

Public Disclosure Authorized

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**LOAN NUMBER 4763 KZ**

## **Loan Agreement**

**(Second Agricultural Post-Privatization Assistance Project)**

**between**

**REPUBLIC OF KAZAKHSTAN**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated April 1, 2005**

Public Disclosure Authorized



**LOAN NUMBER 4763 KZ**

**LOAN AGREEMENT**

AGREEMENT, dated April 1, 2005, between REPUBLIC OF KAZAKHSTAN (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter from the Borrower, dated May 4, 1998 (date of registration May 7, 1998), describing a program designed to provide post-privatization support for rural enterprises (the Program) and declaring the Borrower's commitment to the execution of such Program;

(B) the Borrower has requested that the Bank supports the execution of the Program through a series of loans of up to \$85,000,000 over a period of up to ten (10) years to be utilized by the Borrower for the implementation of the Program;

(C) the first phase of the Program has been supported by the Bank through a loan in an amount equal to fifteen million dollars (\$15,000,000) pursuant to the Loan Agreement (4331 KZ) dated June 23, 1998, between the Borrower and the Bank;

(D) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), which is the second phase of the Program, has requested the Bank to assist in the financing of the Project;

(E) certain activities under Part C.2 of the Project will be carried out by banks and leasing companies of the Borrower meeting certain eligibility criteria (the Participating Financial Institutions) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to the Participating Financial Institutions, as set forth in this Agreement;

(F) certain activities under Part D.2 of the Project will be carried out by Micro-Finance Institutions of the Borrower meeting certain eligibility criteria (the Participating Micro-Finance Institutions) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the Loan available to the Participating Micro-Finance Institutions, as set forth in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004) with the modification set forth below (the General Conditions) constitute an integral part of this Agreement:

Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

“(c) Not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.”

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) “Beneficiary” means any individual, private enterprise, farmer or farmers’ association who is either engaged in or intend to engage (as a result of Sub-loan or Lease Financing or Micro-sub-loan (each hereinafter defined) in any economic activity in a rural area, including processing, marketing, distribution, trade, service and production activities, duly registered pursuant to the laws of the Borrower, to which a PFI or a PMFI (each hereinafter defined), proposes to make or has made a Sub-loan, or Lease Financing or a Micro-sub-loan, and “Beneficiaries” means any group of said Beneficiary;

(b) “BD” means the Budget Department of the Ministry of Agriculture of the Borrower which will be responsible for accounting, financial reporting and financial management of the Project;

(c) “DEAI” means the Department of External Affairs and Investments of the Ministry of Agriculture of the Borrower which will be responsible for the overall implementation of the Project;

(d) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(e) “Financial Sector Rural Investment Guidelines” means the guidelines referred to in paragraph 3 of Part A of Schedule 5 to this Agreement, setting out the operational and administrative procedures for the implementation of Part C.2 of the Project, including selection, financing, monitoring and performance assessment of PFIs and criteria for the selection of a Sub-loan and Lease Financing;

(f) “Free-limit Lease Financing” means a Lease Financing proposed to be provided in an amount not more than the threshold specified for prior Bank review under paragraph 3 (b) (ii) of Part D of Schedule 5 to this Agreement for a Sub-project (hereinafter defined), which qualifies to be approved by the Borrower in the absence of such prior review pursuant to the provisions of such paragraph;

(g) “Free-limit Sub-loan” means a Sub-loan proposed to be made in an amount not more than the threshold specified for prior Bank review under paragraph 3 (b) (i) of Part D of Schedule 5 to this Agreement for a Sub-project which qualifies to be approved by the Borrower in the absence of such prior review pursuant to the provisions of such paragraph;

(h) “Lease Financing” means financing provided or to be provided by a PFI to a Beneficiary out of the proceeds of the Loan allocated from time to time to Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, for purposes of financing the lease of (with the option to purchase) vehicles, equipment and/or machinery for purposes of carrying out a Sub-project, involving the periodical payment to a Leasing Company, as hereinafter defined, of a lease payment consisting in part of an amortization component as set forth in subparagraph 2 (b) of Part D of Schedule 5 to this Agreement;

