

**No. 21110**

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**UNITED STATES OF AMERICA  
and  
MOZAMBIQUE**

**Agreement for the sale of agricultural commodities (with  
minutes of negotiations). Signed at Maputo on  
23 February 1981**

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

*Authentic text of the minutes of negotiations: English.*

*Registered by the United States of America on 22 June 1982.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
MOZAMBIQUE**

**Accord relatif à la vente de produits agricoles (avec  
procès-verbal de négociations). Signé à Maputo le  
23 février 1981**

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

*Texte authentique du procès-verbal de négociations: anglais.*

*Enregistré par les États-Unis d'Amérique le 22 juin 1982.*

**AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF MOZAMBIQUE FOR THE SALE 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 Mozambique have agreed to the sales of agricultural commodities specified below. This Agreement shall consist of the preamble, parts I and III of the June 28, 1979 Agreement<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. FY)</i>	<i>Approximate maximum quantity (Metric tons)</i>	<i>Maximum export market value (Millions)</i>
Rice .....	1981	3,800	Dols 2.0
Wheat .....	1981	15,700	3.0
<b>TOTAL</b>			<b>5.0</b>

**Item II. PAYMENT TERMS: CONVERTIBLE LOCAL CURRENCY CREDIT (40 years)**

1. Initial payment, five (5) percent.
2. Currency use payment, five (5) percent for section 104(A) purposes.
3. Number of installment payments, thirty-one (31).
4. Amount of each installment payment, approximately equal annual payments.
5. Due date of first installment payment, ten (10) years from date of last delivery of commodities in each calendar year.
6. Initial interest rate, two (2) percent.
7. Continuing interest rate, three (3) percent.

**Item III. USUAL MARKETING TABLE**

<i>Commodity</i>	<i>Import period (U.S. FY)</i>	<i>Requirements (Metric tons)</i>
Rice .....	1981	20,000
Wheat/wheat flour (grain equivalent basis) .....	1981	59,000

<sup>1</sup> Came into force on 23 February 1981 by signature, in accordance with part III (A).

<sup>2</sup> United Nations, *Treaty Series*, vol. 1207, No. I-19463.

#### *Item IV. EXPORT LIMITATIONS*

A. The export limitation period shall be U.S. fiscal year 1981 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 this Agreement, the commodities [that] may not be exported are: for rice, rice in the form of paddy, brown or milled; and for wheat/wheat flour, wheat, wheat flour, rolled wheat, semolina, farina, bulgar (or the same products under different names).

#### *Item V. SELF-HELP MEASURES*

A. The government of the importing country agrees to undertake self-help measures to improve the production, storage, and distribution of agricultural commodities. The following self-help measures shall be implemented to contribute directly to development progress in poor rural areas and enable the poor to participate actively in increasing agricultural production through small farm agriculture.

B. The Government of the Republic of Mozambique agrees to undertake the following activities and in doing so to provide adequate financial, technical, and managerial resources for their implementation:

1. Continue to review agricultural sector pricing policies to evaluate their effectiveness in assuring equitable returns to producers.
2. Continue the following activities in connection with the FAO-NORDIC (MONAP) program:
  - A. Support the production, improvement, and distribution of seeds;
  - B. Strengthen the storage, handling and distribution systems related to basic food production and agricultural inputs;
  - C. Improve the quality and use of agricultural land available to small farmers.
3. Continue to elaborate a food security programming assistance policy through the establishment of a national grain supply security reserve, construction of storage facilities at three main ports, provision of equipment for the commercialization of food grains and grain collection, establishment of mobile stock quality control and stock maintenance teams, assignment of technical assistance for grain marketing.

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

A. The commodities provided in this Agreement, or the proceeds accruing to the importing country from the sale of such commodities, will be used for implementing the following projects and programs which directly benefit the needy people of the importing country.

1. Those self-help measures set forth in item V of the Agreement and/or:
2. The implementation of programs to construct feeder roads into areas with high agricultural production potential and to insure proper maintenance of existing rural roads.

