No. 21806

UNITED STATES OF AMERICA
and
SIERRA LEONE

Agreement for the sale of agricultural commodities (with memorandum of negotiations). Signed at Freetown on 25 March 1981

Exchange of notes constituting an agreement amending the above-mentioned Agreement. Freetown, 17 and 18 August 1981

Authentic text: English.

Registered by the United States of America on 31 March 1983.

ÉTATS-UNIS D'AMÉRIQUE
et
SIERRA LEONE

Accord relatif à la vente de produits agricoles (avec compte rendu des négociations). Signé à Freetown le 25 mars 1981

Échange de notes constituant un accord modifiant l'Accord susmentionné. Freetown, 17 et 18 août 1981

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 31 mars 1983.

AGREEMENT[1] BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF SIERRA LEONE 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 Republic of Sierra Leone have agreed to the sale of agricultural commodities specified below. This Agreement shall consist of the Preamble, Parts I and III of the August 31, 1978, Agreement[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 (million dols.)*
Rice	1981	2,600	1.300
TOTAL			1.300

Item II. PAYMENT TERMS

(Convertible Local Currency Credit—40 Years)

1. Initial Payment—None.
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 installments.
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

Commodity	*Import period (U.S. Fiscal Year)*	*Usual marketing requirements (metric tons)*
Rice	1981	16,000

[1] Came into force on 25 March 1981 by signature, in accordance with part III (A).
[2] United Nations, *Treaty Series*, vol. 1150, p. 211.

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 the Agreement, the commodities which may not be exported are: for rice—rice in the form of paddy, brown or milled.

Item V. SELF-HELP MEASURES

A. The Government of Sierra Leone 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 GOSL agrees to undertake the following and in doing so to provide adequate financial, technical, and managerial resources for their implementation:

1. Accelerate and expand food crop adaptive research and replicable delivery systems by increased support to the National Agricultural Research Center and Njala University College for the development of new food crop varieties responsive to local conditions, by establishment and adequate support of a National Food Crops Adaptive Research and Extension Institute, by implementation of supervised on-farm adaptive food crops research and extension trials among small farmers, and by distribution and supervision of food crop mini-kits, which are properly synthesized (being technically sound, economically feasible and socially compatible) for direct small farmer use and benefit;
2. Accelerate the production and distribution of technology-related inputs such as improved food crop seed to small farmers, by establishment and support of the seed multiplication project and rice development program on a national basis providing assistance to small farmers in securing and utilizing improved seeds;
3. Strengthen the extension service within the Ministry of Agriculture and Forestry to speed diffusion of new agricultural technology to small farmers by implementation and adequate support of a national training program for farmer-level extension technicians;
4. Study the need to support and expand the capability of the Ministry of Agriculture and Forestry to collect agricultural statistics in order to improve the quality of sectoral planning and evaluation;
5. Expand agricultural policy research in order to shed additional light on such structural issues as farm input and commodity pricing, marketing systems and food grain stabilization;
6. Improve agricultural marketing systems through expansion and maintenance of rural feeder roads;
7. In cooperation with appropriate national/international organizations and the Government of the United States of America, namely the United States Department of Agriculture/United States Agency for International Development, conduct an official review of the current supply/distribution and trade

data in the agricultural sector to determine completeness and validity for its utilization for economic development and related research analysis and projection and for Public Law 480-type programming. Particular emphasis will be given to updating supply/demand and trade data required for commodities proposed for PL 480 programming.

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 sale of commodities financed under this Agreement will be used for financing the self-help measures set forth in the Agreement and for the following development sector (agriculture and rural development), in a manner designed to increase the access of the poor in the recipient country to an adequate, nutritious, and stable food supply.

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 Freetown, in triplicate the 25th day of March, 1981.

For the Government of the United States of America:

[*Signed*]

THERESA A. HEALY
Ambassador
Embassy of the United States of America

For the Government of the Republic of Sierra Leone:

[*Signed*]

SAMA S. BANYA
Minister of Finance, Development and Economic Planning of the Republic of Sierra Leone

MEMORANDUM OF NEGOTIATIONS

The following issues were discussed and agreed upon during negotiations leading to the FY 1981 Agreement between the Government of Sierra Leone and the Government of the United States for Sale of Agricultural Commodities under the PL 480 Title I Program. The negotiators were for the Government of Sierra Leone (GOSL), Peter J. Kuyembeh, Financial Secretary, Ministry of Finance, Development and Economic Planning and for the Government of the United States (USG), Norman L. Sheldon, Agriculture Development Officer, A.I.D. Section of the Embassy of the United States in Freetown.

