above payment authorization shall be granted through the approval of the contract by the competent Sri Lankan authority mentioned in article 5, paragraph 1, of this Agreement.

2. All fees and commissions in connection with the opening of letters of credit are at the charge of the Sri Lankan buyer in accordance with commercial and banking practice.

3. All supply contracts and letters of credit shall include a clause stating that the financing of the export shall be made under the "Sri Lanka-Swiss mixed credit 1979".

*Article 8.* Both Contracting Parties shall, by virtue of their legal competence facilitate the conclusion and implementation of contracts in accordance with this Agreement and, to that end, grant all necessary authorizations.

*Article 9.* The Swiss Government shall grant to the Government of the Democratic Socialist Republic of Sri Lanka the credit mentioned in article 1, paragraph 2, lit. *a*, provided that a Loan Agreement between the Government of the Democratic Socialist Republic of Sri Lanka and a Consortium of Swiss Banks shall have been concluded with regard to the granting of the credit mentioned in article 1, paragraph 2, lit. *b*.

*Article 10.* The interest rate on the Swiss Government part of the mixed credit is zero per cent per annum.

*Article 11.* 1. With regard to the financing of individual capital goods under tranche A of this credit, the Government of the Democratic Socialist Republic of Sri Lanka undertake:

- i) To reimburse all amounts paid out of the Swiss Government's part of the credit tranche A in 20 equal and consecutive half-yearly instalments, the first instal-

ment falling due 123 months and the last instalment 237 months after the end of the respective semi-annual drawdown period;

- ii) To reimburse all amounts paid out of the commercial banks' part of the credit tranche A in 14 equal and consecutive half-yearly instalments, the first instalment falling due 39 months and the last instalment 117 months after the end of the respective semi-annual drawdown period.

2. With regard to the financing of projects under tranche A of this credit, the Government of the Democratic Socialist Republic of Sri Lanka undertake:

- i) To reimburse all amounts paid out of the Swiss Government's part of the credit tranche A in 20 equal and consecutive half-yearly instalments, the first instalment falling due 126 months and the last instalment 240 months after the readiness for operation of the respective project; and
- ii) To reimburse all amounts paid out of the commercial banks' part of the credit tranche A in 14 equal and consecutive half-yearly instalments, the first instalment falling due 42 months and the last instalment 120 months after the readiness for operation of the respective project.

The supply contract shall in addition specify a reasonable deadline, to be computed from the effectiveness of the supply contract, for the payment of the first instalment.

3. With regard to the financing of the supplies of services under tranche B of this credit, the Government of the Democratic Socialist Republic of Sri Lanka undertake to reimburse each amount paid out of the Swiss Government's and the commercial banks' parts of the credit in 6 equal and consecutive half-yearly instalments, the first instalment falling due 30 months and the last instalment 60 months after the completion date stated in the respective contract. The first instalment will, however, in no event mature later than 90 months after the date of signature of the respective supply contract.

4. With regard to all financings under credit tranches A and B of this mixed credit, the Government of the Democratic Socialist Republic of Sri Lanka undertake to pay at the end of each calendar half-year the interest accrued on the outstanding amounts. Interest shall be charged as from the date of each drawing under the credit.

*Article 12.* Each consecutive 12-months period, during which drawings under the mixed credit will be made, shall consist of two drawdown periods, either one being a "respective semi-annual drawdown period", as referred to in article 11, paragraph 1, of this Agreement, i.e.:

- Drawdown period No. 1 for utilizations between October 1 and March 31;
- Drawdown period No. 2 for utilizations between April 1 and September 30.

*Article 13.* All repayments of principal and interest of both the Swiss Government and the commercial banks' part of the mixed credit shall be made to the Union Bank of Switzerland in Zurich, acting on behalf of the Government of the Swiss Confederation and of the Consortium of Swiss Banks, in effective and free Swiss francs without any deduction whatsoever.

*Article 14.* All payments of interest and repayments of principal under the present Agreement shall be exempted from any present or future fiscal levy, taxes and restrictions whatsoever in force in the Democratic Socialist Republic of Sri Lanka.

*Article 15.* 1. The Union Bank of Switzerland shall keep the accounts to be opened in the name of the Government of the Democratic Socialist Republic of Sri

Lanka for the execution of this Agreement and carry on all correspondence in connection therewith.

2. All notifications by the Swiss lenders in connection with this Agreement shall be deemed to have been duly given if addressed to the Ministry of Finance and Planning of the Government of the Democratic Socialist Republic of Sri Lanka.

3. All notifications and remittances by the Government of the Democratic Socialist Republic of Sri Lanka shall be deemed to have been duly given if made to the Union Bank of Switzerland, Zurich.

*Article 16.* The present Agreement shall enter into force on the day of its signature.

DONE at Berne, on November 5, 1979, in six originals, two in French, two in English, and two in Sinhalese, all texts being equally authoritative. In case of differences of interpretation the English text shall prevail.