3. The institution of a baseline study designed to generate crop reporting, input costs, marketing, and rural economic data for the domestic production of wheat, rice, corn, and other essential food crops.
5. Reactivate at local level, the meteorological network and make the different local organs aware of the importance of this activity in order to improve the control of this task guaranteeing the research of this data and its delivery to central organs.

B. The projects/programs identified in item VI (A) will directly benefit the needy in the following ways:

1. Seed quality has deteriorated and inefficient varieties are often the only ones available. Advances in seed production, quality and distribution, and the introduction of drought tolerant food crops and varieties in areas with irregular rainfall will increase small farmer plantings and yields and thereby reduce risks to both the producer and the market.
2. Agriculture product and input marketing with better storage and transport systems, including the maintenance and expansion of rural roads, will improve rural productivity and increase farm and non-farm access to food resources. Input marketing will expand availability of fertilizer pesticides, and small agricultural implements to increase outputs of farmers emerging from subsistence agriculture. Improvements in crop storage, marketing and distribution will reduce losses and inequities in rural as well as urban markets throughout the country.
3. Agriculture land use and conservation activities will reduce and control the encroachment of undergrowth (bush), thereby maintaining and extending food production areas for the small farmer.
4. Livestock research, development, and immunization will improve income by providing employment opportunities as well as developing expanded small animal programs which will increase opportunities for the small farmer to diversify his production.
5. Reforestation programs will benefit rural wage earners through labor-intensive projects. Regeneration of wood fuel supplies and efficient production and marketing will provide reasonably priced rural and urban fuel supplies and generate additional on-farm revenue.
6. Institution of baseline economic production studies and continuation of the review of agricultural sector pricing policies will assure equitable returns to small farm holders and provide basic data necessary for the design and evaluation of agriculture projects.
7. Improvement of agricultural potential through the expansion of irrigation and construction of dams as measures to augment water storage capacity of the soil will minimize small farmer losses due to drought effects.
8. Development of scientific studies of climatological data closely related to agriculture with the establishment of an agro-meteorological department at the meteorological services, will enable small farmers to benefit from programmed measures in case of natural disasters.
9. The elaboration and implementation of a food security program will result in an improved supply of domestic food grains during times of scarcity or drought.

10. Strengthening the existing national committee for natural disasters will result in increased food supplies in rural areas and improved channels of distribution to small farmers and other people in need [of] urgent food assistance.

**C. Report on use of currency.**

In addition to the report required by part I, article II (F) of this Agreement, the importing country agrees to report on the progress of the implementation of the projects/programs identified in item VI (A) above and the extent to which projects/programs were used to benefit the needy people. Such report shall be made by the importing country within six months following the last delivery of commodities in the first calendar year of the Agreement and every six months thereafter until all the commodities provided hereunder, or the proceeds from their sale, have been used for the projects/programs specified in item VI (A) above.

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

DONE at Maputo in duplicate, the twenty-third day of February, 1981.

For the Government  
of the People's Republic of Mozambique:  
[Signed]

JANET R. MONDLANE  
National Director, Office of International  
Cooperation Government of  
the People's Republic of Mozam-  
bique

For the Government  
of the United States of America:  
[Signed]

WILLIAM H. TWADDELL  
Chargé d'Affaires a.i.  
Embassy of the United States  
of America

**MINUTES OF THE NEGOTIATING MEETING BETWEEN THE PARTIES  
OF THE PROPOSED FY 1981 PUBLIC LAW 480 TITLE I SALES  
AGREEMENT**

*Place:* Maputo, Mozambique

*Attending:*

**Government of the People's Republic of Mozambique Delegation:**

Janet R. Mondlane, Director of International Cooperation, Office of  
International Cooperation

Dina Forti, Special Assistant, Office of International Cooperation

Abel R. Chicalia, Officer, Ministry of External Commerce

Luis Mhonga, Director, ENACOMO

Americo Magaia; Director of Commerce, ENACOMO

Carlos Carvalho, Director of National Supply, Ministry of Internal  
Commerce

Gabriela Valerio, Officer, Food Supply Board, Ministry of Internal  
Commerce

Americo Antonio Fortuna, Officer, Office of International Cooperation

**Government of the United States of America Delegation:**

William H. Twaddell, Chargé d'Affaires *ad interim*, United States Embassy,  
Maputo

Jon O'Rourke, Regional Food for Peace Officer, United States Embassy, Lusaka

I. The purpose of the meeting between representatives of the Government of the People's Republic of Mozambique and the Government of the United States of America was to negotiate a U.S. fiscal year 1981 (October 1, 1980 to September 30, 1981) agricultural commodity sales agreement for U.S. dollars 5.0 million of wheat and rice under the U.S. Government Public Law 480 Title I Program.

