

CONFORMED COPY

CREDIT NUMBER 1849 KE

(National Agricultural Research Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 13, 1988

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 13, 1988, between REPUBLIC OF KENYA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower has entered into an agreement, dated August 29, 1986, with the United States Agency for International Development (USAID) under which USAID has provided, on a grant basis, assistance in an amount of twenty-eight million five hundred thousand dollars (\$28,500,000) (the USAID Grant), for financing part of the Project on the terms and conditions set forth in an agreement (the USAID Grant Agreement) between the Borrower and USAID;

(C) the Borrower has requested from the Kingdom of the Netherlands (the Netherlands) a grant in an amount approximately

equivalent to ten million one hundred thousand dollars (\$10,100,000) (the Netherlands Grant) to assist in financing part of the Project;

(D) the Borrower has requested from the European Economic Community (EEC) a grant approximately equivalent to nineteen million one hundred thousand dollars (\$19,100,000) (the EEC Grant) to assist in financing part of the Project, on terms and conditions set forth in an agreement (the EEC Grant Agreement) to be entered into between the Borrower and EEC;

(E) the Borrower and the Overseas Development Administration of the United Kingdom intend to enter into a Memorandum of Understanding (the ODA Memorandum of Understanding) for the purpose of making available goods and services to the Borrower with a value of approximately ten million two hundred thousand dollars (\$10,200,000) (the ODA Grant) to assist in financing the Project on terms and conditions set forth in the ODA Memorandum of Understanding;

(F) the Project will be carried out by the Kenya Agricultural Research Institute with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Kenya Agricultural Research Institute the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and Kenya Agricultural Research Institute;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "KARI" means the Kenya Agricultural Research Institute, a body corporate established pursuant to Section 12 of the Science and Technology Act, Chapter 250 of the Borrower's Laws as amended to the date of this Agreement;

(b) "Project Agreement" means the agreement between the Association and KARI of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(c) "NARP" means the Borrower's National Agricultural Research Project;

(d) "NRC" means a National Research Center under KARI;

(e) "RRC" means a Regional Research Center under KARI;

(f) "Donors" means the USAID, EEC, ODA, the Netherlands, and any other bilateral or multilateral agency assisting in financing NARP;

(g) "Plan of Action" means the plan of action for implementation of NARP, agreed upon between the Borrower, the Association,

the Donors and KARI; and

(g) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated April 10, 1987, and July 10, 1987, between the Borrower and the Association.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fifteen million five hundred thousand Special Drawing Rights (SDR 15,500,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1993, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty (60) days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing January 15, 1998, and ending July 15, 2022. Each installment to and including the installment payable on July 15, 2007, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years and; (ii) the

Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause KARI to perform, in accordance with the provisions of the Project Agreement, all the obligations of KARI therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable KARI to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit available to KARI as a grant.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and works required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by KARI pursuant to Section 2.03 of the Project Agreement.

Section 3.04. Unless the Association shall otherwise agree, the Borrower shall: (a) ensure that KARI implements the Project in accordance with the Plan of Action; (b) not later than January 31 in each year, commencing in 1988, review progress in implementing the Plan of Action with the Association, the Donors and KARI, and; (c) thereafter, make such adjustments to the Plan of Action as shall be required by such review.

Section 3.05. The Borrower shall ensure that: (a) an independent review of KARI's research activities is carried out, at least once every five years, by an outside Review Panel, with terms of reference and composition acceptable to the Association and the Donors; and (b) by not later than March 31, 1991, a review of NARP

is undertaken by the Borrower, the Association, the Donors and KARI.

Section 3.06. The Borrower shall: (i) ensure that the linkages between the extension services of the Ministry of Agriculture and the Ministry of Livestock Development and KARI are improved; and (ii) by not later than December 31, 1988, introduce such improved linkages between research and extension.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and
- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than nine months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) KARI shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that KARI will be able to perform its obligations under the Project Agreement.

(c) The Science and Technology Act, Chapter 250 of the Borrower's Laws, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of KARI to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of KARI or for the suspension of its operations.

(e) (i) Subject to paragraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower;

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (e)(i)(B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (e)(ii) of that Section.

