Financing Agreement

(Natural Gas Efficiency Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 5, 2012
FINANCING AGREEMENT

AGREEMENT dated June 5, 2012 entered into between ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS the Recipient has requested the Bank to provide assistance towards the financing of the Project and, by an agreement of even date herewith between the Recipient and the Bank ("Loan Agreement"), the Bank has agreed to provide such assistance in an amount of one hundred million Dollars ($100,000,000) ("Loan");

NOW THEREFORE the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The International Development Association General Conditions for Credits and Grants, dated July 31, 2010 ("General Conditions"), with the modifications set forth in the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or the Loan Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to sixty four million five hundred thousand Special Drawing Rights (SDR 64,500,000) (variously, "Credit" and "Financing") to assist in financing the Project.

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to the Loan Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
shall be deemed to refer to Sections 4.09 and 4.09 (b), respectively;

(v) Section I.A.1 (a) shall be read as follows:

“(a) (i) repay the proceeds of the Financing over a period in accordance with Section 2.07 of the Financing Agreement; and (ii) pay the Recipient interest on the Withdrawn Financing Balance at a rate of eleven and four-fifth percent (11.80%) per annum;”;

and

(vi) the term “this Agreement” or “the Loan Agreement” shall be read as “the Financing Agreement”.

(b) For greater clarity and avoidance of doubt, in view of the incorporation of the provisions of Schedule 2 to the Loan Agreement in this Agreement pursuant to Section 3.02 (a) of this Agreement, if the Loan Agreement terminates prior to the termination of this Agreement, such termination shall have no effect for purposes of this Agreement, and the provisions of the Loan Agreement incorporated in this Agreement pursuant to Section 3.02 (a) of this Agreement shall continue in full force and effect between the Recipient and the Association following and notwithstanding such termination.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) Progress in Project implementation, as measured against the performance indicators set forth in Section II.A.1 (b) of the Schedule to the Project Agreement, particularly that of reduction in unaccounted-for-gas and the related targets set forth in said Section, is, in the opinion of the Association, inadequate.

(b) The Recipient has failed to perform any of its obligations under the Loan Agreement.

ARTICLE V — EFFECTIVENESS

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
(b) The Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary, or Section Officer of the Economic Affairs Division of the Ministry of Economic Affairs and Statistics, each such person acting individually.

6.02. The Recipient’s Address is:

The Secretary to the Government of Pakistan
Economic Affairs Division
Ministry of Economic Affairs and Statistics
Islamabad
Pakistan

Facsimile:

92-51-921-8976
6.03. The Association's Address is:

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.

AGREED at Islamabad, Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By:

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

Authorized Representative
**SCHEDULE**

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Financing repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 15 and July 15:</td>
<td></td>
</tr>
<tr>
<td>commencing July 15, 2017 to and including January 15, 2027</td>
<td>1.65</td>
</tr>
<tr>
<td>commencing July 15, 2027 to and including January 15, 2037</td>
<td>3.35</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Financing to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 2.05 (a) is modified to read as follows:

   "(a) the payment is for the reasonable cost of goods, works, non-consulting services, consultants' services (including for audits), or training required for the Project, to be financed out of the proceeds of the Financing, and procured, all in accordance with the provisions of the Legal Agreements;"

2. Section 3.02 is modified to read as follows:

   “Section 3.02. Service Charge and Interest Charge

   (a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

   (b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

3. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

4. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

   “32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b).”

5. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges".
6. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with one to Section 3.02 (a).