II. The U.S. Delegation reviewed the draft agreement with the Mozambique Delegation and explained that:

1. The Agreement incorporates by reference the preamble, parts I and III of the PL-480 Title I Agreement signed on June 28, 1979.

2. The commodity commitment in the Agreement is in terms of dollar values and not quantities. At the time of the Agreement was drafted, it was estimated that U.S. dollars 5.0 million would purchase approximately 3,800 metric tons of rice and 15,700 metric tons of wheat. Therefore, when purchases are made, if the price of wheat and/or rice permits, additional wheat and/or rice may be purchased up to the U.S. dollar 5.0 million level, or, on the other hand, if prices rise, the quantity of wheat and/or rice financed under this agreement will be reduced accordingly.

3. In order to accomplish early shipment of the commodities, the Government of the People's Republic of Mozambique should (a) make all arrangements for letters of credit for both the commodity and the ocean freight, and (b) appoint as soon as possible the purchasing team to make the purchasing arrangements in the United States.

4. In order to implement the purchase of rice and wheat under the agreement during the authorized supply period, U.S. fiscal year 1981 (October 1, 1980 to September 30, 1981), it is essential that the Government of the People's Republic of Mozambique initiate the purchasing process as soon as possible after signing the agreement. This process includes the following:

- (a) Dispatch fully authorized representatives to Washington, D.C. to undertake the required action.
- (b) Submit to the U.S. Department of Agriculture a written request for a Purchase Authorization.
- (c) After approval by the U.S. Department of Agriculture, prepare and issue an invitation for bids (IFB's) which will handle the letters of credit.
- (d) Designate the Mozambican and U.S. banks which will handle the letters of credit.
- (e) Act expeditiously to open letters of credit in favor of supplier(s) of grain and freight for 100 percent of the grain and 100 percent of the ocean freight costs. The letters of credit must be opened no later than 48 hours prior to each contracted vessel's presentation for loading. Commodity suppliers are refusing to load vessels when acceptable letters of credit for both the commodity and the ocean freight are not available at the time of loading. This has resulted in costly claims by vessel owners for demurrage and/or detention claims and carrying charges by commodity suppliers.

- (f) Commissions, fees or other payments to any selling agent seeking to obtain a contract for the purchase of food commodities under this agreement are prohibited.
- (g) If a Purchasing Agent and/or Shipping Agent is nominated, this nomination must be submitted to the U.S. Department of Agriculture in writing, accompanied by the proposed agency agreement for the U.S. Department of Agriculture approval.

5. Reporting by the Government of the People's Republic of Mozambique is an essential part of the Agreement. In the past, some of these reports have not been timely and/or complete, and this has caused delays in the signing of agreements. The Government of the People's Republic of Mozambique will be responsible for the timely submission of the following reports:

- (a) Quarterly Compliance Reports which are submitted at the end of each quarter during the supply period. Each report includes official Government of the People's Republic of Mozambique information regarding imports and exports of food commodities included in the agreement (i.e., rice, wheat, wheat flour, rolled wheat, semolina, farina, and bulgar). These reports are due on the following dates: March 31, 1981, June 30, 1981, and September 30, 1981.
- (b) Shipping and Arrival Reports which provide details on the arrival of the ships carrying the commodities delivered to Mozambique under this agreement. These reports are completed for each ship and submitted to the U.S. Embassy shortly after the arrival of the vessel in Mozambique.
- (c) The Annual Self-Help Report which is due in the U.S. Embassy on November 15, 1981, must contain specific information regarding the progress the Government of the People's Republic of Mozambique has made in implementing the self-help measures in the Agreement. The FY-80 Self-Help Report, which was due in November 1980, must also contain more specific information.
- (d) The Local Currency Proceeds Reports which report the use of local currency proceeds generated under this Agreement and the previous FY-79 and FY-80 agreements are due every six months. For this Agreement, the Local Currency Proceeds Reports should be submitted to the U.S. Embassy on June 30, 1981 and December 31, 1981.

