

No. 15855

**DENMARK
and
KENYA**

Agreement on a project to provide farm inputs to smallholder Kenya farmers (with appendix). Signed at Nairobi on 16 February 1977

Authentic text: English.

Registered by Denmark on 19 August 1977.

**DANEMARK
et
KENYA**

Accord relatif à un projet de fourniture de facteurs de production agricole aux petits agriculteurs kényens (avec appendice). Signé à Nairobi le 16 février 1977

Texte authentique : anglais.

Enregistré par le Danemark le 19 août 1977.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE KINGDOM OF DENMARK AND THE GOVERNMENT OF THE REPUBLIC OF KENYA ON A PROJECT TO PROVIDE FARM INPUTS TO SMALL HOLDER KENYA FARMERS

Article I. The two Governments will jointly establish a project designed to promote, through the medium of co-operatives, knowledge and use of fertilizers, improved seed varieties, insecticides and increase productivity on small Kenya farms, and to extend loans to co-operative unions on favourable terms for the stockholding of such means of production for the benefit of their members.

Article II. The Government of Denmark will finance, within a total of Danish Kroner 7.3 million:

- (1) the assignment to the project of one Project Leader and four advisers for a period of 183 man months. The Project Leader is envisaged to take up his post in Kenya three months before the other advisers;
- (2) the cost of production, within a total of Kroner 280,000 of the educational material, etc., needed for the attainment of the objective set out in article I;
- (3) a revolving loan fund of Danish Kroner 4.8 million to be administered by the Co-operative Bank of Kenya (hereinafter called the "Bank"). The Bank shall for the better carrying out of the project act as the agent of the Government in lending and managing the funds to the various co-operative unions embraced by the project;
- (4) the aforementioned sum for financing of the loan fund shall be transferred in two instalments to the Kenya Ministry of Co-operatives (through the Kenya Ministry of Finance and Planning) which shall re-transfer the instalments to the Bank not later than one month after their receipt. The first instalment, in the amount of Danish Kroner 2.6 million, shall be transferred when the plan of operation mentioned in article X has been approved, the second instalment 12 months later;
- (5) coverage of transportation costs and subsistence allowances in accordance with Kenya Government regulations when advisers use their private vehicles in the execution of their official duties.

Article III. The Government of Kenya will be responsible for:

- (1) the provision of five departmental counterparts to serve respectively at headquarters and in the Provinces in which the advisers are posted;
- (2) the provision of four vehicles to be used at the place referred to in article III (1) or of funds for travelling and subsistence for the departmental counterparts.

Article IV. The Government of Kenya will accord to the Danish advisers the privileges and facilities set out in the Agreement on Technical Cooperation between Denmark and Kenya, signed on February 25th, 1971.²

Article V. (1) The project shall be implemented as an activity of the Department of Co-operative Development in close co-operation with the Nordic Project for Co-operative Assistance to Kenya and with the Kenya Ministry of Agriculture, the Kenya

¹ Came into force on 16 February 1977 by signature, in accordance with article XII (1).

² United Nations, *Treaty Series*, vol. 814, p. 45.

National Federation of Co-operatives and the Co-operative Bank. Its administration shall to the closest possible extent fall under the said Nordic Project.

(2) The responsibility for the day-to-day carrying out of the project shall rest with a Management Unit consisting of the Project Leader and his Kenya counterpart.

Article VI. The principal duties of the team of Danish advisers shall be, in collaboration with the Kenya Government Extension Service, to assist co-operative unions in organising, procuring and distributing supplies of farm inputs and to provide guidance to farmers in the use of means of production.

Article VII. (1) The Bank shall ensure that the funds provided pursuant to article III (4) of this Agreement are used promptly, efficiently and exclusively in accordance with the terms and conditions set out in this Agreement and in the approved plan of operation following directives from time to time of the Commissioner for Co-operative Development.

(2) The Bank shall submit quarterly returns to the Commissioner of Co-operative Development, such returns showing amounts lent to and repayments made by the selected unions during each quarter.

These returns shall be forwarded to DANIDA for information through the Kenya Ministry of Co-operatives.

(3) The Bank shall have powers to do everything reasonably possible to recover all moneys lent to the selected unions under this Agreement, provided that the Bank shall not be held liable for any defaults in repayment and/or non-repayment of the funds lent hereunder by the selected unions.

(4) In consideration of the services rendered hereunder, the Government shall pay the Bank a commission at the rate of 3% per annum on all moneys lent under this Agreement and for the time being remaining outstanding, and the first such commission shall fall due and payable one month after the first instalment of the repayment of the funds shall have become due and payable. The Bank may recover its commission hereunder from any moneys received by it from the selected unions and it is hereby understood and agreed that the Bank's right to commission shall not in any way be prejudiced by non-repayment of the funds or the interest hereon by the selected unions.