(i) “Leasing Company” means a legal entity registered under the laws of the Borrower pertaining to business enterprises and engaged in the business of leasing of capital assets in the territory of the Borrower and selected by the Borrower pursuant to criteria set forth in the Financial Sector Rural Investment Guidelines;

(j) “Micro-Finance Credit Organizations Law” means the Borrower’s Law on the Micro Credit Organizations dated March 6, 2003;

(k) “Micro-Sub-loan” means a loan made or proposed to be made by a PMFI out of the proceeds of the Loan allocated from time to time to Category (2) of the table set forth in paragraph 1 of Schedule 1 to this Agreement for purposes of financing all or a portion of the expenditures incurred by a Beneficiary under a Sub-Project;

(l) “MoA” means the Borrower’s Ministry of Agriculture and includes any successor or successors thereto;

(m) “MoF” means the Borrower’s Ministry of Finance and includes any successor or successors thereto;

(n) “MoEBP” means the Borrower’s Ministry of Economic and Budget Planning and includes any successor or successors thereto;

(o) “New PFIs” means the PFIs that are subject to review pursuant to due diligence procedures set forth in the Financial Sector Rural Investment Guidelines to qualify for participation in the Project;

(p) “Participating Bank” means a commercial bank registered in accordance with the legislation of the Borrower and selected by the Borrower pursuant to criteria set forth in the Financial Sector Rural Investment Guidelines;

(q) “PFI” or “Participating Financial Institution” means any or each Participating Bank or Leasing Company and Participating Financial Institutions or “PFIs” means said financial institutions collectively;

(r) “PMFI” or “Participating Micro-Finance Institution” means an institution registered in accordance with the legislation of the Borrower and selected by the Borrower pursuant to criteria set forth in the PMFI Rural Investment Guidelines (hereinafter defined) and “PMFIs” and “Micro-Finance Institutions” means said institution collectively;

(s) “PMFI Rural Investment Guidelines” means the guidelines referred to in paragraph 4 of Part A of Schedule 5 to this Agreement, setting out the operational and administrative procedures for the implementation of Part D.2 of the Project including selection, financing, monitoring and performance assessment of PMFIs and criteria for the selection of a Micro-Sub-loan;

(t) “PIM” means the project implementation manual setting forth procedures for implementation of the Project, as such manual may be amended from time to time upon agreement with the Borrower and the Bank and referred to in paragraph 2 of Part A of Schedule 5 to this Agreement;

(u) “Procurement Plan” means the Borrower’s procurement plan, dated May 28, 2004 covering the initial (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(v) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(w) “Sub-loan” means a loan made or proposed to be made by a Participating Bank, out of the proceeds of the Loan allocated from time to time to Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, for purposes of financing

all or a portion of the expenditures incurred by a Beneficiary under a Sub-Project provided, however, that a transaction which is a Lease Financing may be considered a Subloan for the purposes of this Agreement;

(x) “Subsidiary Loan” means any loan made by the Borrower to a PFI or PMFI for the purposes of on lending to a Beneficiary pursuant to a Subsidiary Loan Agreement or a Micro-Subsidiary Loan Agreement (each hereinafter defined);

(y) “Subsidiary Loan Agreement” means an agreement entered or to be entered into between the Borrower and a PFI pursuant to paragraph 3 of Part B of Schedule 5 to this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Loan Agreement and “Subsidiary Loan Agreements” mean said agreement collectively;

(z) “Micro-Subsidiary Loan Agreement” means an agreement entered or to be entered into between the Borrower and a PMFI pursuant to paragraph 3 of Part C of Schedule 5 to this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Micro-Subsidiary Loan Agreement and “Micro-Subsidiary Loan Agreements” mean said agreement collectively;

(aa) “Sub-project” means a specific investment project for a productive activity that meets criteria set forth in the Financial Sector Rural Investment Guidelines or PMFI Rural Investment Guidelines; and

(bb) “Tenge” means the lawful currency of the Borrower.

