

No. 19714

**UNITED STATES OF AMERICA
and
SRI LANKA**

Agreement for the sale of agricultural commodities (with agreed minutes). Signed at Colombo on 18 March 1980

Exchange of notes constituting an agreement amending the above-mentioned Agreement (with related letter dated 16 April 1980). Colombo, 21 May 1980

Authentic texts: English.

Registered by the United States of America on 27 March 1981.

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

Accord relatif à la vente de produits agricoles (avec procès-verbal approuvé). Signé à Colombo le 18 mars 1980

Échange de notes constituant un accord modifiant l'Accord susmentionné (avec lettre connexe en date du 16 avril 1980). Colombo, 21 mai 1980

Textes authentiques : anglais.

Enregistrés par les États-Unis d'Amérique le 27 mars 1981.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA FOR THE SALE OF AGRICULTURAL COMMODITIES UNDER THE PUBLIC LAW 480, TITLE I PROGRAM

The Government of the United States of America and the Government of the Democratic Socialist Republic of Sri Lanka agree to the sales of agricultural commodities specified below. This Agreement shall consist of the preamble [and] parts I and III of the Title I Agreement signed March 25, 1975,² 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 (grain equivalent)	1980	107,000	\$18.2

Item II. PAYMENT TERMS

(Convertible Local Currency Credit)

1. Initial Payment—5 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—10 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 requirements (metric tons)</i>
Wheat and/or wheat flour (grain equivalent) . . .	1980	300 000

¹ Came into force on 18 March 1980 by signature.

² United Nations, *Treaty Series*, vol. 998, p. 227.

Item IV. EXPORT LIMITATIONS

A. The export limitation period shall be United States Fiscal Year 1980 or any subsequent United States Fiscal Year during which commodities financed under this Agreement are being imported or utilized.

For the purpose of part I, article III 4A, 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 Democratic Socialist Republic of Sri Lanka agrees to:

1. Develop information, statistical and analytical procedures for estimating foodgrain and other agricultural production forecasts and consumption requirements by:
 - (a) Placing particular emphasis on improving the gathering and compilation of statistical data and information as it relates to agriculture;
 - (b) Strengthening data gathering program[s] for sub-sector studies by placing emphasis on small farmers to evaluate methods of obtaining agricultural inputs, production trends, and utilization of small farm products; and
 - (c) Developing a data collection and analysis system which could be used to monitor and evaluate agricultural development activities, including self-help measures.
2. Expand and improve storage and warehouse facilities for rice, other foodgrains and food commodities, particularly those located at inland terminal locations, markets, villages and towns, and port areas so as to:
 - (a) Upgrade storage, handling and distribution of agricultural commodities;
 - (b) Improve the marketing and distribution of small farm production;
 - (c) Reduce losses due to pests and spoilage;
 - (d) Improve the coordination and scheduling of grain imports (under both concessional and commercial terms) with domestic production and the availability of storage; and
 - (e) Train management personnel of grain storage and distribution facilities.
3. Upgrade reforestation and dry land and watershed management programs.

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 the Agreement and for the following development sectors: agriculture, water resources, 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.

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

DONE at Colombo this eighteenth day of March, 1980.

For the Government
of the United States of America:

[Signed]

DONALD R. TOUSSAINT
American Ambassador

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

[Signed]

C. P. CHANMUGAM
Acting Secretary
Ministry of Finance and Planning

AGREED MINUTES

EMBASSY OF THE UNITED STATES OF AMERICA
COLOMBO, SRI LANKA

March 18, 1980

Dear Mr. Mohamed:

This letter will constitute the agreed minutes of our negotiations on the Agreement between our Governments to be signed on March 18, 1980, 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 approval 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. The Government of Sri Lanka shall promptly open letters of credit for both commodities and freight after the USDA issues the purchase authorizations and commodities are purchased and vessels booked.

3. Purchases of food commodities under the Agreement must be made on the basis of IFB publicly advertised in the United States and on the basis of bid offerings which must conform to the IFB. Bid offerings must be received and publicly opened in the United States. All awards under IFBs must be consistent with open, competitive, and responsive bid procedures.

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 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. Purchase Authorizations will be issued under the Agreement only after the U.S. Secretary of Agriculture has determined under the Bellmon Amendment (section 401 (b) of P.L. 480 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 and marketing.

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. 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 five working days before signing the Agreement: (i) the type and grade of commodity to be purchased in accordance with official U.S. standards; (ii) the proposed contracting and delivery schedules; (iii) the names and addresses of banks, both U.S. and foreign, which will be handling financial operations; and (iv) 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.

