

No. 11570

---

**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
UGANDA**

**Development Credit Agreement—*Smallholder Tobacco Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 24 July 1970**

*Authentic text : English.*

*Registered by the International Development Association on 3 February 1972.*

---

**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
OUGANDA**

**Contrat de crédit de développement — *Projet relatif à la production de tabac à petite échelle* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 24 juillet 1970**

*Texte authentique : anglais.*

*Enregistré par l'Association internationale de développement le 3 février 1972.*

## DEVELOPMENT CREDIT AGREEMENT<sup>1</sup>

---

AGREEMENT, dated July 24, 1970 between the REPUBLIC OF UGANDA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

### *Article I*

#### GENERAL CONDITIONS; DEFINITIONS

*Section 1.01.* The parties to this Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association dated January 31, 1969,<sup>2</sup> with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

*Section 1.02.* Wherever used in this Development Credit Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings :

(a) The term " Union " means any of the three unions of cooperative tobacco societies established pursuant to the Cooperative Societies Act, 1963, of the Borrower, operating respectively in the West Nile, Middle North and Kigezi areas of the Borrower.

(b) The term " PMB " means the Produce Marketing Board established by the Produce Marketing Board Act, 1968, of the Borrower.

(c) The term " UCB " means the Uganda Commercial Bank established under the Uganda Commercial Bank Act, 1965, of the Borrower.

(d) The term " Project Committee " means the committee to be established pursuant to Section 4.02 (a) of this Agreement.

(e) The term " Project Director " means the person to be appointed pursuant to Section 4.02 (b) of this Agreement.

(f) The term " Tobacco Capital Account " means the account to be

---

<sup>1</sup> Came into force on 28 July 1971, upon notification by the Association to the Government of Uganda.

<sup>2</sup> See p. 222 of this volume.

established pursuant to Section 4.03 (a) of this Agreement, within the Tobacco Development Fund provided for by Section 9 (2) of the Tobacco (Control and Marketing) Act, 1966, of the Borrower.

(g) The term “ Plan of Operations ” means the plan to be prepared pursuant to Section 4.05 of this Agreement.

## Article II

### THE CREDIT

*Section 2.01.* The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to four million dollars (\$4,000,000).

*Section 2.02.* (a) The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account the amount of the Credit.

(b) 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 and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

*Section 2.03.* The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement :

- (i) such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Categories I and II of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement; and
- (ii) the equivalent of seventy per cent (70%) of such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Category III of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement;

provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in Category III, the Association may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Credit then allocated

to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category.

*Section 2.04.* Except as the Association shall otherwise agree, no withdrawals from the Credit Account shall be made under Categories I and II of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower.

*Section 2.05.* The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

*Section 2.06.* 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 2.07.* Service charges shall be payable semi-annually on March 15 and September 15 in each year.

*Section 2.08.* The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each March 15 and September 15 commencing September 15, 1980 and ending March 15, 2020, each installment to and including the installment payable on March 15, 1990 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 apply or cause the proceeds of the Credit to be applied in accordance with the provisions of this Development Credit Agreement to expenditures on the Project, described in Schedule 2 to this Agreement.

*Section 3.02.* Except as the Association shall otherwise agree :

- (i) the goods and services included in Category I of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 3 to this Agreement or as shall be agreed between the Borrower and the Association; and
- (ii) the goods and services included in Category III of that allocation shall be awarded on the basis of competitive bidding in Uganda and in accordance

with such other procedures supplementary thereto as are set forth in Schedule 3 to this Agreement or as shall be agreed between the Borrower and the Association.

*Section 3.03.* Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in carrying out the Project.

#### *Article IV*

##### PARTICULAR COVENANTS

*Section 4.01.* The Borrower shall carry out or shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

*Section 4.02.* (a) The Borrower shall establish a Project Committee consisting of senior representatives from the Ministries and Departments concerned, from PMB and UCB, and from the three Unions. The composition and functions of the Committee shall be agreed with the Association.

(b) The Borrower shall appoint a Project Director acceptable to the Association, who shall be responsible to the Permanent Secretary of the Ministry of Marketing and Cooperatives for the overall execution of the Project and shall serve as Executive Secretary of the Project Committee, and whose precise terms of reference and conditions of employment shall be agreed with the Association.