## **ARTICLE II**

### **The Loan**

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to thirty five million Dollars (\$35,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Bank shall so agree, to be paid) by a PFI on account of withdrawals made by a Beneficiary under a Sub-loan to meet the reasonable cost of goods and works required for the Sub-project in respect of which the withdrawal from the Loan Account is requested; and (ii) amounts paid (or, if the Bank shall so agree, to be paid) by a PMFI on account of withdrawals made by a Beneficiary under a Micro-Sub-loan to meet the reasonable cost of goods and works required for the Sub-project in respect of which the withdrawal from the Loan Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. Such fee shall be payable not later than sixty (60) days after the Effective Date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in single currency for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.



(iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months’ notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on May 15 and November 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project through MoA with due diligence and efficiency and in conformity with appropriate administrative, environmental and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower, through

MoA, shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) Without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall make available for the purposes of the carrying out of Parts C.2 and D.2 of the Project an amount equivalent to thirty one million one hundred thousand Dollars (\$31,100,000) to be utilized under the terms and conditions set forth in Schedule 5 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree procurement of the goods and selection and employment of consultants' services required for the Project shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designated to ensure the continued achievement of the Project's objectives; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 5 (b) of Part A of Schedule 5 to this Agreement, the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing

separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;

- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Bank**

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

(a) a situation shall have arisen which shall make it improbable that the Program or significant part thereof will be carried out; and

(b) the Micro-Finance Credit Organization Law shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Micro-Finance Credit Organizations to perform any of their obligations under the Micro Subsidiary Loan Agreements.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur.

## **ARTICLE VI**

### **Effective Date; Termination**

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

(a) the Financial Sector Rural Investment Guidelines, satisfactory to the Bank, have been prepared;

(b) the PMFI Rural Investment Guidelines, satisfactory to the Bank, have been prepared; and

(c) the PIM, satisfactory to the Bank, has been prepared.

Section 6.02. The date one hundred twenty (120) 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 Finance of the Borrower 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  
33 Pobedy Street  
Astana  
Republic of Kazakhstan

Cable address:	Telex:	Facsimile:
	264126 (FILIN)	(7) (3172) 717762

For the Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

REPUBLIC OF KAZAKHSTAN

By /s/ Arman Dunayev  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Loup Brefort  
Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Sub-loans and Lease Financings under Part C.2 of the Project	30,000,000	100% of amounts disbursed by PFIs by June 30, 2006; 85% of amounts disbursed by PFIs by June 30, 2007 and 75% thereafter
(2) Micro-Sub-loans under Part D.2 of the Project	3,650,000	100% of amounts disbursed
(3) Unallocated	<u>1,350,000</u>	
TOTAL	<u>35,000,000</u>	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) under Categories (1) or (2) above, unless the Sub-loan or the Lease Financing or the Micro-Sub-loan has been made in accordance with criteria and procedures set forth in the Financial Sector Rural Investment Guidelines and the PMFI Rural Investment Guidelines; and (c) any expenditures under any Category in the table in paragraph 1 above, unless the Bank has received payment in full of the front-end-fee referred to in Section 2.04 of this Agreement.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) Sub-loans and Lease Financings under Part C.2 of the Project costing less than \$1,000,000; and

(b) Micro-Sub-loans under Part D.2 of the Project, all under such terms and conditions as the Bank shall specify by notice to the Borrower.



## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are to improve access of Beneficiaries to commercial financial services by: (a) strengthening and expanding the rural financial advisory services program; (b) supporting agricultural risk management initiatives; (c) development and implementation of new financial instruments by commercial banks and leasing companies for deepening rural financial outreach; and (d) supporting sustainable rural micro-finance schemes to rural micro-entrepreneurs.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

#### Part A: Rural Financial Advisory Services

1. Carrying out series of workshops to Beneficiaries on the available financial instruments to improve their understanding of various financing options and provision of assistance in developing business plans and finding financing resources.
2. Establishing a nationwide private rural consulting network which will assist Beneficiaries in: (i) business plan preparation and assessment, farm management, cost and financial analysis and risk management; (ii) comparative analysis of different financing options, including traditional lending, leasing, and structured finance, techniques for collateral valuation, and non-lending financial products, including production and price risk management instruments; and (iii) analysis of the legal framework, including prototype agreements under leasing, structured finance activities and crop-insurance legal requirements.

