

No. 26496

**UNITED STATES OF AMERICA
and
SRI LANKA**

**Agreement for the sale of agricultural commodities (with
agreed minutes). Signed at Colombo on 29 May 1981**

Authentic text: English.

Registered by the United States of America on 27 March 1989.

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

**Accord relatif à la vente de produits agricoles (avec procès-
verbal approuvé). Signé à Colombo le 29 mai 1981**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 27 mars 1989.

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, Parts I and III, of the Title I Agreement signed March 25, 1975,² together with the following Part II:

PART II

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.....	1981	100,000	\$18.2
	TOTAL		\$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 per annum.
7. Continuing Interest Rate — 3 percent per annum.

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 Basis).....	1981	350,000

¹ Came into force on 29 May 1981 by signature, in accordance with part III (A).

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

Item IV. EXPORT LIMITATIONS

A. The export limitation period shall be the United States fiscal year 1981 or any subsequent 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: wheat, wheat flour, rolled wheat, semolina, farina, or bulgur (or the same product under a different name), except exports of up to 20,000 metric tons of wheat flour to Republic of Maldives are allowed.

Item V. SELF-HELP MEASURES

A. The Government of Sri Lanka 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 on enabling the poor to participate actively in increasing agricultural production through small farm agriculture.

B. The Government of Sri Lanka agrees to:

1. Integrate Food and Agricultural Policy

a. Undertake the development of an integrated national agriculture/food/nutrition strategy in basic foods and prepare a long-term (5-10 year), comprehensive investment plan which specifies domestic and external resources required for implementation of the strategy. The strategy will identify the necessary supporting policies for an integrated production, marketing, and consumption strategy.

b. The strategy should include a component of food production and food distribution policies directed toward alleviating malnutrition among lower income groups.

c. The strategy should include a review of the relationship among international food markets (including secondary crops), price fluctuations and national food reserves.

d. Emphasize data collection and statistical analysis to support the strategy, including estimates of agricultural production and consumption. Specifically, data should be collected and analyzed on household food consumption and expenditure.

e. Provide increased training for management and technical staff in the appropriate government agencies in the analytical procedures and organizational mechanisms needed to establish integrated national agriculture/food/nutrition strategy.

2. Applied Agricultural Research

a. Carry out research studies covering the internal marketing, distribution, and transportation systems for agricultural commodities needed to assure adequate supplies in all parts of the country.

b. Find methods and technology for accelerating applied research on food and agricultural crops with particular emphasis given to finding higher yielding varieties, to determining fertilizer requirements, to finding new planting and cropping methods and to improving soil management practices.

3. Storage of Grain

a. Upgrade storage, handling, and distribution of agricultural commodities at the national, regional, and on-farm level.

b. Reduce losses due to pests and spoilage.

4. *Resource Management*

Upgrade reforestation and dry land and watershed management programs. Improve water management practices in new and existing irrigated lands by the implementation of farmer training programs in water management.

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 agriculture and rural development budget sector, 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 Colombo this twenty-ninth day of May 1981.

For the Government
of the United States of America:

[*Signed*]

HARRY A. CAHILL
Chargé d'Affaires a.i.

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

[*Signed*]

Dr. W. M. TILAKARATNA
Secretary
Ministry of Finance and Planning

AGREED MINUTES

EMBASSY OF THE UNITED STATES OF AMERICA
COLOMBO, SRI LANKA

May 29, 1981

Dear Mr. Weerakoon:

This letter constitutes the agreed minutes of our negotiations on The Agreement between our Governments to be signed in May 1981, for the sale of wheat under the United States Public Law 480 Title I sales program.

Discussions began with a general review of the provisions of Public Law 480 and AIDTO Circular A-487, dated July 6, 1974, the contents of which are incorporated herein by reference. It was further understood and agreed that:

(1) The Government of Sri Lanka will provide the following information at least five working days before signing The Agreement: (i) type and grade of commodity to be purchased in accordance with official United States standards; (ii) proposed contracting schedules and schedules for deliveries to vessels at United States ports; (iii) names and addresses of Sri Lankan and United States commercial banks through which letters of credit for commodity and ocean freight will be opened, and (iv) assurance that appropriate authorities of the Government of Sri Lanka are prepared to make prompt transfers of funds to cover ocean freight costs on commodities purchased under The Agreement.

(2) Reports required under Part I of the March 25, 1975, Agreement will be prepared in a timely manner and will be complete and responsive. They include quarterly reports on compliance, arrival and shipping information (ADP sheets) (Article III (D)), and annual reports on self-help (Article III (C)), and use of sales proceeds (Article II (F)). The self-help report will address the specific measures set forth in Part II, Item V, of The Agreement to be signed in May and the use of sales proceeds will address the specific measures set forth in Part II, Item VI. The Government of Sri Lanka will seek to submit these reports to the Embassy in accordance with the following schedule:

Quarterly Compliance Report: 20 days after the end of each quarter;

Arrival and Shipping Information: 30 days after receiving sheets to be completed;

Annual Self-Help Report: November 1 each year;

Local Currency Sales Proceeds Report: November 1 each year.