6. It is important for the Government of the People's Republic of Mozambique to provide the United States Government with a full assessment of the present transportation situation on a periodic basis so that the U.S. Embassy in Maputo can confirm that the grain purchased under this agreement can be shipped to Mozambique, stored and distributed therein. The U.S. Embassy must report to Washington, D.C. an assessment of the transportation system no later than 72 hours before the issuance of each Purchase Authorization. Pursuant to new U.S. legislative and regulatory requirements, Purchase Authorizations will be issued under the agreement only after the U.S. Secretary of Agriculture has determined that adequate storage facilities are available locally at the time of exportation to prevent the spoilage or waste of the commodity, and the distribution of the commodity will not result in a substantial disincentive or interference with domestic production or marketing.

7. The Agreement provides for a Usual Marketing Requirement (UMR) of 20,000 metric tons of rice and 59,000 metric tons of wheat/wheat flour. This UMR is based on an average of commercial imports for a five-year period. Only

commercial purchases from non-communist countries are included in the UMR computations.

8. The Agreement calls for limitations on the export from Mozambique of rice (in the form of paddy, brown or milled) and wheat, wheat flour, semolina, farina and bulgar, or the same products under different names. These export limitations apply to the supply period October 1, 1980 through September 30, 1981, and any subsequent U.S. fiscal year during which the rice or wheat purchased under this agreement is utilized.

9. The Government of the People's Republic of Mozambique is requested to identify the following:

- (1) The specific receiving points for the commodities.
- (2) The specific storage points for the commodities.
- (3) The channels of distribution.
- (4) The wholesale and retail prices at which the commodities will be sold.
- (5) Any possibilities for the commodities moving outside the above market channels.

10. The Government of the People's Republic of Mozambique is requested to identify:

- (a) The name(s), title(s) and office(s) of the member(s) of the purchasing team who will travel to Washington to make the purchase and arrange for ocean freight.
- (b) The specific type of rice and wheat which the Government of the People's Republic of Mozambique prefers to purchase under the agreement.

11. The Government of the People's Republic of Mozambique is requested to:

- (a) Submit to the U.S. Embassy in Maputo a completed Annual Self-Help Report for U.S. fiscal year 1980. This report was due November 15, 1980, and when submitted should contain specific reference to progress made toward achieving the Self-Help Measures in the FY-80 agreement with its amendment.
- (b) Submit to the U.S. Embassy in Maputo a Local Currency Report which will (i) explain how much of the local currency proceeds remain unutilized from the FY-79 agreement; (ii) explain how those funds are to be used; and (iii) indicate approximately when the local currency funds from the FY-79 and FY-80 Title I Agreements will be expended.

12. At least 50 percent of the PL-480 Title I commodity must be moved on U.S. flag shipping vessels, if available, at fair and reasonable rates.

13. Upon the signature of the Agreement, the Government of the People's Republic of Mozambique should act expeditiously in all matters pertaining to the purchase and delivery of the commodity.

III. The Delegation from the Government of the People's Republic of Mozambique assured the United States Government Delegation that:

1. The Government of the People's Republic of Mozambique representative(s), with appropriate delegation of authority to expeditiously initiate and conclude the required purchasing process, will travel to Washington as soon as possible after the agreement is signed.



2. Appropriate Government of the People's Republic of Mozambique authorities have been appointed and are prepared to (a) open letters of credit for 100 percent of both the commodity and ocean freight prior to the purchase of the commodity and the booking of the vessel, and (b) make prompt transfers of funds to cover the initial payment and the ocean freight costs on the commodity purchased under the agreement.

3. The banks which will be handling the financial operations related to this agreement, and through which letters of credit will be opened for the commodities and ocean freight, are (a) The Bank of Mozambique in Maputo, and (b) The Morgan Guaranty Trust Company at 23 Wall Street, New York, New York.

