No. 7776

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
KENYA

Development Credit Agreement—*Kenya Tea Development Authority Project* (with related letter, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Kenya Tea Development Authority). Signed at Washington, on 17 August 1964

Official text: English.

Registered by the International Development Association on 14 May 1965.

ASSOCIATION INTERNATIONALE DE DÉVELOPPEMENT
et
KENYA

Contrat de crédit de développement — *Projet relatif à la Kenya Tea Development Authority* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement et le Contrat relatif au Projet entre l'Association et la Kenya Tea Development Authority). Signé à Washington, le 17 août 1964

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 14 mai 1965.

(535)

No. 7776. DEVELOPMENT CREDIT AGREEMENT[1] (*KENYA TEA DEVELOPMENT AUTHORITY PROJECT*) BETWEEN KENYA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 17 AUGUST 1964

AGREEMENT, dated August 17, 1964, between KENYA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Kenya Tea Development Authority (hereinafter called KTDA), a statutory body established by the Kenya Tea Development Authority Order, 1964 of the Borrower, is executing a program for the development of tea production by African smallholders which includes planting of approximately 25,500 acres of tea, the supervision of tea cultivation, the inspection and collection of the tea so cultivated, and the provision of 17 factories for the processing of such tea;

(B) KTDA has received loans and advances for the field sector of the first part of this program as follows :

1. From the Commonwealth Development Corporation (hereinafter called CDC), a corporation established under the Overseas Resources Act, 1948 of the United Kingdom, pursuant to an agreement dated May 5, 1961 between the Government of the Colony and Protectorate of Kenya, the Colonial Development Corporation and the Special Crops Development Authority, in an amount outstanding on the date of this Agreement of £550,000;
2. From the Government of the Borrower by way of long-term loans in an amount outstanding on the date of this Agreement of 4,640,000 shillings in the currency of the Borrower of which amount 4,240,000 shillings represent the relending of the proceeds of a loan from the Kreditanstalt für Wiederaufbau to the Borrower; and
3. From the Government of the Borrower by way of advances repayable on demand in an amount outstanding on the date of this Agreement of 3,000,000 shillings in the currency of the Borrower;

(C) CDC intends to enter into an agreement with the Government of the Borrower and KTDA superseding the agreement dated May 5, 1961 referred to in Recital (B) (1) above and providing, *inter alia*, for a loan of up to £350,000

[1] Came into force on 23 September 1964, upon notification by the Association to the Government of Kenya.

from CDC to KTDA (in addition to the loan of £550,000 referred to in Recital (B) (1) above) for the field sector of this program;

(D) CDC intends, provided certain conditions are fulfilled, to contribute towards the financing of the tea factories forming a part of this program and in connection with the financing of such factories KTDA may borrow additional amounts from commercial companies;

(E) The Government of the Borrower and KTDA have entered into an agreement dated July 2, 1964 providing, *inter alia*, for the supplying by the Government of the Borrower of the field staff required for the proper carrying out of this program and the necessary housing for such staff;

(F) The Borrower and KTDA have requested the Association to assist in the financing of this program; and

(G) The Association is willing to make a development credit available on the terms and conditions provided herein and in a project agreement of even date herewith[1] between the Association and KTDA;

Now THEREFORE the parties hereto agree as follows :

Article I

CREDIT REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,[1] with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations):

(*a*) Section 3.01 is deleted and the following new section is substituted therefor :

" SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (*a*) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

" (*b*) The proceeds of the Credit shall be withdrawn from the Credit Account as provided in the Development Credit Agreement. "

(*b*) A new Section 3.04 is inserted after Section 3.03 as follows :

[1] See p. 100 of this volume.

" SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03. "

(*c*) Section 3.04 is renumbered as Section 3.05.

(*d*) Subparagraph (*b*) of Section 5.02 is amended by deleting the words ", or any bonds or other obligations issued thereunder " and substituting therefor the words " or the Colony and Protectorate of Kenya or under any letter of guarantee executed by the Governor of the Colony and Protectorate of Kenya in respect of any loan by the Bank to the East Africa High Commission or under any bonds or other obligations issued under any such agreement. "

(*e*) Section 6.02 is amended by inserting the words " or the Project Agreement " after the words " the Development Credit Agreement. "

(*f*) The following subparagraph is added to Section 9.01 :

" 13. The term ' Project Agreement ' shall have the meaning set forth in the Development Credit Agreement. "

Section 1.02. Wherever used in this Agreement or in the Schedule[1] thereto, unless the context shall otherwise require, the following terms shall have the following meanings :

(*a*) The term " Program " means the program referred to in Recital (A) of this Agreement.

(*b*) The term " Project Agreement " means the agreement between the Association and KTDA of even date herewith, providing for the carrying out of the Project, as the same shall be amended from time to time by agreement between the Association and KTDA.

(*c*) The term " Supervision Agreement " means the agreement between the Government of the Borrower and KTDA referred to in Recital (E) of this Agreement, as the same shall be amended from time to time with the approval of the Association.

(*d*) The term " Subsidiary Loan Agreement " means the agreement referred to in Section 4.02 (*a*) of this Agreement to be entered into between the Government of the Borrower and KTDA, as the same shall be amended from time to time with the approval of the Association.

(*e*) The term " pounds " and sign " £ " mean pounds sterling in the currency of the United Kingdom of Great Britain and Northern Ireland.

[1] See p. 96 of this volume.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to two million eight hundred thousand dollars ($2,800,000).

Section 2.02. The Association shall open a Credit Account in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Development Credit Agreement.

Section 2.03. Except as the Borrower and the Association shall otherwise agree :

(*a*) the Borrower shall be entitled, subject to the provisions of the Development Credit Agreement, to withdraw from the Credit Account in such convertible currencies as the Association shall reasonably select, amounts equivalent to such amounts as shall have been expended on the field sector of the Project;

(*b*) such withdrawals shall be limited to the lesser of (i) that portion of the excess of KTDA's payments over its receipts in respect of the field sector of the Program which is not financed by CDC or (ii) the equivalent of $678,000 through June 30, 1965, $1,459,000 through June 30, 1966, $2,234,000 through June 30, 1967 and $2,696,000 through June 30, 1968;

(*c*) no withdrawals shall be made on account of expenditures incurred prior to July 1, 1964; and

(*d*) no withdrawal shall be made unless by the time of such withdrawal KTDA has drawn a total of £150,000 of the £350,000 loan from CDC referred to in Recital (C) of this Agreement plus £40,000 of such loan for each completed three-month period subsequent to June 30, 1964.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($^{3}/_{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time. The Borrower shall also pay to the Association a service charge at the same rate on the principal amount outstanding of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations.

Section 2.05. Service charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.06. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual installments payable on each