I. *Role and rationale for the Title I PL 480 Program*

The concessional sale of U.S. commodities:

a) Provides foreign exchange relief during a period of foreign exchange scarcity and thus frees resources for other essential imports and development expenditures. In this context the FY 1981 sales program is directly supportive of the current GOSL-IMF Stand-by Arrangement (Letter of Intent);

b) Generates, in a non-inflationary manner, revenues for the GOSL development effort, thus ensuring program continuity in a period of budget austerity;

c) Provides, in a non-disincentive manner, food grain commodities during a period of scarcity.

II. *Conditions and procedures*

Mr. Kuyembeh was provided a copy of the negotiating instructions issued by the U.S. Agency for International Development (USAID) and the U.S. Department of Agriculture (USDA). The points raised in that instruction were subsequently reviewed by the negotiators and agreed upon. Summarized briefly below these were:

a) Financial terms were noted to not have changed, namely: the financing, as set forth in Part II, Item 2 of the proposed credit (CLCC) terms of 40 years, including a 10-year grace period; interest rates of 2 percent during the grace period and 3 percent thereafter. There is no initial payment but a currency use payment (CUP) of 5 percent is required.

b) The proposed commodity compositions, as shown in Part II, Item I, provides for about 2,600 MT of rice with a total export market value of $1.3 million for supply in Fiscal Year 1981. The export market value is the final determinate of the amount of commodities which can be purchased. This means that if commodity prices increase over that used in Part II of the Agreement, the quantity to be financed under the Agreement will be less than the approximate maximum quantity specified. However, should actual prices be lower at the time of purchase, GOSL may utilize the total export market value of U.S. dols 1.3 million.

c) In order to maximize total quantity of food shipped under this Agreement, tobacco will not be programmed. Corn will not be programmed because of shortfall in U.S. production. Wheat will not be programmed because the UMR and consumption figures indicate the maximum amount that could be programmed is 1,000 MT, the purchase of which would result in very high freight costs. Also, the debt that the GOSL owes to Seaboard Milling W.A. is complicating the usual commercial marketing of wheat thereby making it most difficult to program wheat under PL 480 Title I. The GOSL has promised to make payment to Seaboard as soon as allowable under IMF restrictions.

On behalf of the GOSL, the Financial Secretary expressed disappointment over the non-inclusion of corn and especially wheat in the current program. There is currently a critical shortage of wheat in Sierra Leone. Wheat is not grown in Sierra Leone and is needed to make flour for the baking of bread which is next to rice as a staple food. The GOSL at highest levels is concerned about the repercussions of the wheat shortage. The Financial Secretary urgently requested that the USG reconsider and include wheat in this Agreement. The Finance Secretary suggested that high freight costs could be taken care of by combining the PL 480 wheat with a commercial shipment of wheat through Seaboard Milling West Africa acting as purchasing agent on behalf of the GOSL as they have done on several occasions in previous years.

d) Part II, Item 3, of the draft Sales Agreement provides for usual marketing requirements (UMR's) of 16,000 MT of rice. The above UMR reflects a 5 year average for rice. The UMR is based on commercial imports from non-communist countries.

e) Self-help measures and use of proceeds. The GOSL is currently and will continue to undertake Self-Help measures to increase per capita production and improve the means for storage and distribution of agricultural commodities and take into particular account the extent to which they are being carried out in ways designed 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. Regarding the utilization of the local currencies accruing to the GOSL from the sale of agricultural commodities financed under the Agreement, emphasis shall be placed on the use of such proceeds for purposes which directly improve the lives of the poorest of the recipient countries' people and their capacity to participate in the development of their country. Greatest emphasis is and will continue to be placed on the use of such proceeds to carry out programs of agricultural development, rural development, nutrition, and population planning.

