

No. 8485

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
KENYA**

**Development Credit Agreement—*Education Project* (with related letter and annexed Development Credit Regulations No. 1). Signed at Washington, on 19 August 1966**

*Official text: English.*

*Registered by the International Development Association on 21 December 1966.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
KENYA**

**Contrat de crédit de développement — *Projet relatif à l'éducation* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 19 août 1966**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 21 décembre 1966.*

No. 8485. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*EDUCATION PROJECT*) BETWEEN THE REPUBLIC OF KENYA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 19 AUGUST 1966

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AGREEMENT, dated August 19, 1966, between the REPUBLIC OF KENYA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

*Article I*

CREDIT REGULATIONS

*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,<sup>2</sup> 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 second sentence of Section 2.02 is amended by deleting the words "at the same rate" and substituting therefor the words "at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum".

(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 *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the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"(b) The proceeds of the Credit shall be withdrawn from the Credit Account :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 currency of the Borrower of 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 ;

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<sup>1</sup> Came into force on 3 October 1966, upon notification by the Association to the Government of Kenya.

<sup>2</sup> See p. 134 of this volume.

“(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.”

(d) Section 3.04 is renumbered as Section 3.05.

(e) Section 8.04 is deleted.

## Article II

### THE CREDIT

*Section 2.01.* The Association agrees to make available to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to seven million dollars (\$7,000,000).

*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 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 be the equivalent of 73 per cent (or such other percentage as may from time to time be established by agreement between the Borrower and the Association) of such amounts as shall have been expended for the reasonable cost of goods required for carrying out the Project ; and

(b) if the Association shall so agree, such amounts as shall be required to meet payments under (a) above ; provided, however, that no withdrawals shall be made on account of expenditures prior to June 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%) par 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 15 and August 15 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 15 and August 15 commencing August 15, 1976 and ending February 15, 2016, each installment to and including the installment payable on February 15, 1986, 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 THE 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 Project described in the Schedule to this Agreement. 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.

*Section 3.02.* Except as the Borrower and 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 carry out the Project or cause the Project to be carried out with due diligence and efficiency, in conformity with sound technical standards and with due regard to economy.

(b) The Borrower shall cause the schools included in the Project to be operated so as to promote the educational objectives of the Borrower and to be provided with qualified teachers and administrators in adequate numbers.

(c) The Borrower shall cause the buildings and equipment of the schools included in the Project to be adequately maintained and shall cause all necessary renewals and repairs to be made thereto.

(d) Except as the Association shall otherwise agree, in the carrying out of the Project the Borrower shall employ or cause to be employed qualified and experienced architects, engineers and other consultants acceptable to the Borrower and the Association, upon terms and conditions satisfactory to the Borrower and the Association.

(e) Except as the Association shall otherwise agree, the Borrower shall cause the Project to be carried out by contractors acceptable to the Borrower and the Association employed under contracts satisfactory to the Borrower and the Association.

(f) Except as the Association shall otherwise agree, the Borrower shall furnish or cause to be furnished to the Association for its approval promptly upon their preparation the plans, specifications, contracts and work schedules for the construction included in the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

*Section 4.02.* The Borrower shall at all times make or cause to be made available immediately as needed all funds and other resources, including land, required for the carrying out of the Project and for the operation and maintenance of the schools included in the Project.

*Section 4.03.* The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the ministries or departments of the Borrower responsible for the carrying out of the Project or any part thereof ; shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents ; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, the goods, the operation of the educational system of the Borrower and programs for educational development in its territories and the administration, operations and financial condition of the ministries or departments of the Borrower responsible for the carrying out of the Project or any part thereof.

*Section 4.04 (a)* The Borrower and the Association shall cooperate fully to ensure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

*Section 4.05.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall insure or cause to be insured with responsible insurers all educational equipment financed out of the proceeds of the Credit which is to be imported into its territories. Such insurance shall cover such marine, transit and other hazards incident to the acquisition, transportation and delivery of such equipment to the place of use or installation and shall be for such amounts as are consistent with sound practices. Any indemnity under such insurance shall be payable in a currency freely usable to replace or repair such equipment.

*Section 4.06.* The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

*Section 4.07.* The Development Credit Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

#### *Article V*

##### REMEDIES OF THE ASSOCIATION

*Section 5.01.* (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time during the continuance thereof the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement to the contrary notwithstanding.

#### *Article VI*

##### MISCELLANEOUS

*Section 6.01.* The Closing Date shall be December 31, 1970, or such other date as may from time to time be agreed between the Borrower and the Association.

*Section 6.02.* If this Development Credit Agreement shall not have become effective by October 31, 1966, this Development Credit Agreement and all obligations of the parties hereunder shall terminate, unless the Association, after consideration

of the reasons for the delay, establishes a later date for the purposes of this Section. The Association shall promptly notify the Borrower of such later date.

*Section 6.03.* The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Permanent Secretary to the Treasury  
P.O. Box 30007  
Nairobi  
Kenya

Alternative address for cables and radiograms :

Finance  
Nairobi

For the Association :

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

Alternative address for cables and radiograms :

Indevas  
Washington, D.C.

*Section 6.04.* The Minister of the Borrower for the time being responsible for finance is designated for the purposes of Section 7.03 of the Regulations.

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

Republic of Kenya :

*By* Peter M. ECHARIA  
Authorized Representative

International Development Association :

*By* J. Burke KNAPP  
Vice President

## SCHEDULE

## DESCRIPTION OF PROJECT

The Project consists of the following :

(a) the construction of new educational, boarding and/or staff housing facilities for about 42 general secondary schools, about 9 technical schools (including the Mombasa Technical Institute) and about 18 primary teacher training colleges ; and

(b) the equipping of the facilities referred to in paragraph (a) above with furniture, laboratory equipment, textbooks and other equipment.

The Project will add approximately 14,000 places at secondary levels.

The specific schools included in the Project and the locations thereof shall be determined from time to time by agreement between the Borrower and the Association.

It is expected that the Project will be completed by December 31, 1969.

## LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

REPUBLIC OF KENYA

August 19, 1966

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433

Re : *Currency of Repayment*

Dear Sirs :

We refer to the Development Credit Agreement (*Education Project*) of even date between us and to Section 3.02 to the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of [the United Kingdom of Great Britain and Northern Ireland].
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) or than one theretofore designated pursuant to this clause (ii) or selected pursuant to this clause (iv), we shall deliver to the Association, not less than three nor more than five months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.



- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice, we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty-day period, be payable in the currency so selected.
- (v) For the purposes of this letter, "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Sincerely yours,

Republic of Kenya :

By Peter M. ECHARIA  
Authorized Representative

*Confirmed :*

International Development Association :

By J. H. WILLIAMS  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS  
WITH MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 415, p. 68.*]