Article VIII. (1) The objective of the loan fund referred to in article II (3) shall be to extend loans to co-operative unions in a financially weak position in order to enable them to hold adequate means of production and to finance the procurement thereof by members. Except where otherwise agreed between the two Governments, loans from the fund shall be extended only to the unions to which the advisers are providing technical assistance.

(2) The areas of operation are to be specified in the Plan of Operation agreed upon between DANIDA and the Department of Co-operative Development, subject to annual review. Co-operative unions to which assistance is provided under the project will, in addition to such assistance, receive promotion and supervision support from Kenya Government Officers for the build-up of a working capital of their own and a general credit-worthiness with a view to making them less dependent on future support.

Article IX. (1) Loans extended to the co-operative unions referred to in article VIII will be used for stockholding of fertilizers, improved seed varieties, insecticides, and other farm inputs, intended for resale on a credit basis to members referred to in article VIII (1).

(2) The Kenya National Federation of Co-operatives shall be given priority as a supplier of farm inputs financed by the project. Payment for supplies shall be effected directly from the Bank to the suppliers.

(3) The funds lent to the selected unions shall bear interest at the rate of 5% per annum accruing and calculated on every sum advanced or the balance for the time being on account of the funds lent hereunder as from the date upon which such funds are advanced to the selected unions.

(4) The selected unions shall repay to the Bank the funds lent under this Agreement together with interest at the rate herein reserved and calculated in the manner hereinbefore provided by monthly instalments in arrears commencing twelve months after the last draw on the loan until repayment is full.

Article X. (1) The Project Leader referred to in article II shall organize at the earliest convenience the establishment of an Advisory Group within the Kenya Department of Co-operative Development of the Ministry of Co-operative Development and the Ministry of Finance and Planning. The Advisory Group shall in particular consist of representatives of the Kenya National Federation of Co-operatives, the Bank, the Nordic Project, the Credit and Finance Division of the Department of Co-operative Development, a representative of the Ministry of Agriculture and a representative of the Ministry of Finance and Planning.

The Advisory Group shall in collaboration with the Kenya authorities work out a Plan of Operation for the project. Their terms of reference shall be in accordance with Appendix I of this Agreement.

(2) The Plan of Operation shall take due account of existing procedures within the Department of Co-operative Development and the co-operative movement and shall be submitted to DANIDA for approval not later than two months after this Agreement has entered into force.

Article XI. Not later than two years after the date of signature of this Agreement an evaluation of the project shall be carried out in order to establish the effects thereof. The evaluation team shall be composed of two representatives appointed by the Government of Kenya and two representatives appointed by the Government of Denmark who, in addition to making a general evaluation of the effects of the project shall recommend how the resources available in the fund after expiration of this Agreement will be utilized.

Article XII. (1) This Agreement shall enter into force on the date of its signature and shall remain in force for a period of three (3) years. It may at any time be terminated by either Party giving six months' notice in writing thereof to the other Party.

(2) This Agreement may be amended or supplemented by exchange of letters between the two Governments.

(3) At the request of either Government, the two Parties shall consult with each other on any matter concerning this Agreement.

IN WITNESS WHEREOF, the undersigned, being duly authorised thereto by their respective Governments, have signed the Agreement in two originals in the English language.

DONE in Nairobi this 16th day of February 1977.

For the Government
of the Republic of Kenya:

[Signed]
MWAI KIBAKI

For the Government
of Denmark:

[Signed]
H. KÜHNE

APPENDIX I

TERMS OF REFERENCE

Name of Project

Farm Input Supply Scheme

Name of post

Advisory Group

Participants

The Ministry of Finance and Planning

The Ministry of Agriculture

The Credit and Finance Division of the Department of Co-operative Development

The Management and Planning Division of the Department of Co-operative Development

The Kenya National Federation of Co-operatives

The Co-operative Bank of Kenya

The Nordic Project for Co-operative Assistance to Kenya

F.I.S.S. Management Unit

Functions

1. Approve the Plan of Operation prepared by the Management Unit of F.I.S.S.
2. Advise and recommend any changes in the overall scheme.
3. Review the operation of the scheme in the selected areas.
4. Review the Plan of Operation on a yearly basis.
5. Review loan repayments and advise measures to be taken with the aim of intensifying recoveries of outstanding loans.
6. Review quarterly and annual reports of the F.I.S.S. and identify problems and recommend solutions.
7. Provide the evaluation team as referred to in article XI of the project agreement with any necessary information and assistance with the aim of recommending purposes for which the resources available in the revolving fund after expiration of the Agreement can be utilized.

Reports to

The Commissioner for Co-operative Development
DANIDA