The GOSL will continue to work with the USG to see the number of Self-Help projects and programs reduced and their scope narrowed, with selection of small numbers of projects that are small farmer oriented, ongoing, and successful and use the local currency to allow these projects to take on additional aspects or tasks more directly linked to specific objectives, and the projects should have aspects which are quantifiable.

f) The commodities financed under the Agreement will be received, stored and distributed within Sierra Leone as indicated below unless otherwise agreed to:

Receipt. All PL 480 Title I commodities are received at the port of Freetown and delivered directly to the purchaser. Highest priority will be accorded to process these commodities through the Freetown port. Berth No. 1 is reserved for these commodities.

Storage. The purchaser has adequate storage facilities capable of handling many times the volume of the commodities provided under the PL 480 Title I program. There is no record of commodity spoilage or loss in storage.

Distribution. Distribution of the commodities in this Agreement will proceed without interfering with local marketing of the same kind of commodities.

Disincentives. Import and distribution of PL 480 Title I commodities will not cause disincentives to local production of the same kind of commodities.

g) The Ministry of Development and Economic Planning (MDEP) has agreed to provide, as part of the Self-Help and Use of Sales Proceeds Reports by 15 December 1981, proper identification of each receiving and distribution channel for each of the commodities along with the associated price and cost levels. The GOSL is providing the requisite compliance reports, arrival and shipping information (ADP sheets) reports, Self-Help reports, and Use of Sales Proceeds Reports on a timely basis, as required under the provisions of the Agreement. The USG presently enjoys access on request to all points involved in the receipt and storage of PL 480 commodities before conversion, and plans to make spot checks of the Sierra Leone Produce Marketing Board (SLPMB), the semi-autonomous government agency which is the purchaser and distributor of the rice under this Agreement.

h) The possibility of commodity diversions outside normal marketing channels or other misuse was discussed and it was noted that there has been no problem in this regard in the past. Furthermore, it is felt that the quantities involved are small enough to be relatively easy to secure in the short interval between off-loading and distribution by the purchaser. The Financial Secretary further confirmed that both port and border security have been strengthened, and that there is a high penalty which includes imprisonment, fine or both for any activity outside normal market channels.

i) *Reporting Requirements.* GOSL officials are aware of Washington's concern about the GOSL's responsibility for adequate and timely submission of reports on compliance, shipping, and arrival information (ADP) sheets, self-help and use of sales proceeds, as required under the standard provisions of the Agreement. The GOSL understands the importance of timely submission of quarterly compliance reports, and that reports on self-help measures are due in the U.S. Embassy by November 15 and in Washington by December 15 of the year following the signing of this Agreement.

j) The GOSL is completely familiar with the requirement to ship at least 50 percent of the commodities on U.S. flag carrier.

k) Agreements have been made by appropriate authorities to relay to GOSL Embassy/Washington all instructions, information and authority necessary to ensure timely implementation of Agreement, including:

(1) Type and grade of commodity to be purchased in accordance with official U.S. standards;

(2) Proposed contracting and delivery schedules. (Note that delivery means delivery to vessel at U.S. port.);

(3) Name and address of Sierra Leone and U.S. commercial banks through which letters of credit for commodity and ocean freight will be opened;

(4) Assurance that appropriate GOSL authorities are prepared to make prompt transfers of funds to cover ocean freight costs on commodities purchased under the Agreement;

(5) Instructions regarding arrangements for purchasing commodities and contracting for freight (including appointment of purchasing and shipping agent); and

(6) Instructions to contact Program Operations Division, Export Credits, Foreign Agricultural Service, USDA, telephone (202) 447-5780 for further assistance in implementing Agreement.

l) Under current regulatory and legislative requirements:

(1) Commodities will be made available under the Agreement only after the U.S. 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 or interference with domestic production or marketing.

(2) Purchase of food commodities under the Agreement must be made on the basis of invitations for bids (IFB's) publicly advertised in the United States and on the basis of bids (offers) which must conform to the IFB. Bids 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/FAS/EC prior to issuance.