For the Government  
of the Swiss Confederation:

[Signed]  
K. JACOBI

For the Government  
of the Democratic Socialist Republic  
of Sri Lanka:

[Signed]  
I. B. FONSEKA

## EXCHANGES OF LETTERS

### Ia

#### THE HEAD OF THE SWISS DELEGATION

Berne, November 5, 1979

Excellency,

I refer to the Agreement signed today between the Government of the Swiss Confederation and the Government of the Democratic Socialist Republic of Sri Lanka on a mixed credit of 30 million Swiss francs to the Government of the Democratic Socialist Republic of Sri Lanka.

In the discussion leading to the conclusion of this Agreement both Parties reached an understanding regarding the goods and services which may be financed under the credit according to article 2, paragraph 4, of the Agreement.

The list of goods and services reads as follows:

#### *Capital goods qualifying for credit tranche A*

- 1) Agricultural machinery and tractors;
- 2) Food processing and milling machines;
- 3) Machinery for the chemical, fertilizer and petro-chemical industry;
- 4) Textile machines;
- 5) Machine tools for metal and wood working;

- 6) Machinery and equipment for the production and distribution of electric energy (e.g. turbines, boilers, generators, transformers, switch gear, control and other services, etc.);
- 7) Telecommunications equipment;
- 8) Stationary and marine diesel engines;
- 9) Refrigerating and air-conditioning equipment;
- 10) Materials handling and storage equipment;
- 11) Printing, paper converting, wrapping and office machines;
- 12) Locomotives, rolling stock and railway maintenance machinery, railway signalling equipment;
- 13) Geodetic, scientific and related instruments;
- 14) Measuring, testing and control devices;
- 15) Medical instruments and hospital equipment;
- 16) Industrial, transportation, construction and general purpose machinery;
- 17) Other mechanical and electric machines and equipment;

*Services qualifying for credit tranche B*

- 1) Engineering and construction services;
- 2) Management and economic services.

I would be very grateful if you would confirm the agreement of your Government with the foregoing understanding.

Please accept, Excellency, the renewed assurances of my highest consideration.

For the Government of the Swiss Confederation:

[Signed]

K. JACOBI

His Excellency I. B. Fonseka  
Ambassador and Permanent Representative  
of the Democratic Socialist Republic  
of Sri Lanka to the United Nations Office  
Geneva

*IIa*

THE HEAD OF THE SRI LANKAN DELEGATION

Berne, November 5, 1979

Excellency,

I acknowledge receipt of your letter of today, reading as follows:

[See letter Ia]

I have the honour to confirm that the Government of the Democratic Socialist Republic of Sri Lanka is in agreement with the understanding as set out above.

Please accept, Excellency, the renewed assurances of my highest consideration.

For the Government of the Democratic Socialist  
Republic of Sri Lanka:

[Signed]

I. B. FONSEKA

His Excellency Ambassador Klaus Jacobi  
Delegate of the Federal Council  
for Trade Agreements  
Federal Department of Public Economy  
Berne

*ib*

THE HEAD OF THE SWISS DELEGATION

Berne, November 5, 1979

Excellency,

I refer to the Agreement signed today between the Government of the Swiss Confederation and the Government of the Democratic Socialist Republic of Sri Lanka on a mixed credit of 30 million Swiss francs to the Government of the Democratic Socialist Republic of Sri Lanka.

In the discussions leading to the conclusion of this Agreement both Parties reached an understanding regarding the passing of the terms of the credit to the actual users/importers according to article 4, paragraph 2, of the Agreement. The Sri Lankan delegation explained that three categories of importers would participate under the credit agreement, viz. the government sector, the government corporate sector and the private sector.

In regard to the first, as the Government itself is the importer, the terms of the credit will be automatically passed on to the importer and the Government would pay for the imports in accordance with the terms of the credit.

In regard to the Government corporate sector, in accordance with the existing arrangements the corporations will pay for the imports in Sri Lanka rupees on such terms as are agreed between the Government and the corporations concerned, taking into consideration the capacity of the corporation to pay and their liquidity position. The Sri Lanka Government will bear the exchange risk and will take over repayment of the credit in accordance with the terms of the credit agreement.

In respect of imports of the private sector, there is already in operation a scheme of incentives of rebates to induce the private sector to participate in the credit and this is generally considered adequate to ensure their participation in imports under the credit agreement.

I would be very grateful if you would confirm that the above sets out correctly the understanding reached between our two Parties on the subject.



Please accept, Excellency, the renewed assurances of my highest consideration.

For the Government of the Swiss  
Confederation:

[Signed]

K. JACOBI

His Excellency I. B. Fonseka  
Ambassador and Permanent Representative  
of the Democratic Socialist Republic  
of Sri Lanka to the United Nations Office  
Geneva

*IIb*

THE HEAD OF THE SRI LANKAN DELEGATION

Berne, November 5, 1979

Excellency,

I acknowledge receipt of your letter of today, reading as follows:

[See letter I b]

I have the honour to confirm that the Government of the Democratic Socialist Republic of Sri Lanka is in agreement with the understanding as set out above.

Please accept, Excellency, the renewed assurances of my highest consideration.

For the Government of the Democratic Socialist  
Republic of Sri Lanka:

[Signed]

I. B. FONSEKA

His Excellency Ambassador Klaus Jacobi  
Delegate of the Federal Council  
for Trade Agreements  
Federal Department of Public Economy  
Berne

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