#### Part B: Agricultural Risk Management

1. Provision of technical assistance in production risk management by: (a) upgrading weather data infrastructure; (b) training agro-meteorologists on weather triggers per zone and per crop, and carrying out seminars for the Beneficiaries on the crop insurance program implementation mechanisms; and (c) carrying out a crop risk analysis, including an assessment of the crop insurance program's implementation and its fiscal implications, financial arrangements and regulatory framework.
2. (a) Developing a framework for establishment of modern commodity exchanges by: (i) reviewing the legal framework, technical, financial and organizational aspects of current state of commodity exchanges; (ii) elaborating prototype business plans, including contract specifications; and (iii) developing contracts and assessing the potential for creating synergy among various market instruments; and (b) training

commodity exchange owners, managers and regulators on best practices in developing effective public awareness, creating trust, designing successful contracts and reaching out to clients.

Part C: Rural Outreach by the Mainstream Financial Sector

1. Provision of training to: (a) banks and leasing companies on agricultural lending, including appraisal of financial and operational sustainability of long term investment proposals, assessment of associated risks and margin setting; and (b) Beneficiaries involved in or planning to engage in structured financing on effective supply chain organization, including best practices in commodity quality assurance, business plan development and risk management, linkage to other financial instruments including warehouse receipts, contracting and processes for legal redress.
2. Establishment and operation of a credit facility in selected PFIs for the provision of Sub-loans and Lease Financings for financing of Sub-projects.

Part D: Rural Micro-Finance Development

1. Strengthening of institutional capacity of selected PMFIs by carrying out a baseline study for establishing Project benchmarks and provision of technical assistance in product diversification and linkage development.
2. Establishment and operation of a micro-credit facility in selected PMFIs for provision of Micro-Sub-loans for financing of Sub-projects.

Part E: Project Management

Strengthening institutional capacity of the DEAI and BD of the MoA, through the provision of technical assistance, training, studies, audit services, equipment, vehicles and incremental operating expenses for Project implementation, management and monitoring.

\* \* \*

The Project is expected to be completed by June 30, 2009.

**SCHEDULE 3**

**Amortization Schedule**

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)</u>
On each May 15 and November 15 beginning May 15, 2010 through May 15, 2021	1,460,000.000
On November 15, 2021	1,420,000.000

## **SCHEDULE 4**

### **Procurement**

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

#### B. Other Procurement Procedures

1. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

2. Commercial Practices. Items estimated to cost less than \$1,000,000 equivalent per contract and to be financed under Sub-loans made for Subprojects under Parts C.2 and D.2 of the Project, may be procured in accordance with commercial practices acceptable to the Bank.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least-cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis subject to prior approval of the Bank.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

## **SCHEDULE 5**

### **Implementation Program**

#### Part A: General

1. The Borrower shall:
  - (a) carry out the Project through MoA;
  - (b) MoA, through its DEAI, shall maintain a team of experts (ToEs) during the execution of the Project with staffing and resources adequate to enable ToEs to effectively implement the Project, which shall be responsible for the overall Project coordination, including procurement, disbursement, preparation of progress and annual reports and FMRs in respect of or related to the Project; and
  - (c) MoA, through its BD, shall have the overall responsibility for accounting, financial reporting and financial management of the Project.
2. The Borrower, through MoA, shall take all necessary measures to implement the Project in accordance with PIM and it shall not assign, amend, abrogate or waive any provision of the PIM without prior approval of the Bank.
3. The Borrower shall maintain the Financial Sector Rural Investment Guidelines in form and content satisfactory to the Bank, shall duly perform all its obligations under the Financial Sector Rural Investment Guidelines and shall not assign, amend, abrogate or waive any provision of the Financial Sector Rural Investment Guidelines without obtaining the prior approval of the Bank.
4. The Borrower shall maintain the PMFI Rural Investment Guidelines in form and content satisfactory to the Bank, shall duly perform all its obligations under the PMFI Rural Investment Guidelines and shall not assign, amend, abrogate or waive any provision of the PMFI Rural Investment Guidelines without obtaining the prior approval of the Bank.
5. The Borrower shall:
  - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;
  - (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about September 30, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient

carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by October 30, 2007 or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