4. The Government of the People's Republic of Mozambique will inform the U.S. Embassy in Maputo of the following:

(a) The type and grade of commodity to be purchased in accordance with official U.S. standards.

(b) The proposed contracting and delivery schedule.

5. If the Government of the People's Republic of Mozambique decides to engage a Shipping Agent, the representative(s) traveling to Washington will notify the U.S. Department of Agriculture and provide it with a copy of the agreement.

6. The Government of the People's Republic of Mozambique has made arrangements so that their representative(s) who travel to Washington will have the instructions, information and authority to implement the agreement. This will include:

(a) The type and grade of commodity to be purchased.

(b) The contracting and delivery schedules.

(c) The names and addresses of the U.S. and commercial banks which will handle the transactions.

(d) Authority to request and sign a Purchase Authorization and other necessary documents.

(e) Complete instructions/information/authority regarding arrangements for purchasing commodities and contracting for freight (including the appointment of Purchasing and/or Shipping Agents, if applicable).

(f) Instructions to contact the Program Operations Division, Office of the General Sales Manager, U.S. Department of Agriculture, regarding the foregoing.

7. The Government of the People's Republic of Mozambique will present its FY-80 Self-Help Report to the U.S. Embassy in Maputo by February 28, 1981 at the latest and will present its Annual Self-Help Report for this FY-81 Agreement to the U.S. Embassy on or before November 15, 1981. Both of these reports will contain details with regard to progress made by the Government of the People's Republic of Mozambique in implementing the specific Self-Help Measures contained in each agreement.

8. The Government of the People's Republic of Mozambique will present to the U.S. Embassy in Maputo, as soon as possible, a report on the status of the local currency proceeds generated under the FY-79 and FY-80 Agreements. This report will (a) explain how much local currency proceeds remain unutilized from the FY-79 Agreement, (b) explain how the Government of the People's Republic of Mozambique expect to use these funds, and (c) indicate approximately when

the Government of the People's Republic of Mozambique expects to expend the local currency funds from the FY-79 and FY-80 Agreements.

9. The Government of the People's Republic of Mozambique will provide the U.S. Embassy in Maputo with Quarterly Compliance Reports on the appropriate forms on March 31, 1981 (for the Period October 1, 1980 through March 31, 1981), June 30, 1981 (for the period April 1, 1981 through June 30, 1981), and September 30, 1981 (for the period July 1, 1981 through September 30, 1981).

10. The Government of the People's Republic of Mozambique will provide the U.S. Embassy in Maputo with Shipping and Arrival Reports on a timely basis and as soon as possible after the vessels discharge.

11. The Government of the People's Republic of Mozambique will provide the U.S. Embassy in Maputo with regular informal reports and information on the ability of the Government of the People's Republic of Mozambique to receive at port, store, transport and distribute in Mozambique the commodities financed under this Agreement.

12. The commodity provided for under the U.S. FY-81 Agreement will arrive at the ports of Maputo, Beira, and/or Nacala as designated by ENACOMO of the Ministry of Foreign Trade. The Ministry of Internal Commerce, in turn, will direct where the food is stored and, depending on stock positions and need, in which areas of the country it is distributed. The commodity, in turn, will be sold to consumers through the Ministry of Internal Commerce's distribution network at national prices fixed by the Government of the People's Republic of Mozambique.

13. The Government of the People's Republic of Mozambique would publicize in the local press the signing of the Agreement and the arrival of each ship carrying the commodity financed under this Agreement.

14. It was agreed that these minutes would be initialed by the signers of the Agreement at the time the Agreement is signed and that these minutes will become part of the Agreement.

15. The above sets forth the elements of understanding reached during the negotiations for the FY-81 Public Law 480 Title I Agreement between the Government of the People's Republic of Mozambique and the Government of the United States of America.

For the Government  
of the United States of America

[Signed]

WILLIAM H. TWADDELL  
Chargé d'Affaires a.i.  
Embassy of the United States  
of America

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

[Signed]

JANET R. MONDLANE  
National Director, Office of International Cooperation Government of  
the People's Republic of Mozambique

SIGNED at Maputo, Mozambique, February 23, 1981.