*Section 4.03.* (a) The Borrower shall establish and maintain a Tobacco Capital Account within its Tobacco Development Fund, to be administered, for purposes agreed with the Association, by the Minister of Marketing and Cooperatives acting on the recommendation of the Project Committee.

(b) The Tobacco Capital Account shall receive the proceeds of a cess to be imposed by the Borrower, at the rate of 40 Uganda cents per kilogram of cured tobacco, on all flue-cured tobacco purchased by the Unions. This rate shall not be altered, nor shall the collection of the cess be discontinued or waived, without the approval of the Association.

*Section 4.04.* (a) The Borrower shall ensure that each of the three Unions shall appoint a manager acceptable to the Borrower and the Association.

(b) The Borrower shall ensure that each Union shall collect an operating charge consisting of a differential between the price paid by PMB to the Union and the price which the Union is required to pay to tobacco growers. The initial rate of such charge shall, for the West Nile and Middle North Unions, be 26 Uganda cents per kilogram of flue-cured tobacco, and, for the Kigezi Union,

46 Uganda cents per kilogram of flue-cured tobacco; these rates shall be adjusted from time to time, with the approval of the Borrower and the Association, in accordance with the financial requirements of the Unions. The collection of this charge shall not be discontinued or waived without the approval of the Borrower and the Association.

(c) Except as the Borrower and the Association shall otherwise agree, the Borrower shall arrange that the proceeds of the operating charge collected pursuant to paragraph (b) of this Section shall be used by each Union to cover its operating expenses as well as those operating expenses of its constituent societies which had been incurred with the approval of the Union manager, any surplus being retained by the Union.

*Section 4.05.* The Borrower shall prepare and shall agree with the Association on a Plan of Operations, which shall specify the physical and financial details of the Project and the obligations of the several agencies of the Borrower, including the Project Committee, the Project Director, PMB, UCB and the Unions, responsible for carrying out any part of the Project. This Plan shall be adhered to except as otherwise agreed by the Association.

*Section 4.06.* (a) The Borrower shall, unless different amounts are agreed with the Association :

- (i) lend to the Unions, pursuant to subsidiary loan agreements satisfactory to the Association, 8.3 million Uganda Shillings to be used for the construction of baling centers and offices by their constituent societies, for the construction of tobacco stores and offices and the purchase of vehicles by the Unions and for the establishment of fuel-wood plantations; the Borrower shall recover the amount so lent by payments from the Tobacco Capital Account, to be made at a rate assuring amortization of the loans over a period of 10 years following four years of grace, with interest at the rate of 8% per annum;
- (ii) lend to the Unions, pursuant to subsidiary loan agreements satisfactory to the Association, 8.1 million Uganda Shillings to be relent to tobacco growers on terms and conditions to be specified in the subsidiary loan agreements, to be used for the construction of tobacco barns and to be repaid by the Unions to the Borrower over a period of seven years with interest at the rate of 6% per annum;
- (iii) establish a revolving fund of 2.8 million Uganda Shillings, which fund shall, during the first 11 years of the Project, be lent out to the Unions annually, in whole or in part, pursuant to subsidiary loan agreements satisfactory to the Association, and the Unions shall from such loans make available seasonal credits to tobacco growers on terms and conditions to be specified in the subsidiary loan agreements, each such annual loan to be repaid by the

Unions to the Borrower within 12 months, with interest at the rate of 6% per annum; and

- (iv) lend to PMB, pursuant to a subsidiary loan agreement satisfactory to the Association, 4.4 million Uganda Shillings to be used for the construction of central stores and for the acquisition of storage equipment, and to be repaid to the Borrower over a period of 19 years with interest at the rate of 8% per annum.

(b) The Borrower shall exercise its rights under the subsidiary loan agreements concluded pursuant to paragraphs (a) (i) through (iv) of this Section in such a manner as to protect the interests of the Borrower and the Association and as to further the implementation of the Project, and shall not, except as the Association shall otherwise agree, take or concur in any action that would have the effect of amending, abrogating, assigning or waiving any provision of such agreements.

*Section 4.07.* The Borrower shall assign to work on the Project, in accordance with the Plan of Operations referred to in Section 4.05 of this Agreement, extension service staff from the Departments of Agriculture and Forestry of the Ministry of Agriculture and from the Department of Cooperative Development of the Ministry of Marketing and Cooperatives to train tobacco growers, produce the tobacco seeds required for the Project and supervise the growing and harvesting of tobacco.

