

No. 10833

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
PAKISTAN**

**Guarantee Agreement—*Third Sui Northern Gas Project*  
(with annexed General Conditions Applicable to Loan  
and Guarantee Agreements and Loan Agreement between  
the Bank and the Sui Northern Gas Pipelines Limited).  
Signed at Washington on 29 June 1970**

*Authentic text: English.*

*Registered by the International Bank for Reconstruction and Development on  
23 November 1970.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
PAKISTAN**

**Contrat de garantie — *Troisième projet relatif à la Sui  
Northern Gas* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat d'emprunt entre la Banque et la Sui Northern Gas Pipelines Limited). Signé à Washington le 29 juin 1970**

*Texte authentique : anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 23 novembre 1970.*

## GUARANTEE AGREEMENT<sup>1</sup>

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AGREEMENT, dated June 29, 1970, between ISLAMIC REPUBLIC OF PAKISTAN (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith<sup>2</sup> between the Bank and Sui Northern Gas Pipelines Limited (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to nineteen million two hundred thousand dollars (\$19,200,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows :

### *Article I*

#### 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 January 31, 1969,<sup>2</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 5 to the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

*Section 1.02.* Wherever used in this Agreement, unless the context

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<sup>1</sup> Came into force on 28 September 1970, upon notification by the Bank to the Government of Pakistan.

<sup>2</sup> See p. 160 of this volume.

otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

## Article II

### GUARANTEE; BONDS

*Section 2.01.* Without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan and the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity, all as set forth in the Loan Agreement and in the Bonds.

*Section 2.02.* The Guarantor shall endorse, in accordance with the provisions of the General Conditions, its guarantee on the Bonds to be executed and delivered by the Borrower. The Secretary to the Government of Pakistan, Ministry of Finance, and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

## Article III

### OTHER COVENANTS

*Section 3.01.* (a) It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

(b) To that end the Guarantor (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt and (ii) undertakes that if any such lien shall be created, it will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds and in the creation of any such lien express provision will be made to that effect.

(c) The foregoing representation and 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; and (ii) any

lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

As used in this Section, the term “governmental assets” means assets of the Guarantor, of any of its political subdivisions, of any agency of the Guarantor or of any such political subdivision, and assets of the State Bank of Pakistan or any institution performing the functions of a central bank.

*Section 3.02.* The Guarantor covenants that it will not take, or cause or permit any of its political subdivisions or any of its agencies or any agency of any such political subdivisions to take, any action which would prevent or interfere with the performance by the Borrower of its obligations contained in the Loan Agreement and will take or cause to be taken all reasonable action necessary or appropriate to enable the Borrower to perform such obligations.

*Section 3.03.* The Guarantor covenants that it will from time to time grant or cause to be granted to the Borrower tariffs for the sale of gas which will provide revenues sufficient for the Borrower to carry out its obligations under Section 5.07 of the Loan Agreement.

#### *Article IV*

##### CONSULTATION AND INFORMATION

*Section 4.01.* The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end the Guarantor and the Bank shall from time to time, at the request of either party: (i) exchange views through their representatives with regard to the performance of the respective obligations under the Guarantee Agreement and other matters relating to the purposes of the Loan; and (ii) furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor, including its balance of payments, and the external debt of the Guarantor, of any of its political subdivisions and of any agency of the Guarantor or of any such political subdivision.

*Section 4.02.* (a) The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(b) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

### *Article V*

#### TAXES AND RESTRICTIONS

*Section 5.01.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the foregoing shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 5.02.* The Guarantee Agreement, the Loan Agreement, the Trust Deed, the Supplemental Indenture and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

*Section 5.03.* The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls or moratoria of any nature imposed under the laws of the Guarantor or laws in effect in its territories.

### *Article VI*

#### REPRESENTATIVE OF THE GUARANTOR ; ADDRESSES

*Section 6.01.* The Secretary to the Government of Pakistan, Economic Affairs Division, is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

*Section 6.02.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Guarantor:

The Secretary to the Government of Pakistan  
Economic Affairs Division  
Islamabad, Pakistan

Cable address:  
Economic  
Islamabad

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.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Islamic Republic of Pakistan:

By A. R. BASHIR  
Authorized Representative

International Bank for Reconstruction and Development:

By J. BURKE KNAPP  
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.*]

## LOAN AGREEMENT

AGREEMENT, dated June 29, 1970, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and SUI NORTHERN GAS PIPELINES LIMITED (hereinafter called the Borrower), a company organized and existing under the Companies Act, 1913, of Pakistan.