## ARTICLE VI

### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) KARI has appointed the staff members referred to in Part A, paragraph 3 (a) of Schedule 2 to the Project Agreement;

(b) KARI has submitted to the Association its revised and updated training plan referred to in Part B, paragraph 7 (b) (i) of Schedule 2 to the Project Agreement; and

(c) KARI has approved the revised staff structure and establishment referred to in Section 2.05 (a) (i) of the Project Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General

Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by KARI and is legally binding upon KARI in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
P.O. Box 30007  
Nairobi  
Kenya

Cable address:

FINANCE  
Nairobi

Telex:

22003  
FOREIGN Nairobi

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INDEVAS  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF KENYA

By /s/ Denis D. Afande  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox  
Regional Vice President

## SCHEDULE 1

## Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

| Category                                | Amount of the<br>Credit Allocated<br>(Expressed in<br>SDR Equivalent) | % of<br>Expenditures<br>to be Financed  |
|---|---|---|
| (1) For Part A<br>of the Project:       |   |   |
| (a) Civil works                         | 780,000   | 80%   |
| (b) Vehicles,<br>plant and<br>equipment | 450,000   | 100% of foreign<br>expenditures and<br>70% of local<br>expenditures   |
| (c) Non-salary<br>operating<br>costs    | 1,220,000   | (i) 40% up<br>to an<br>aggregate<br>amount of<br>SDR 630,000;<br>thereafter<br><br>(ii) 25% up<br>to an<br>aggregate<br>amount of<br>SDR 1,040,000;<br>and thereafter |
|   |   |   |
|   | Amount of the<br>Credit Allocated<br>(Expressed in<br>SDR Equivalent) | % of<br>Expenditures<br>to be Financed  |
| Category                                |   | (iii) 10% up<br>to an<br>aggregate<br>amount of<br>SDR 1,220,000.   |
| (2) For Part B<br>of the Project:       |   |   |
| (a) Civil works                         | 5,370,000   | 80%   |
| (b) Vehicles,<br>plant and<br>equipment | 2,240,000   | 100% of foreign<br>expenditures and<br>70% of local<br>expenditures   |
| (c) Non-salary<br>operating<br>costs    | 1,680,000   | (i) 40% up<br>to an<br>aggregate<br>amount of<br>SDR 880,000;<br>thereafter   |



| Category   | Amount of the<br>Credit Allocated<br>(Expressed in<br>SDR Equivalent) | % of<br>Expenditures<br>to be Financed  |
|--|---|---|
|  |   | (ii) 25% up<br>to an<br>aggregate<br>amount of<br>SDR 1,430,000;<br>and there-<br>after |
|  |   | (iii) 10% up<br>to an<br>aggregate<br>amount of<br>SDR 1,680,000.                       |
| (3) Refunding of<br>Project Prepa-<br>ration Advance | 550,000   | Amount due<br>pursuant to<br>Section 2.02   |
| (4) Unallocated                                      | 3,210,000   |   |
| TOTAL  | 15,500,000  |   |

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement; and

(b) in respect of payments for expenditures under Category (2) of the table in paragraph 1 above, until the Association has approved the research programs under Part B of the Project.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) focus agricultural research in Kenya on priority programs; (ii) develop technologies that contribute to increased productivity; (iii) intensify producer participation in research program formulation; (iv) strengthen linkages between research and other agricultural services; and (v) improve cooperation with other agricultural research institutions.

The Project consists of the following parts:

Part A: Kenya Agricultural Research Institute - Headquarters

1. Restructuring of KARI to enable it to undertake research planning, management, budgeting, supervision, reporting and

training.

2. Establishment of identified elements of KARI's management information and reporting systems through the provision of technical assistance, vehicles, equipment and the construction of a headquarters building.

3. Development of KARI's management and research capacity through the provision of post-graduate degree training, short-term courses, workshops, seminars and technical assistance.

Part B: Research Program Development

1. Rationalization of the network of RRCs in Kenya on the basis of their specific mandates.

2. Support for the execution of adaptive research programs covering all of Kenya's agro-climatic zones and the rehabilitation of all RRCs, through the provision of civil works, equipment and vehicles.

3. Rehabilitation of the NRCs and assistance to implement critical nationally coordinated commodity and factor research programs for applied research, through the provision of civil works, equipment and vehicles.

\* \* \*

The Project is expected to be completed by June 30, 1992.