The Government of Sri Lanka agrees to satisfy the following benchmarks in meeting the self-help objectives:

1. Submit by September 30, 1981 an outline of proposed content and approach for developing an integrated Agriculture/Food/Nutrition strategy paper.

2. (A) Agree to conduct a comprehensive marketing study with USAID support if necessary.

(B) Identify methods and technology, in progress or planned, for improving agricultural practices (i.e., higher yielding varieties, fertilizer requirements, cropping and soil management).

(C) Report on progress on A and B in the Annual Self-Help Report.

(3) Measures, as may be mutually agreed, will be taken by the Government of Sri Lanka prior to delivery for the identification and publicity of wheat to be received as being made available on a concessional basis to the Government of Sri Lanka by the people of the United States.

(4) Sri Lanka will continue commercial imports of wheat from the United States and third countries during FY 1981 in keeping with section 103 (O) of PL 480 and Part I, Article III (A) (2) of The Agreement. It will take steps to assure that the United States obtains a fair share of any increase in commercial purchases of wheat.

(5) Sections 106 (B) and 109 (A) of PL 480 require that consideration be given to the extent to which self-help measures are being taken to increase per capita production and improve means for storage and distribution of agricultural commodities 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 use of proceeds for purposes which directly improve the lives of the poorest people and their capacity to participate in development. These requirements are reflected in The Agreement text Part II, Items V and VI, and the required reports described in item 2 of these minutes.

(6) The Government of Sri Lanka has made arrangements to relay to the Sri Lanka Embassy in Washington all instructions, information and authority necessary to ensure timely implementation of The Agreement, including: (i) type and grade of commodity to be purchased in accordance with official United States standards, (ii) proposed contracting schedules and schedules for deliveries to vessels, (iii) the names and addresses of Sri Lankan and United States commercial banks through which letters of credit for commodity and ocean freight will be opened, (iv) authority to make prompt transfers of funds to cover ocean freight costs on commodities purchased under The Agreement, (v) complete instructions regarding arrangements for purchasing commodities and contracting for freight (including the appointment of purchasing or shipping agent if applicable), and instructions to contact the Programs Operations Division, Export Credits, Foreign Agricultural Service, United States Department of Agriculture, telephone (202) 447-5780 for further assistance in implementing The Agreement.

(7) Purchases 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 received and publicly opened in the United States. All awards under IFB's must be consistent with open, competitive, and responsive bid procedures.

(8) The terms of all Invitations for Bids (including IFB's for ocean freight) must be approved by the General Sales Manager, Foreign Agricultural Service, Export Credits, United States Department of Agriculture, prior to issuance.

(9) The Government of Sri Lanka must notify the General Sales Manager, Foreign Agricultural Service, Export Credits, United States Department of Agriculture in writing of nomination of any purchasing or shipping agent to procure commodities or arrange ocean transportation under The Agreement and provide 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 potential conflicts of interest.

(10) Commodity and ocean freight suppliers may refuse to load vessels when acceptable letters of credit for both commodity and ocean freight are not available at the time of loading. This can result in costly claims for the account of the Government of Sri Lanka by commodity suppliers for carrying charges and by vessel owners for demurrage.

(11) Letters of credit for one hundred (100) percent of ocean freight must be opened not later than forty-eight (48) hours prior to vessel presentation for loading, providing for sight payment or acceptance of a draft in United States dollars in favor of the ocean transportation supplier on the basis of tonnage and rates specified in the applicable charter party, or booking rate. Where the ocean freight contract provides for demurrage and dispatch, ninety (90) percent must be paid promptly on arrival of cargo. The remaining ten (10) percent, less dispatch of any, should be paid promptly to the carrier upon completion of the laytime statement. In the event of dispute as to the amount of dispatch, the owner should receive the ten (10) percent less disputed dispatch or, if there is demurrage, the full ten (10) percent plus the demurrage not in dispute. Claims against the carrier for damaged or lost cargo should be pursued through normal channels and not be deducted from the ocean freight.

(12) Appropriate measures will be taken to ensure that operable letters of credit for both commodity and freight will be opened and confirmed or advised by the United States commercial bank(s) previously named by the Government of Sri Lanka as soon as commodities are purchased and ocean freight booked.

(13) The dollar value of The Agreement is the maximum export value and will control the size of actual purchases. If unit prices become higher than those projected in The Agreement, total purchases will be limited to the dollar value specified in The Agreement.

(14) 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.

Sincerely,

[Signed]

MARVIN J. HOFFENBERG
First Secretary
American Embassy

I concur with the above text:

[Signed]

RONNIE WEERAKOON
Director
Department of External Resources
Ministry of Finance and Planning

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