

No. 9320

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
KENYA

Development Credit Agreement—*Second Kenya Tea Development Authority Project* (with annexed Credit Regulations No. 1, as amended, and Project Agreement between the Association and the Kenya Tea Development Authority). Signed at Washington, on 17 June 1968

Official text : English.

Registered by the International Development Association on 21 November 1968.

ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
KENYA

Contrat de crédit de développement — *Deuxième projet relatif à la Kenya Tea Development Authority* (avec, en annexe, le Règlement n° 1 sur les crédits de développement, tel qu'il a été modifié, et le Contrat relatif au Projet entre l'Association et la Kenya Tea Development Authority). Signé à Washington, le 17 juin 1968

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 21 novembre 1968.

No. 9320. DEVELOPMENT CREDIT AGREEMENT ¹(*SECOND KENYA TEA DEVELOPMENT AUTHORITY PROJECT*) BETWEEN THE REPUBLIC OF KENYA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 17 JUNE 1968

AGREEMENT, dated June 17, 1968, between the REPUBLIC OF 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 Agriculture (Kenya Tea Development Authority) Order of the Borrower, is executing a project for the further development of tea production by African smallholders ;

(B) KTDA plans to obtain a loan for the field sector of this project in an amount of up to 450,000 pounds sterling from the Commonwealth Development Corporation (hereinafter called CDC), a corporation established under the Overseas Resources Act, 1948 of the United Kingdom of Great Britain and Northern Ireland ;

(C) CDC intends, provided certain conditions are fulfilled, to contribute towards the financing of the tea factories forming a part of this project ;

(D) The Government of the Borrower and KTDA have entered into an agreement dated May 23, 1968, 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 for such staff ;

(E) The Borrower and KTDA have requested the Association to assist in the financing of the field sector of this project ;

(F) The Association has made a credit available to the Borrower for purposes of KTDA in an amount in various currencies equivalent to \$ 2,800,000 pursuant to a development credit agreement between the Borrower and the Association dated August 17, 1964 ² (hereinafter called the 1964 Credit Agreement) ; and

¹ Came into force on 28 October 1968, upon notification by the Association to the Government of Kenya.

² United Nations, *Treaty Series*, Vol. 535, p. 79.

(G) The Association is willing to make a further development credit available on the terms and conditions provided herein and in a project agreement¹ of even date herewith 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, as amended February 9, 1967² with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (the said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

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

(b) 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. Unless the context otherwise requires, the following terms wherever used in this Development Credit Agreement have the following meanings :

(a) " 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.

(b) " Supervision Agreement " means the agreement between the Government of the Borrower and KTDA 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) " 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.

¹ See p. 390 of this volume.

² See p. 390 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 Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to two million one hundred thousand dollars (\$ 2,100,000).

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 Borrower and the Association shall otherwise agree :

(a) the Borrower shall be entitled, subject to the provisions of this Development Credit Agreement, to withdraw from the Credit Account (i) such amounts as shall have been paid, or, if the Association shall so agree, as shall be required to meet payments to be made, for the reasonable c.i.f. cost of imported vehicles required to carry out the field sector of the Project ; and (ii) amounts equivalent to such amounts as shall have been otherwise expended on the field sector of the Project ;

(b) no withdrawals from the Credit Account shall be made until the development credit provided for in the 1964 Credit Agreement is fully withdrawn ;

(c) such withdrawals from the Credit Account shall not exceed in the aggregate that portion of the excess of KTDA's payments in respect of the field sector of its operations over its receipts in respect of such sector after June 30, 1968 which is not financed under the 1964 Credit Agreement or by CDC pursuant to the loan referred to in Recital (B) to this Agreement ;

(d) no withdrawals from the Credit Account shall be made unless the Borrower shall certify in respect of each withdrawal that KTDA has withdrawn an aggregate amount from CDC under the loan referred to in Recital (B) to this Agreement equal to or greater than 50 % of the equivalent of the total of (i) the amount previously withdrawn from the Credit Account and (ii) the amount covered by the withdrawal application ; and

(e) no withdrawals from the Credit Account shall be made on account of expenditures prior to July 1, 1968.

Section 2.04. 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.

Section 2.05. 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 2.06. Service charges shall be paid semi-annually on June 1 and December 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable in each June 1 and December 1 commencing June 1, 1978 and ending December 1, 2017, each installment to and including the installment payable on December 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 the goods required to carry out the field sector of the Project. The specific allocation of the proceeds of the Credit and the methods and procedures for procurement of the goods to be financed out of such proceeds, shall be determined by agreement between the Association and the Borrower, subject to modification by further agreement between them.

Section 3.02. Except as the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out of the Project.

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.

(b) The Borrower shall take all action which shall be necessary on its part to enable KTDA to perform all its obligations under the Project Agreement and shall not take any action that would interfere with the performance of such obligations by KTDA.

(c) The Borrower shall cause KTDA to have qualified and experienced management.