*Article I*

## 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 January 31, 1969,<sup>1</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 5 to this Agreement (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

*Section 1.02.* Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Trust Deed" means the trust deed dated January 17, 1967 made between the Borrower, Habib Executors and Trustees Company Limited, as trustees, and the Bank, securing the loan made pursuant to and the bonds issuable under the loan agreement between the Bank and the Borrower dated May 14, 1964,<sup>2</sup> and shall include any deeds or instruments supplemental thereto.

(b) "Supplemental Indenture" means the deed or deeds and other instruments to be executed by the Borrower in order to modify the security of the Trust Deed in accordance with Section 5.02 of this Agreement.

(c) "Attock Agreement" means the agreement between the Borrower and Attock Oil Company Limited dated September 23, 1964 for the supply of gas for the Borrower's transmission system, as amended by the amending agreement referred to in Section 9.01 (b) of this Agreement.

(d) "Tripartite Agreement" means the agreement dated September 24, 1964 between the Borrower, Pakistan Petroleum Limited and Sui Gas Transmission Company for the supply and purification of gas for the Borrower's transmission system, as amended by the amending agreement dated September 16, 1969.

(e) "Dawood Hercules Agreement" means the agreement between the Borrower and Dawood Hercules Chemicals Limited dated November 20, 1968 providing for the supply by the Borrower of natural gas to a urea fertilizer manufacturing plant near Chichoki Mallian, Pakistan.

(f) "WAPDA Agreement" means the agreement between the Borrower and the West Pakistan Water and Power Development Authority dated September 20, 1963 for the sale of gas.

(g) "Subsidiary" means a company which is a subsidiary of the Borrower within the meaning of the Companies Act, 1913 (or any amendment thereof).

(h) The sign "Rs." mean rupees in currency of the Guarantor.

<sup>1</sup> See p. 160 of this volume.

<sup>2</sup> United Nations, *Treaty Series*, vol. 516, p. 145.

*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 nineteen million two hundred thousand dollars (\$19,200,000).

*Section 2.02.* Except as the Bank and the Borrower shall otherwise agree, the amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 3 to this Agreement and to be financed under the Loan Agreement; provided, however, that no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

*Section 2.03.* The Closing Date shall be June 30, 1973 or such other date as shall be agreed between the Bank and the Borrower.

*Section 2.04.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  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 seven per cent (7%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

*Section 2.08.* (a) The Borrower shall execute and duly deliver Bonds representing the principal amount of the Loan and of the form, tenor and purport prescribed in the Trust Deed and as provided thereby and in the General Conditions.

(b) The Borrower shall from time to time designate and notify to the Bank an authorized representative or representatives for the purposes of Section 8.10 of the General Conditions.

(c) The Borrower shall not issue any Bonds except as provided herein, in the General Conditions, in the Trust Deed or in the Bonds.

(d) The Bank and the Borrower shall be at liberty to make such arrangements as they may from time to time mutually agree as to procedure for the issue,



authentication and delivery of the Bonds and such arrangements may be in addition to or in substitution for any of the provisions of this Loan Agreement or of the General Conditions.

### Article III

#### EXECUTION OF THE PROJECT

*Section 3.01.* The Borrower shall carry out and complete the Project with due diligence and efficiency and in conformity with sound engineering, commercial and financial practices.

*Section 3.02.* In order to assist the Borrower in the preparation of plans, specifications and bidding documents for, and in the supervision of the construction of, the Project, the Borrower shall employ engineering consultants acceptable to the Bank upon terms and conditions satisfactory to the Bank.

*Section 3.03.* In carrying out the Project, the Borrower shall employ contractors acceptable to the Bank upon terms and conditions satisfactory to the Bank.

*Section 3.04.* (a) Except as the Bank shall otherwise agree, (i) the goods and services (other than consultants' services) required for the Project and to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement, and (ii) contracts for the procurement of all goods and services to be financed out of the proceeds of the Loan shall be subject (except as otherwise provided in such Schedule) to the prior approval of the Bank.

(b) The Borrower undertakes to insure or make adequate provision for the insurance of the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(c) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

*Section 3.05.* (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications and construction schedules for the Project, and any material modifications or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

#### *Article IV*

##### MANAGEMENT AND OPERATIONS OF THE BORROWER

*Section 4.01.* (a) The Borrower shall at all times take all requisite steps for the acquisition, retention and renewal by it of all such lands, interests in land and properties and all such rights, powers and privileges as may be necessary or proper for the construction of the Project, the operation of the properties included therein and of its other properties and the carrying on of its business.