*Section 4.08.* The Borrower shall, through its Ministry of Agriculture, carry out research programs :

- (i) on the techniques of growing tobacco; and  
(ii) to determine the most economical heating system for flue-curing barns, including improved wood furnaces and gas and oil heating, on the basis of which the Borrower shall, within three years of the date of this Agreement, prepare a plan for meeting future fuel requirements for tobacco curing, which plan it shall implement after consultation with the Association.

*Section 4.09.* The Borrower shall conclude appropriate arrangements with commercial banks in Uganda for the continued provision by them of seasonal production credits to those registered tobacco growers who currently receive such credits.

*Section 4.10.* All funds necessary to carry out the Borrower's obligations under Sections 4.06 through 4.08 of this Agreement shall be made available by the Borrower in the form of advance quarterly lump-sum allocations based on estimates prepared by the Project Director consistent with the Plan of Operations and approved by the Project Committee.

*Section 4.11.* The Borrower shall conclude appropriate arrangements with UCB for the latter to make, as disbursing agent of the Borrower, all disbursements pursuant to sub-Sections 4.06 (a) (i) through (iii) of this Agreement.

*Section 4.12.* The Borrower shall ensure that until the completion of the Project no tobacco is planted on any farm in the Kigezi area that is not currently producing tobacco, before a soil survey of such farm has demonstrated to the satisfaction of the Project Director that it is suitable for the growing of tobacco.

*Section 4.13.* Except as the Association shall otherwise agree, the Borrower shall insure or cause to be insured the imported goods to be financed out of the proceeds of the Credit, against marine and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, any indemnity under such insurance to be payable in a currency freely usable to replace or repair such goods.

*Section 4.14.* (a) The Borrower shall require PMB to maintain separate and identifiable accounts pertaining to its tobacco operations.

(b) The Borrower shall: (i) keep the accounts of the Tobacco Capital Account and shall require PMB and each of the Unions to keep accounts of all their transactions relating to the Project; (ii) ensure that these accounts are annually audited by independent accountants or accounting firms acceptable to the Association; and (iii) transmit to the Association, not later than four months after the close of the fiscal year of each of these institutions, certified copies of such accounts and a signed copy of the accountant's or accounting firm's report.

*Section 4.15.* The Borrower shall ensure that no change will be made in the existing marketing arrangements for the export of tobacco without the prior consent of the Association.

*Section 4.16.* The Borrower shall, within two months of the effective date of this Agreement, prepare with the assistance of the Association a list of agricultural projects that might be suitable for external financial assistance. The Borrower shall submit this list to consultants acceptable to and employed under terms and conditions approved by the Association, who shall:

- (i) further investigate the proposed projects and recommend to the Borrower and the Association which are the most promising of these; and
- (ii) prepare, in a form suitable for submission to external financial agencies, those projects selected by the Borrower and the Association.

*Section 4.17.* The Borrower (i) shall maintain or cause to be maintained



records adequate to identify the goods and services 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 the expenditure of the proceeds of the Credit and to reflect in accordance with consistently maintained sound accounting practices the operations, in respect of the Project, of PMB, the Unions and of all departments and agencies of the Borrower responsible for carrying out any part of the Project; (ii) shall enable accredited representatives of the Association to inspect the Project and the farms and other facilities included therein, the goods and any relevant records and documents; and (iii) 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 goods and services, the Project, and the administration and operations, in respect of the Project, of PMB, the Unions and of all other departments and agencies of the Borrower responsible for carrying out any part of the Project.

*Section 4.18.* (a) The Borrower and the Association shall cooperate fully to ensure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party, exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof, and 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 balance of payments position of the Borrower.

(b) 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, the carrying out of the Project or the maintenance of the service of the Credit.

(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 4.19.* 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 4.20.* This 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.* If any event specified in Section 7.01 of the General Conditions or in Section 5.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

*Section 5.02.* For the purposes of Section 7.01 of the General Conditions, the following additional event is specified: the Borrower shall, without the prior consent of the Association, have taken any action for the dissolution or disestablishment of PMB or of any of the Unions, or to change or suspend the operations of any of them.