Part B: Subsidiary Loan Agreements and Lease Financings

1. The Borrower shall carry out Part C.2 of the Project through PFIs selected for participation in the Project pursuant to paragraph 2 hereof.

2. The Borrower shall, in consultation with the Bank, select a Participating Bank and a Leasing Company as PFIs for participation under Part C.2 of the Project in accordance with the eligibility criteria set forth in the Financial Sector Rural Investment Guidelines.

3. (a) For the purposes of Part C.2 of the Project, the Borrower shall onlend the amount of the Loan allocated to Category (1) in the table in Paragraph 1 of Schedule 1 to this Agreement to the PFIs under subsidiary loan agreements to be entered into between the Borrower and each of the PFIs under terms and conditions which shall have been approved by the Bank. Except as the Bank shall otherwise agree, such terms and conditions shall include the following:

- (i) the amount of subsidiary loan to each PFI shall be made available in Dollars or Tenge;
- (ii) the principal amount of the Subsidiary Loan shall be repaid by the concerned PFI in Dollars or in Tenge to the Borrower in semi-annual installments over fifteen (15) years, including a grace period of three (3) years; and
- (iii) interest shall be charged on the outstanding balances of the Subsidiary Loans at a rate acceptable to the Bank and to be determined as follows: (a) The interest rate for Subsidiary Loans denominated in Dollars shall represent the prevailing interest rate as determined in accordance with Section 2.06 of this Agreement plus a spread of not less than 1% set by the Borrower from time to time, and agreed to by the Bank, to compensate the Borrower for: (1) the commitment fee payable in respect of the Loan; and (2) the administrative costs associated with the Subsidiary Loan;

and (b) the interest rate for Subsidiary Loans denominated in Tenge shall be determined by a methodology acceptable to the Bank.

(b) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provision thereof.

4. (a) The maximum amount to be made available by the Borrower to the PFIs out of the proceeds of the Loan shall, for any period of time, be limited to an amount corresponding to such specific percentage of the PFIs' aggregate qualifying Subloan disbursements for such period, as shall have been provided for under the terms of the Subsidiary Loan Agreements and in accordance with policies of the Borrower satisfactory to the Bank; provided, however, that in the case of any particular PFI the percentage of aggregate qualifying Sub-loan disbursements so specified may not, in any event, be in excess of 100 percent by June 30, 2006, 80 percent by June 30, 2007, and 75 percent thereafter.

(b) For purposes of this paragraph:

(i) "qualifying Sub-loan disbursements" means amounts under a Sub-loan which have been disbursed by a PFI to a Beneficiary for any eligible expenditures on account of which the PFI is entitled to draw (or has drawn) upon the credit facility established pursuant to the concerned Subsidiary Loan Agreement; and

(ii) "aggregate qualifying Sub-loan disbursements" with respect to any particular PFI in a given period of time, means the aggregate amounts of qualifying Sub-loan disbursements made by such PFI under all Sub-loans to all Beneficiaries in such period of time.

#### Part C: Micro-Subsidiary Loan Agreements

1. The Borrower shall carry out Part D.2 of the Project through PMFIs selected for participation in the Project pursuant to paragraph 2 hereof.

2. The Borrower shall, in consultation with the Bank, select PMFIs for participation under Part D.2 of the Project in accordance with the eligibility criteria set forth in the PMFI Rural Investment Guidelines.