(b) The Borrower shall at all times maintain its corporate existence and right to carry on operations and shall, except as the Bank may otherwise agree, acquire, maintain and renew all rights, powers, privileges, licenses and franchises owned or held by it and necessary or useful in the conduct of its business.

(c) The Borrower shall operate its business and conduct its affairs under the supervision of qualified and experienced management and in accordance with sound business, industrial and financial practices and shall operate, maintain, renew and repair its plants, machinery, equipment and property as required in accordance with sound engineering practices.

*Section 4.02.* The Borrower shall duly perform its obligations under the Tripartite Agreement, the Attock Agreement, the WAPDA Agreement and the Dawood Hercules Agreement and shall not, without the consent of the Bank, assign, amend, suspend, waive or abrogate, in whole or in part, any of such agreements.

*Section 4.03.* The Borrower 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 sound practice.

*Section 4.04.* Except as the Bank shall otherwise agree, the Borrower shall not:

- (a) sell, lease, transfer, or otherwise dispose of any of its properties or assets which shall be required for the efficient carrying on of its business; or
- (b) amend its Memorandum or Articles of Association.

*Section 4.05.* The Borrower shall cause each of its subsidiaries (if any) to

observe and perform the obligations of the Borrower under this Loan Agreement to the extent to which the same may be applicable thereto as though such obligations were binding upon each of such subsidiaries.

*Section 4.06.* The Borrower shall (i) maintain records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower, (ii) enable the Bank's representatives to inspect the plants, sites, works, properties and equipment of the Borrower not included in the Project and any relevant records and documents and (iii) furnish to the Bank all such information as the Bank shall reasonably request concerning the administration, financial condition and operations of the Borrower.

### Article V

#### FINANCIAL COVENANTS

*Section 5.01.* The Borrower shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound 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 four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited, (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested and (C) a certificate from said auditors that the Borrower has complied with Sections 5.05, 5.06 and 5.08 of this Agreement for such year; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

*Section 5.02.* (a) The Borrower shall, as soon as practicable, execute and deliver, and shall cause all other necessary parties to execute and deliver, all such deeds and other instruments, in such form as the Bank may reasonably require, to cause the security constituted by the Trust Deed to be so modified and extended that as so modified and extended it will constitute by way of security for the principal of, interest and other charges on, and premium on prepayment, if any, of the Loan, the Bonds, the loans made pursuant to and the bonds issuable under the loan agreements between the Bank and the Borrower dated May 14, 1964 and May 13, 1969,<sup>1</sup> all of which shall rank *pari passu inter se* in respect of such security:

- (i) a first specific mortgage upon all the properties now owned or hereafter acquired by the Borrower and expressed in the Trust Deed to be the specifically mortgaged premises thereunder or intended so to be; and

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<sup>1</sup> United Nations, *Treaty Series*, vol. 703, p. 411.

(ii) a first floating charge upon all the property and assets expressed in the Trust Deed to be charged or intended so to be by the first floating charge created thereby,

such mortgage and charge to rank in point of security prior to any other mortgage, charge, pledge, hypothecation or lien upon any of the properties or assets of the Borrower, now existing or hereafter created.

(b) The Borrower shall obtain all necessary consents for the valid execution and delivery of the Supplemental Indenture and shall duly register, or cause to be duly registered, the Supplemental Indenture, together with such other documents as may be necessary or proper in order to render the same fully effective in accordance with its terms.

(c) The Borrower shall furnish evidence, satisfactory to the Bank, that it has duly performed its obligations pursuant to the foregoing paragraphs of this Section. As part of such evidence there shall be furnished an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing that the requirements of paragraphs (a) and (b) of this Section have been duly complied with.

(d) The Bank and the Borrower may from time to time agree upon modifications of the foregoing requirements of this Section.

*Section 5.03.* (a) The Borrower undertakes that, except as the Bank shall otherwise agree, no mortgage, hypothecation, lien, pledge or charge which would rank prior to or *pari passu* with the mortgage or charge created or to be created by or pursuant to the Trust Deed or the Supplemental Indenture shall, after the date of this Agreement, be created or maintained on any of its assets as security for any debt.

(b) Except as the Bank shall otherwise agree: (i) no subsidiary shall at any time create any mortgage, charge or security on its undertaking, properties or assets (including uncalled capital) or any part thereof otherwise than in favor of the Borrower; (ii) all mortgages, charges or securities created by any subsidiary in favor of the Borrower shall be retained by the Borrower and shall not be sold, transferred or otherwise disposed of by it; and (iii) the Borrower shall not sell, transfer or otherwise dispose of any shares for the time being held by it in any subsidiary so that such subsidiary shall cease to be a subsidiary of the Borrower.