*Article VI*

## EFFECTIVE DATE; TERMINATION

*Section 6.01.* The following events are specified as additional conditions to the effectiveness of this Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions:

- (a) The Borrower has established the Project Committee;
- (b) The Borrower has appointed the Project Director;
- (c) The Borrower and the Association have agreed on the Plan of Operations;
- (d) The Borrower has taken all steps required by Section 2 (f) of its External Loans Act, 1962, to allow the re-lending of funds borrowed from the Association to the Unions;
- (e) The several subsidiary loan agreements specified in sub-Sections 4.06 (a) (i) through (iv) of this Agreement have been duly executed and become fully effective and binding on their respective parties, subject only to the effectiveness of the Development Credit Agreement;
- (f) The Borrower has submitted to the Association evidence that the arrangements with commercial banks specified in Section 4.09 of this Agreement have been concluded;
- (g) The Borrower has submitted to the Association evidence that the arrangements with UCB specified in Section 4.11 of this Agreement have been concluded; and

(h) The West Nile and Middle North Unions shall have purchased from the British-American Tobacco Company its facilities in the operating areas of those Unions.

*Section 6.02.* The following is specified as an additional matter, within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association: the several subsidiary loan agreements specified in sub-Sections 4.06 (a) (i) through (iv) of this Agreement have been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto, and constitute valid and binding obligations of the parties thereto in accordance with their terms.

*Section 6.03.* The date of October 31, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

*Section 6.04.* The obligations of the Borrower under Sections 4.03, 4.04 and 4.15 of this Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on a date 15 years after the date of this Development Credit Agreement, whichever shall be the earlier.

## Article VII

### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be December 31, 1975 or such other date as shall be agreed between the Borrower and the Association.

*Section 7.02.* The Minister of the Borrower for the time being responsible for finance is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

*Section 7.03.* The following addresses are specified for the purposes of Section 9.01 of the General Conditions :

For the Borrower :

Secretary of the Treasury  
P.O. Box 103  
Entebbe, Uganda

Alternative address for cables :

Finsec  
Entebbe

For the Association :

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

Alternative address for cables :

Indevas  
Washington, D.C.

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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Uganda :  
By E. OTEMA ALLIMADI  
Authorized Representative

International Development Association :  
By S. ALDEWERELD  
Vice President

#### SCHEDULE 1

##### ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Tobacco storage equipment vehicles, bulk purchased construction materials, fertilizers and insecticides, and other imported items . . . . .	1,000,000
II. Foreign exchange costs of expatriate staff and of consultant services . . . . .	310,000
III. Other expenditures on the Project . . . . .	2,450,000
IV. Unallocated . . . . .	240,000
TOTAL	<u>4,000,000</u>

##### REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to III shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Association to Category IV.

2. If the estimate of the cost of the items included in any of the Categories I to III shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit (or, in the case of Category III, an amount equal to 70% of such increase) will be allocated by the Association, at the request of the Borrower, to such Category from Category IV, subject, however, to the requirements

for contingencies, as determined by the Association, in respect of the cost of the items in the other Categories.

## SCHEDULE 2

### DESCRIPTION OF THE PROJECT

The Project consists of:

- (1) the construction and improvement of tobacco barns, baling centers and offices;
- (2) the establishment of tobacco storage facilities;
- (3) the establishment of fuel-wood plantations;
- (4) the provision of new tobacco growers with seasonal production inputs through a revolving fund;
- (5) the provision of agricultural extension services for the training of tobacco growers, for the production of tobacco seeds and for the supervision of the growing and harvesting of tobacco; and
- (6) the provision of technical assistance for the preparation of further agricultural projects.

The Project is expected to be completed by June 30, 1975.

## SCHEDULE 3

### PROCUREMENT

1. Goods included in Category I or III of Schedule 1 to this Agreement shall, as far as possible and in accordance with sound procurement practices, be purchased by bulk contracts.

2. For contracts referred to in sub-Section 3.02 (i) of this Agreement and that are expected to amount to \$15,000 equivalent or more, the Association's approval shall be obtained in advance for all international bid invitation documents and for the tendering procedures. After bids have been received, a summary and analysis of these shall be sent to the Association for approval, together with the recommendation for awards and a justification for any award proposed to be made to other than the lowest bidder.

3. For contracts referred to in sub-Section 3.02 (ii) of this Agreement, tender notices shall be widely circulated within Uganda, to local and foreign suppliers and contractors.

4. As soon as possible after the execution of any contract and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of the contract, a certified copy thereof shall be sent to the Association.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]

---