

No. 9148

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
UGANDA

Development Credit Agreement — *Uganda Tea Growers Corporation Project* (with annexed Credit Regulations No. 1, as amended, and Project Agreement between the Association and the Uganda Tea Growers Corporation).
Signed at Washington, on 15 September 1967

Official text : English.

Registered by the International Development Association on 5 July 1968.

ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
OUGANDA

Contrat de crédit de développement — *Projet relatif à la Société des producteurs de thé de l'Ouganda* (avec, en annexe, le Règlement n° 1 sur les crédits de développement, tel qu'il a été modifié, et le Contrat de projet entre l'Association et la Société des producteurs de thé de l'Ouganda). Signé à Washington, le 15 septembre 1967

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 5 juillet 1968.

No. 9148. DEVELOPMENT CREDIT AGREEMENT¹ (*UGANDA TEA GROWERS CORPORATION PROJECT*) BETWEEN THE REPUBLIC OF UGANDA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 15 SEPTEMBER 1967

AGREEMENT, dated September 15, 1967, between REPUBLIC OF UGANDA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Borrower and the Uganda Tea Growers Corporation (hereinafter called UTGC), a statutory body established by The Uganda Tea Growers Corporation Act, 1966 of the Borrower, are executing a project for the development of tea production by smallholders ;

(B) The Commonwealth Development Corporation (hereinafter called CDC), a corporation established under the Overseas Resources Act, 1948 of the United Kingdom, intends to enter into an agreement with the Government of the Borrower and UTGC providing, *inter alia*, for a loan of up to £ 301,000 sterling in the currency of the United Kingdom of Great Britain and Northern Ireland from CDC to UTGC for the field sector of this project ;

(C) CDC intends, provided certain conditions are fulfilled, to contribute towards the financing of the tea factories forming a part of this project and in connection with the financing of such factories UTGC may borrow additional amounts from other lenders including Agricultural Enterprises Limited and the Government of the Borrower ;

(D) The Government of the Borrower and UTGC have entered into an agreement dated March 8, 1967 providing, *inter alia*, for the supplying by the Government of the Borrower of the field staff required for the proper carrying out of this project and the necessary housing and transport facilities for such staff ;

(E) The Uganda Land Commission has entered into an agreement with UTGC dated February 1, 1967 in respect of the sale to UTGC of 1,000 acres of land (including 200 acres of established tea) in the Munobwa

¹ Came into force on 31 January 1968, upon notification by the Association to the Government of Uganda.

area of Uganda adjacent to the existing Tea Research Station on terms which provide that UTGC is to have the exclusive use of such land from the date of such agreement and that UTGC is to pay the purchase price of such land amounting to 1,333,280 Uganda shillings, without interest being added, in 20 equal annual installments beginning in the eleventh year from the date of such agreement ;

(F) The Borrower has provided UTGC, on the same financial terms referred to in RECITAL (E), a credit amounting to 331,400 Uganda shillings for the purchase of buildings, equipment, furniture and tea stumps existing on the land referred to in RECITAL (E) and for compensating the tenants thereon ;

(G) The Borrower and UTGC have requested the Association to assist in the financing of this project for the development of tea production ; and

(H) 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 UTGC ;

NOW THEREFORE the parties hereto hereby 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 as amended February 9, 1967 ² 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) Subparagraph (c) 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 loan agreement between the Uganda Protectorate and the Bank dated March 29, 1961 ³ or under the letter of guarantee executed by the Acting Governor of the Uganda Protectorate dated June 1, 1955 or under any bonds or other obligations issued under any such agreement."

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

¹ See p. 136 of this volume.

² See p. 134 of this volume.

³ United Nations, *Treaty Series*, Vol. 415, p. 299.

(c) 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 thereto, unless the context shall otherwise require, the following terms shall have the following meanings :

(a) The term ‘ Project Agreement ’ means the agreement between the Association and UTGC 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 Borrower, the Association and UTGC.

(b) The term ‘ Supervision Agreement ’ means the agreement between the Government of the Borrower and UTGC referred to in Recital (D) of this Agreement, as the same shall be amended from time to time with the approval of the Association.

(c) 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 UTGC, as the same shall be amended from time to time with the approval of the Association.

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 four hundred thousand dollars (\$ 3,400,000).

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 freely convertible currencies as the Association shall reasonably select :

- (i) amounts, up to the equivalent of \$ 2,600,000, equivalent to 75 % of
- (x) such amounts as shall have been expended on Part A of the field sector of the Project less (y) the revenues of UTGC during the period of such expenditures ; provided, however, that no withdrawals shall be made pursuant to this paragraph (i) unless the Borrower shall certify

in respect of each withdrawal that UTGC has applied to CDC for a withdrawal in connection with the loan referred to in Recital (B) of this Agreement in an amount equivalent to $33\frac{1}{3}\%$ of the amount to be withdrawn from the Credit Account pursuant to this paragraph (i) and that no circumstances exist which would justify the denial by CDC of such application; and

(ii) amounts, up to the equivalent of \$ 800,000, equivalent to 80 % of such amounts as shall have been expended on Part B of the field sector of the Project; and

(b) no withdrawal shall be made on account of expenditures incurred prior to September 15, 1966.

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 February 1 and August 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 February 1 and August 1 commencing August 1, 1977 and ending February 1, 2017, each installment to and including the installment payable on February 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.

Section 2.07. The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for the purposes of Section 3.02 of the Regulations.

Article III

USE OF THE PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied in accordance with the provisions of the Development Credit Agreement to expenditures, or to reimbursement of expenditures, for the field sector of the Project described in the Schedule to this Agreement.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound agricultural, engineering and financial standards and practices.