3. (a) For the purposes of Part D.2 of the Project, the Borrower shall onlend the amount of the Loan allocated to Category (2) in the table in Paragraph 1 of Schedule 1 to



this Agreement to the PMFIs under Micro-Subsidiary Loan Agreements to be entered into between the Borrower and each of the PMFIs under terms and conditions which shall have been approved by the Bank. Except as the Bank shall otherwise agree, such terms and conditions shall include the following:

- (i) the amount of subsidiary loan to each PMFI shall be made available in Tenge;
- (ii) the principal amount of the Micro-Subsidiary Loan shall be repaid by the concerned PMFI in Tenge to the Borrower in semi-annual installments over four (4) years, including a grace period of one (1) year; and
- (iii) interest shall be charged on the outstanding balances of the Micro-Subsidiary Loans at a rate acceptable to the Bank and shall be determined by a methodology acceptable to the Bank.

(b) The Borrower shall exercise its rights under the Micro-Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Micro-Subsidiary Loan Agreements or any provision thereof.

#### Part D: Terms and Conditions of Sub-loans and Lease Financings

##### 1. Terms and conditions:

(a) The amount of Sub-loan to each Beneficiary shall be made available in Dollars or Tenge.

(b) Interest shall be charged on the principal amount of each Sub-loan withdrawn and outstanding from time to time, at the prevailing interest rate under the concerned Subsidiary Loan Agreement as determined in accordance with paragraph 3 (a) (iii) of Part B of this Schedule plus a market-based spread determined by the PFI making such Subloan.

2. (a) Each Sub-loan shall be made on terms and conditions, including those relating to the maturity, foreign currency denomination, interest rate and other charges determined in accordance with the Participating Bank's investment and lending policies and practices, provided, however, that the interest rate to be charged on the principal amount thereof withdrawn and outstanding from time to time, shall equal to at least to the rate of interest applicable from time to time to the Subsidiary Loan pursuant to the provisions of paragraph 3 (a) (iii) of Part B of this Schedule to this Agreement plus the administrative costs.

(b) Each Lease Financing shall be made on terms and conditions, including those relating to the duration and schedule of lease payments and other charges determined in accordance with the Leasing Company's investment and financial leasing policies and practices, provided, however, that each lease payment in such schedule shall consist in part of an amortization component, which component shall be calculated as if: (A) the Lease Financing were a loan for the amount of the lease vehicles', equipment's and/or machinery's value; (B) each lease payment were a payment of interest and principal under such loan; and (C) each amortization component were the principal amount included in each such payment of interest and principal. The interest rate to be charged on the principal amount of the Lease Financing withdrawn and outstanding from time to time, shall equal at least to the rate of interest applicable from time to time to the Subsidiary Loan pursuant to the provisions of paragraph 3 (a) (iii) of Part B of this Schedule to this Agreement plus the administrative costs.

3. No expenditures for goods or services required for a Sub-project shall be eligible for financing out of the proceeds of the Loan unless:

(a) (i) the first three Sub-loans or Lease Financings by a New PFI for such Sub-projects shall have been approved by the Bank; and (ii) such expenditures shall have been made not earlier than ninety (90) days prior to the date on which the Borrower shall have received the application and information required under paragraph 4 (a) of Part D of this Schedule in respect of such Sub-loan or Lease Financing; or

(b) the Sub-loan or Lease Financing by a PFI for such Sub-project shall have been, respectively, a free-limit Sub-loan or free-limit Lease Financing for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than ninety (90) days prior to the date on which the Borrower shall have received the request and information required under paragraph 4 (a) of Part D of this Schedule in respect of such free-limit Sub-loan or free limit Lease-Financing. For the purposes of this Agreement: (i) a "free-limit Sub-loan" shall be a Sub-loan, other than the first three Sub-loans by each New PFI, and other than any Sub-loan to a Beneficiary in an amount exceeding the sum of \$1,000,000 equivalent (when added to all other free-limit Sub-loans financed or proposed to be financed out of the proceeds of the Loan to the same Beneficiary), the foregoing amount being subject to change from time to time as determined by the Bank; and (ii) a "free-limit Lease Financing" shall be a Lease Financing, other than the first three Lease Financings by each New PFI, and other than any Lease Financing to a Beneficiary in an amount exceeding the sum of \$1,000,000 equivalent (when added to all other free-limit Lease Financing financed or proposed to be financed out of the proceeds of the Loan to the same Beneficiary), the foregoing amount being subject to change from time to time as determined by the Bank.