9. 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 of 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 Program Operations Division, Office of the General Sales Manager, USDA, regarding the foregoing.

10. 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 prior to the vessel's presentation for loading.

11. The Government of Sri Lanka will take appropriate measures 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.

12. The usual marketing requirement (UMR) in part II, item III, of the Agreement is 300,000 metric tons of wheat and/or wheat flour (grain equivalent basis) for import through normal commercial channels during U.S. Fiscal Year 1980. In accordance with a long term commitment, the United States Government expects to increase the UMR, in consultation with other supplier countries, under future agreements until the UMR is returned to the five year average of commercial imports.

13. Sri Lanka will continue commercial imports of wheat and/or wheat flour from the United States and third countries during FY 1980 in keeping with section 103 (o) of P.L. 480 and part I, article III (A) (2), of the Agreement.

14. Particular attention was drawn to part I, article I (E), of the Agreement signed March 25, 1975, 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 determining the market value 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 quantity of commodity to be financed will be limited to that specified in part II.

15. If the Government of Sri Lanka imports wheat flour on concessional terms during 1980 it also will purchase wheat flour under this Agreement.

16. Section 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.

17. Wheat bran, offals and middlings are excluded from the list of commodities that may not be exported under part II, item IV, of the Agreement.

18. 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) (article III (D)), self-help (article III (C)), and use of sales proceeds (article III (F)), as required under the provisions of the Agreement.

19. The self-help measures contained in part II, item V, of the Agreement are a continuation and amplification of the measures covered in the FY 1979 Title I Agreement. Any future P.L. 480 programs will be dependent on Government of Sri Lanka performance on these measures and the submission of a complete report to the American Embassy on the action and progress taken in the implementation of these self-help measures.

20. For identification and publicity of the commodities to be received, in accordance with part I, article III (1), 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.

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.O. 480, Title I Sales Agreement.

Sincerely yours,

[Signed]

MARVIN J. HOFFENBERG
First Secretary
Economic/Commercial

I concur in the above statements.

[Signed]

M. A. MOHAMED
Acting Director
Department of External Resources
Ministry of Finance and Planning

Mr. M. A. Mohamed
Acting Director
Department of External Resources
Ministry of Finance and Planning
Colombo

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹
BETWEEN THE UNITED STATES OF AMERICA AND THE
DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
AMENDING THE AGREEMENT OF 18 MARCH 1980 FOR THE
SALE OF AGRICULTURAL COMMODITIES²

I

*The American Ambassador to the Sri Lankan Secretary,
Ministry of Finance and Planning*

Colombo, May 21, 1980

Dear Sir,

I have the honor to refer to the PL-480 Title I Agricultural Sales Agreement signed by representatives of our two Governments on March 18, 1980,² and to propose that agreement be amended as follows: In part II, item I, Commodity Table: under appropriate columns for wheat/wheat flour, delete quote 107,000 and \$18.2 unquote and insert quote 145,000 and \$25 unquote. All other terms and conditions of the March 18, 1980, Title I agreement remain the same.

I have the honor to propose that this note and your reply concurring therein constitute an agreement between our two Governments effective on the date of your note in reply.

Accept, Sir, assurances of my highest consideration.

DONALD R. TOUSSAINT

Dr. W. M. Tilakaratna
Secretary
Ministry of Finance and Planning
Colombo

II

MINISTRY OF FINANCE AND PLANNING
THE SECRETARIAT
COLOMBO

Date: May 21st, 1980

Excellency,

I have the honour to acknowledge receipt of your Note of today's date which reads as follows:

[See note I]

¹ Came into force on 21 May 1980, the date of the note in reply, in accordance with the provisions of the said notes.

² See p. 154 of this volume.

I concur in the proposal set out in the note under reference.

Accept, Excellency, the renewed assurances of my highest consideration.

[Signed]

W. M. TILAKARATNA
Secretary
Ministry of Finance and Planning

His Excellency Mr. D. R. Toussaint
Ambassador of [the] United States of America
Colombo

RELATED LETTER

EMBASSY OF THE UNITED STATES OF AMERICA
COLOMBO

April 16, 1980

Dear Mr. Weerakoon:

This letter constitutes agreement that the agreed minutes accompanying the PL-480 Title I Agreement signed on March 18, 1980, are applicable also to the first amendment to that agreement to be signed in May 1980.

Sincerely,

[Signed]

MARVIN J. HOFFENBERG
First Secretary
Economic/Commercial

I concur in the above statement.

[Signed]

RONNIE WEERAKOON
Director

Department of External Resources
Ministry of Finance and Planning

Mr. Ronnie Weerakoon
Director
Department of External Resources
Ministry of Finance and Planning
Colombo