(4) If the GOSL nominates a purchasing or shipping agent to procure commodities or arrange ocean transportation under the Agreement, the GOSL must notify the General Sales Manager, USDA/FAS/EC in writing, of such nomination and attach a copy of the proposed Agency Agreement. All purchasing and shipping agents must be approved by the Foreign Agricultural Service in accordance with regulatory standards designed to eliminate certain potential conflicts of interest.

m) The GOSL is prepared to open operable Letters of Credit, for both commodity and freight, confirmed by U.S. commercial banks named by the GOSL, as soon as commodities are purchased and ocean freight booked. Commodity and freight suppliers may refuse to load vessels when acceptable letters of credit for commodities/ocean freight are not available at time of loading. This can result in costly claims for account of the GOSL by vessel owners (demurrage) and by commodity suppliers (carrying charges).

The GOSL agrees to Open Letters of Credit for 100 percent of ocean freight not later than 48 hours prior to vessel presentation for loading, providing for sight payment or acceptance of a draft in U.S. dollars in favor of the ocean transportation supplier on the basis of tonnage and rates specified in the applicable charger party or booking note.

Concerning payment of the final 10 percent of ocean freight charges, in the case where the ocean freight contract provides for demurrage/despatch, 90 percent must be paid promptly on arrival of cargo. The remaining 10 percent, less despatch if any, should be paid promptly to the carrier upon completion of the laytime statement. If there is any dispute as to the amount of despatch, the owner should receive payment of the 10 percent balance less adjustments for despatch upon submission of required documentation. Claims against the carrier for damaged or lost cargo should be pursued through normal channels and not be deducted from the ocean freight.

[*Signed*]

NORMAN L. SHELDON
Acting AID Affairs Officer
U.S. Embassy
Freetown, Sierra Leone

[*Signed*]

PETER J. KUYEMBEH
Acting Finance Secretary
Ministry of Finance, Development
and Economic Planning

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT[1] BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF SIERRA LEONE AMENDING THE AGREEMENT OF 25 MARCH 1981 FOR THE SALE OF AGRICULTURAL COMMODITIES[2]

I

EMBASSY OF THE UNITED STATES OF AMERICA
FREETOWN

August 17, 1981

Sir:

I have the honor to refer to the Agricultural Commodity Agreement signed by representatives of our two governments March 25, 1981,[2] and to propose that Part II, Particular Provisions, be amended as follows:

> Under Item I, Commodity Table, on line entitled "rice" and under appropriate column headings change "2,600" to "4,500", and "1.3" to "2.1". Also under Item I, Commodity Table, add under appropriate headings "wheat—1981—1,100—0.2". At the end of the Commodity Table add a line for totals. It should say, "Total" in the first column and "2.3" in the fourth column. Under Item III, Usual Marketing Table, add under appropriate headings "wheat/wheat flour—1981—34,000." Under Item IV, Export Limitations, add to end of paragraph B, "for wheat/wheat flour—wheat, wheat flour, rolled wheat, semolina, farina, bulgur (or the same products under different names)."

All other terms and conditions of the March 25, 1981, Agreement remain the same.

If the foregoing is acceptable to your government, I propose that this Note and your reply thereto constitute an agreement between our two governments, to be effective the date of your Note in reply.

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

RICHARD J. TIERNEY
Chargé d'Affaires a.i.

The Honorable Dr. Sama S. Banya
Minister of Finance and Minister
of Development and Economic Planning
Republic of Sierra Leone
Freetown

[1] Came into force on 18 August 1981, the date of the note in reply, in accordance with the provisions of the said notes.
[2] See p. 430 of this volume.

II

MINISTRY OF FINANCE
FREETOWN, SIERRA LEONE

The Hon. Minister of Finance

18th August 1981

Our Ref: 15/4/64 vol. 3

Sir,

I have the honour to confirm receipt of your letter dated 17th August 1981 on the amendment for additional provision under the PL. 480 Title I Agreement, signed March 25th, 1981, and to confirm my acceptance to the proposed amendment under "Particular Provisions" in part II.

[*See note I*]

Finally, I hope this note will confirm the amendment to the Agreement between our two governments.

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

[*Signed*]
S. S. BANYA (Dr.)
Minister of Finance, Development
Economic Planning

Richard Tierney
Chargé d'Affaires a.i.
Embassy of the United States
of America