

No. 8909

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
KENYA**

Development Credit Agreement—*Agricultural Credit Project* (with related letter, annexed Development Credit Regulations No. 1, and Project Agreement between the Association and the Agricultural Finance Corporation). Signed at Washington, on 11 May 1967

Official text: English.

Registered by the International Development Association on 10 January 1968.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
KENYA**

Contrat de crédit de développement — *Projet relatif au crédit agricole* (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 l'Agricultural Finance Corporation). Signé à Washington, le 11 mai 1967

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 10 janvier 1968.

No. 8909. DEVELOPMENT CREDIT AGREEMENT¹ (*AGRICULTURAL CREDIT PROJECT*) BETWEEN THE REPUBLIC OF KENYA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 11 MAY 1967

AGREEMENT, dated May 11, 1967, between the REPUBLIC OF KENYA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Agricultural Finance Corporation (hereinafter called the AFC), has been established by the Agricultural Credit Act of the Borrower, with the purpose of promoting agricultural development by making loans to farmers, cooperative societies and other agencies and persons;

WHEREAS the AFC will, with the assistance of the Borrower, carry out a lending program under the Project described in the Schedule to this Agreement;

WHEREAS the Borrower will make available to the AFC a part of the proceeds of the Credit provided for herein and for such purpose the Borrower and the AFC have entered into a subsidiary loan agreement of even date herewith² providing for the terms and conditions upon which the Borrower will relend part of the proceeds of said Credit to the AFC;

WHEREAS the Borrower and the AFC have made appropriate arrangements as to (i) the policies, procedures and conditions to be applied in granting loans to increase agricultural production and (ii) the respective responsibilities of the AFC and the Ministry of Agriculture and Animal Husbandry of the Borrower in respect of assessing applications for, and granting, such loans and supervising the administration thereof;

WHEREAS the Borrower and the AFC have requested the Association to assist in the financing of the said lending program; and

WHEREAS the Association has agreed to make a Credit to the Borrower for such a program upon the terms and conditions set forth herein and in a Project Agreement of even date herewith³ between the Association and the AFC;

NOW THEREFORE the parties hereto hereby agree as follows :

¹ Came into force on 30 June 1967, upon notification by the Association to the Government of Kenya.

² The said subsidiary Loan Agreement dated on 11 May 1967, came into force on 30 June 1967, i.e., on the date upon which the Principal Agreement became effective, in accordance with section 7.01.

³ See p. 132 of this volume.

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) The words “ at the same rate ” in the second sentence of Section 2.02 are deleted and the words “ at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum ” are substituted therefor.

(b) 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 :

- (i) on account of expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select;
- (ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

“ (c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made. ”

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

“ 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. ”

¹ See p. 130 of this volume.

- (d) Section 3.04 is renumbered as Section 3.05.
- (e) Section 4.01 is deleted.
- (f) Section 6.02 is amended by inserting the words “ or the Project Agreement ” after the words “ the Development Credit Agreement. ”
- (g) Section 8.04 is deleted and Section 8.05 is renumbered as Section 8.04.

(h) Paragraph 9 of Section 9.01 is deleted and the following paragraph is substituted therefor :

“ 9. The term ‘ Project ’ means the project for which the Credit is granted, as described in the Schedule to the Development Credit Agreement and as the description thereof shall be amended from time to time by agreement between the Association and the Borrower. ”

Section 1.02. Unless the context otherwise requires, the following terms, wherever used in this Agreement or in the Regulations, shall have the following meanings :

- (a) “ Project Agreement ” means the project agreement of even date herewith between the AFC and the Association and shall include any amendments thereof made by agreement among the Borrower, the AFC and the Association.
- (b) “ Agricultural Project ” means a project for the development of a small-holding, including the purchase of tractors and farm machinery, which has been approved by the AFC for financing out of the proceeds of the Credit.
- (c) “ Subsidiary Loan Agreement ” means the agreement of even date herewith between the Borrower and the AFC referred to in the third recital of this Agreement.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to three million six hundred thousand dollars (\$3,600,000).

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, this Development Credit Agreement.

Section 2.03. Except as the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of the Development Credit Agreement, to withdraw from the Credit Account :

- (a) such amounts as shall have been expended for the reasonable costs of the services, equipment and vehicles referred to in Part B of the Schedule to this Agreement; and
- (b) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Association of such amounts as shall have been disbursed under loans by the AFC to finance the reasonable cost of goods required for carrying out Agricultural Projects;

provided, however, that no withdrawals shall be made on account of (i) expenditures made prior to April 1, 1967, or (ii) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

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

Section 2.06. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 1 and July 1 commencing July 1, 1977 and ending January 1, 2017, each installment to and including the installment payable on January 1, 1987 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of goods required to carry out the Agricultural Projects in respect of which the AFC has granted credits under the part of the Project described in Part A of the Schedule to this Agreement and to financing the services, equipment and vehicles referred to in Part B of the said Schedule. The specific goods to be financed out of the proceeds of the Credit, and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.