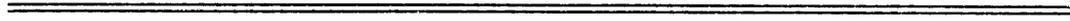


CONFORMED COPY



LOAN NUMBER 1390 T-KE

LOAN AGREEMENT

(Third Agricultural Credit Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 15, 1977



LOAN AGREEMENT

AGREEMENT, dated April 15, 1977, between REPUBLIC OF KENYA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) the Borrower has requested the Bank to assist in the financing of the Project described in Schedule 2 to the Development Credit Agreement by making the Loan as hereinafter provided;

(B) the Borrower has also requested the Association to provide additional financial assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Association (hereinafter called the Development Credit Agreement) the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to twenty million dollars (\$20,000,000);

(C) the Borrower and the Bank intend, to the extent practicable, that the proceeds of the credit (hereinafter called the Credit) provided for in the Development Credit Agreement be disbursed on account of expenditures on the Project before disbursements of the proceeds of the Loan provided for in this Agreement are made;

(D) the Bank has determined that the Borrower is eligible to receive this Loan as an intermediate term loan, as that term is defined in Resolution No. 75-111 of the Executive Directors of the Bank establishing an Interest Subsidy Fund for the Third Window (hereinafter called the Fund) and upon the terms and conditions set forth in such Resolution;

(E) the Administrator of the Fund (hereinafter called the Administrator), subject to the terms and conditions set forth in the Resolution referred to in (D) above, is obligated to pay to the Bank semi-annually from the resources of the Fund an amount equal to four per cent (4%) per annum of the outstanding amounts of principal on intermediate term loans, of which this Loan is one; and

WHEREAS the Bank has agreed, on the basis inter alia of the foregoing, to make the Loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE 1

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions):

Section 2.01 (11) is revised to read as follows:

"11. The term 'Project' means the Third Agricultural Credit Project, as described in the Development Credit Agreement between the Borrower and the Association of even date with the Loan Agreement and as the description thereof may be amended from time to time by agreement among the Borrower, the Association and the Bank."

Section 1.02. Wherever used in this Agreement, 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 term "Development Credit Agreement" means the agreement of even date herewith

between the Borrower and the Association for the purpose of the Project, as such agreement may be amended from time to time; and such term includes the General Conditions Applicable to Development Credit Agreements of the Association, dated March 15, 1974, as made applicable to such agreement, all agreements supplemental to the Development Credit Agreement and all schedules to the Development Credit Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to five million dollars (\$5,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to the Development Credit Agreement, as such Schedule may be amended from time to time by agreement among the Borrower, the Association and the Bank, for expenditures made (or, if the Bank and 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 Loan.

Section 2.03. The Closing Date shall be December 31, 1980 or such later date as the Bank shall otherwise establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of eight and one-half per cent (8-1/2%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time; provided, however, that if the Administrator shall at any time determine that the resources of the Fund shall not be sufficient to pay to the Bank at the next succeeding semi-annual interest payment date of the Loan the amount scheduled to be paid by the Administrator at that interest payment date as specified in paragraph (E) of the Preamble to this Agreement, the Borrower shall, upon notification by the Administrator of such determination and the amount of the resulting shortfall, pay additional interest on such principal amount of the Loan equal to such shortfall.

Section 2.06. Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in the Schedule to this Agreement.

ARTICLE III

Execution of the Project
and Other Covenants

Section 3.01. (a) Subject to subsection (b) of this Section, Section 2.03 and Article III of the Development Credit Agreement, together with the Schedules referred to therein, are incorporated in, and made a part of, the Loan Agreement, provided that the terms "Association" and "Credit", whenever they appear in such Section, Article and Schedules shall be read, respectively, "Bank" and "Loan".

(b) So long as the Development Credit Agreement shall not have terminated prior to the termination of this Agreement and so long as the Bank has not given notice to the contrary to the Borrower: (i) the obligations of the Borrower to consult with and to furnish, or cause to be furnished, information, documents, plans, reports, records and statements to the Bank shall be satisfied to the extent performance in respect of such obligations is rendered to the Association; and (ii) the obligations of the Bank to consult with and to furnish information to the Borrower shall be satisfied to the extent such obligations are fulfilled by the Association.

(c) Unless and until the Bank gives notice to the contrary to the Borrower, all actions taken (including the giving of approvals or the granting of waivers) by the Association pursuant to the Development Credit Agreement shall be deemed to be taken pursuant to both the Development Credit Agreement and the Loan Agreement and in the name and on behalf of both the Association and the Bank.

Section 3.02. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that if for

any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Borrower shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date; and (iii) any charges on the General Fund of the East African Community (hereinafter called the Community) securing a debt of the Community where the amount of the debt service on such debt in any financing year together with other debt service on other debt of the Community payable from such General Fund in such financial year does not exceed 2% of the average of customs duties and excise duties collected by the East African Customs and Excise Department in the three financial years preceding such incurrence. For the purposes of this paragraph, "debt service" shall include payments of the principal of, and interest and other charges on, debt; and any reference to incurring of debt shall include the assumption and guarantee of debt and any renewal, extension or modification of the terms of the debt or of the assumption or guarantee thereof.

(c) As used in this Section, the term "public assets" means assets of the Borrower, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such subdivision, including gold and other foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower.

ARTICLE IV

Remedies of the Bank

Section 4.01. For the purposes of Section 6.02 of the General Conditions, the events set out in Section 4.01 of the Development Credit Agreement are specified.

Section 4.02. For the purposes of Section 7.01 of the General Conditions, the events set out in Section 4.02 of the Development Credit Agreement are specified.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that all conditions to the effectiveness of the Development Credit Agreement have been fulfilled.

Section 5.02. The date June 15, 1977, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance and Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Planning
P.O. Box 30007
Nairobi, Kenya

Cable address:

FINANCE
Nairobi

Telex:

22003

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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/ J. P. Mbogua

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ W. A. Wapenhans

Regional Vice President
Eastern Africa

SCHEDULE

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)</u>
January 15, 1983	90,000
July 15, 1983	90,000
January 15, 1984	90,000
July 15, 1984	95,000
January 15, 1985	95,000
July 15, 1985	100,000
January 15, 1986	100,000
July 15, 1986	105,000
January 15, 1987	105,000
July 15, 1987	110,000
January 15, 1988	110,000
July 15, 1988	110,000
January 15, 1989	115,000
July 15, 1989	115,000
January 15, 1990	120,000
July 15, 1990	125,000
January 15, 1991	125,000
July 15, 1991	130,000
January 15, 1992	130,000
July 15, 1992	135,000
January 15, 1993	140,000
July 15, 1993	140,000
January 15, 1994	145,000
July 15, 1994	145,000
January 15, 1995	150,000
July 15, 1995	155,000
January 15, 1996	155,000
July 15, 1996	160,000
January 15, 1997	165,000
July 15, 1997	170,000
January 15, 1998	170,000
July 15, 1998	175,000
January 15, 1999	180,000
July 15, 1999	185,000
January 15, 2000	190,000
July 15, 2000	190,000
January 15, 2001	190,000

Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<u>Time of Prepayment</u>	<u>Premium</u>
Not more than three years before maturity	1.05%
More than three years but not more than six years before maturity	2.15%
More than six years but not more than eleven years before maturity	3.90%
More than eleven years but not more than sixteen years before maturity	5.65%
More than sixteen years but not more than twenty years before maturity	7.10%
More than twenty years but not more than twenty-two years before maturity	7.80%
More than twenty-two years before maturity	8.50%