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CONFORMED COPY

LOAN NUMBER 3500 PAK

(Domestic Energy Resources Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

SUI NORTHERN GAS PIPELINES LIMITED

Dated October 1, 1992

LOAN NUMBER 3500 PAK

SNGPL PROJECT AGREEMENT

AGREEMENT, dated October 1, 1992, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and SUI NORTHERN GAS PIPELINES LIMITED (SNGPL).

WHEREAS (A) by the Loan Agreement of even date herewith between Islamic Republic of Pakistan (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred eighty million dollars ($180,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that SNGPL agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and SNGPL, part of the proceeds of the loan provided for under the Loan Agreement will be made available to SNGPL on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS SNGPL, in consideration of the Bank’s entering into

the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. SNGPL declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out Parts A (5), (6) and (7) and Part B (2) of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and petroleum industry practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for said Parts of the Project.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A (5), (6) and (7) and B (2) of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule to this Agreement.

Section 2.03. SNGPL shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Parts A (5), (6) and (7) and B (2) of the Project.

Section 2.04. SNGPL shall duly perform all its obligations under the SNGPL Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, SNGPL shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) SNGPL shall, at the request of the Bank, exchange views with the Bank with regard to progress of Parts A (5), (6) and (7) and B (2) of the Project, the performance of its obligations under this Agreement and under the SNGPL Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) SNGPL shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of Parts A (5), (6) and (7) and B (2) of the Project, the accomplishment of the purposes of the Loan, or the performance by SNGPL of its obligations under this Agreement and under the SNGPL Subsidiary Loan Agreement.

Section 2.06. SNGPL shall ensure that the construction of facilities under Part A (5) and (6) of the Project shall be undertaken in compliance with the measures recommended under the EAR.

Section 2.07. SNGPL shall prepare, in accordance with a format satisfactory to the Bank, and furnish to the Bank quarterly reports on progress in the carrying out of Parts A (5), (6) and (7) and B (2) of the Project.

ARTICLE III

Management and Operations of SNGPL

Section 3.01. SNGPL shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and engineering practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. SNGPL shall at all times operate and maintain its plant, machinery, equipment and other property, all in accordance with sound engineering and financial practices.

Section 3.03. SNGPL shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) SNGPL shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) SNGPL shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of SNGPL thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify SNGPL thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable,

telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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:
INTBAFRAD Washington, D.C.	197688 (TRT), 248423 (RCA), 64145 (WUI) or 82987 (FTCC)

For SNGPL:

Sui Northern Gas Pipelines Limited
Gas House
21 Kashmir Road
Lahore, Pakistan

Cable address:	Telex:
SUI NORTH Lahore	445-677- SNGP PK

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of SNGPL, may be taken or executed by the Managing Director of SNGPL or such other person or persons as the Managing Director shall designate in writing, and SNGPL shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, 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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ D. Joseph Wood
Regional Vice President
South Asia

SUI NORTHERN GAS PIPELINES LIMITED

By /s/ Arshad Farooq
Authorized Representative

SCHEDULE

Procurement and Consultants' Services
under Parts A (5), (6) and (7) and B (2)
of the Project

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Pakistan may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Items of equipment and materials estimated to cost the equivalent of not more than $500,000 per contract, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof.

2. Items or groups of items estimated to cost the equivalent of not more than $250,000 per contract, up to an aggregate amount not to exceed the equivalent of $2,000,000, may be procured under contracts solicited from a list of at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Items of equipment which the Bank agrees that they are proprietary may be procured under contracts to be concluded with the suppliers thereof on terms and conditions satisfactory to the Bank; provided, however, that such items shall cost in the aggregate the equivalent of not more than $13,000,000.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of $1,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to the Loan Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

In order to assist SNGPL in the carrying out of Part B (2) of the Project, SNGPL shall employ, by December 31, 1992, consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.