4. (a) When presenting a Sub-loan or Lease Financing (other than a free-limit Sub-loan or a free limit Lease Financing) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the Beneficiary and an appraisal of the Subproject, including a description

of the expenditures proposed to be financed out of the proceeds of the Loan and an environmental assessment based on environmental guidelines acceptable to the Bank; (ii) the proposed terms and conditions of the Sub-loan or Lease Financing, including the schedule of amortization of the Sub-loan or schedules of lease payments under the Lease Financing; and (iii) such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit Sub-loan or a free limit Lease Financing shall contain: (i) a summary description of the Beneficiary and the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor.

(c) Applications and requests made pursuant to the provisions of subparagraphs (a) and (b) of this paragraph shall be presented to the Bank on or before April 30, 2009.

5. Sub-loans or Lease Financings shall be made for Sub-projects which are appraised in accordance with the Financial Sector Rural Investment Guidelines to conform to eligibility criteria for Sub-projects acceptable to the Bank.

6. Sub-loans or Lease Financings shall be made on terms whereby the PFI shall obtain, by written contract with the Beneficiary or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including, the right to:

(a) require the Beneficiary to carry out and operate the Sub-project with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and practices, and to maintain adequate records;

(b) require that: (i) the goods and works to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Agreement; and (ii) such goods and works shall be used exclusively in the carrying out of the Sub-project;

(c) inspect, by itself or jointly with representatives of the Bank or the Borrower if the Bank or the Borrower shall so request, such goods and the sites, works, plants and construction included in the Sub-project, the operation thereof, and any relevant records and documents;

(d) require that: (i) the Beneficiary shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or

installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary to replace or repair such goods;

(e) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits to be derived from the Sub-project; and

(f) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Loan upon failure by such Beneficiary to perform its obligations under its contract with the Borrower.

Part E: Terms and Conditions of Micro-Sub-loans

1. The principal amount of each Micro-Sub-loan made out of the proceeds of the Loan allocated from time to time to Category (2) in the table set forth in Paragraph 1 of Schedule 1 to this Agreement shall be denominated in Tenge.

2. Each Micro-Sub-loan shall bear interest on the principal amount thereof withdrawn and outstanding from time to time, at a rate determined by the PMFI, sufficient to cover the full costs of lending, including administrative costs, costs of capital, expected loan losses, and inflation, and take into account positive real interest rates prevailing in the Borrower's financial markets.

3. Micro-Sub-loans shall be made for Sub-projects which are appraised in accordance with the PMFI Rural Investment Guidelines to conform to eligibility criteria for Sub-projects acceptable to the Bank.

4. Micro-Sub-loans shall be made on terms whereby the PMFI making the Micro-Sub-loan shall obtain, by written contract or other appropriate means, rights adequate to protect its interest and those of the Borrower and the Bank, including the right to:

(a) require the Beneficiary to carry out the Sub-project with due diligence and efficiency and in conformity with appropriate technical, economic, financial and commercial practices, to maintain adequate records, and to provide, promptly as needed, the funds, facilities and other resources required for the purpose;

(b) require that: (i) the goods and works to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Agreement; and (ii) such goods and works be used exclusively in the carrying out of the Sub-project;

(c) inspect, by itself or jointly with representatives of the Bank or the Borrower, if the Bank or the Borrower shall so request, the goods and the sites, works, plants and construction included in the Sub-project, the operation thereof, and any relevant records and documents;

(d) carry out and operate the Sub-project in accordance with appropriate health, safety and environmental standards, satisfactory to the Bank or the Borrower; and

(e) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Loan upon failure by such Beneficiary to perform its obligations under its contract with the PMFI.

## **SCHEDULE 6**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and works required for the Sub-project under Sub-loans and Lease Financings and Micro-Sub-loans to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means the amount of \$4,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$2,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of 4,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
  - (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

- (a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

- (b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

- (c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.