*Section 5.04.* Except as the Bank shall otherwise agree, the Borrower shall not consent to any action taken at any meeting of bondholders or by written instrument pursuant to the provisions of the Trust Deed which would or might change the terms of the Bonds or adversely affect the holders thereof.

*Section 5.05.* The Borrower shall not undertake or execute any project or development (other than the Project and the project described in Schedule 3 to the loan agreement between the Bank and the Borrower dated May 13, 1969),

or make any investment, which would result in estimated aggregate capital expenditures of the Borrower exceeding the equivalent of \$1,500,000 in any fiscal year unless the Bank has approved the method of financing such project, development or investment.

*Section 5.06.* (a) Except as the Bank shall otherwise agree, the Borrower shall declare dividends (i) only out of the profits of the year or any other undistributed profits accumulated after January 1, 1964, such profits being calculated for the purpose of this Section by subtracting from the net profit before taxation shown in the annual audited accounts of the Borrower an amount equal to the tax which would be payable by the Borrower if it were not entitled to the benefit of the initial and accelerated depreciation allowable to it under the Pakistan Income Tax Act, and (ii) only if, after the payment of such dividend (assuming such payment were made on the date of such declaration), consolidated current assets of the Borrower and its subsidiaries (if any) would be more than 1.5 times the consolidated current liabilities of the Borrower and its subsidiaries (if any).

(b) For purposes of this Section the following terms shall have the following meanings:

- (i) The term "current assets" shall mean cash, bank deposits, receivables and readily marketable securities valued at their market price but shall not include inventories; and
- (ii) The term "current liabilities" shall mean all liabilities due and payable and all other liabilities which would be payable or could be called for payment within one year including the current portion of long-term indebtedness.

*Section 5.07.* (a) Except as the Guarantor, the Bank and the Borrower shall otherwise agree, the Borrower shall establish and maintain tariffs for the supply of gas which will provide revenues sufficient concurrently to:

- (i) produce an annual return on the value of the Borrower's net fixed assets in operation of not less than ten per cent (10%) for each fiscal year through July 31, 1973 and of not less than twelve per cent (12%) thereafter; and
- (ii) enable it out of internally generated funds to pay interest on and amortize loans and debts, pay current taxation and dividends and provide adequate reserves for liability for deferred taxation, maintain adequate working capital, and finance out of its own funds a reasonable part of the cost of new capital investments.

(b) For the purposes of this Section:

- (i) The term "liability for deferred taxation" means the difference between the taxation payable by the Borrower in respect of a fiscal year and the taxation that would be payable in respect of such fiscal year if the Borrower were not entitled to the benefit of the initial and accelerated depreciation allowable under the Pakistan Income Tax Act.

- (ii) The "annual return" shall be calculated by relating the Borrower's net operating revenues for the Borrower's fiscal year under consideration to the average of the values of the Borrower's net fixed assets in operation at the beginning and at the end of such year.
- (iii) "Net operating revenues" shall be calculated by deducting the Borrower's operating expenses for the fiscal year under consideration from the Borrower's gross operating revenues for the fiscal year under consideration.
- (iv) The term "operating expenses" means all operating and administrative expenses, including compulsory contributions to employee funds, adequate maintenance and straight-line depreciation computed at the rates established by the Ministry of Industries, Natural Resources and Works of the Guarantor in paragraph XV of its sanction letter dated February 7, 1963 addressed to the Chairman of West Pakistan Industrial Development Corporation and the General Manager of Burmah Oil Company (Pakistan Trading) Limited, but excluding taxes and interest and other charges on debt.
- (v) The term "value of net fixed assets in operation" means the original cost of all fixed assets in operation, adjusted from time to time to reflect the current replacement value of such assets, less accumulated depreciation thereon.

*Section 5.08.* (a) Except as the Bank shall otherwise agree, the Borrower shall not incur or permit any subsidiary to incur any debt (other than the Loan, the loan provided for in the loan agreement between the Bank and the Borrower dated May 13, 1969, and the debt referred to in Section 9.01 (a) of this Agreement) if, after the incurring of any such debt, the consolidated debt of the Borrower and all its subsidiaries would exceed the consolidated capital and surplus of the Borrower and all its subsidiaries in a ratio higher than 65:35.

(b) For the purposes of this Section:

- (i) The term "debt" shall not include debt payable on demand or maturing not more than one year after its date.
- (ii) Debt shall be deemed to be incurred on the date of execution and delivery of a contract or loan agreement providing for the incurring of such debt, and debt guaranteed by the Borrower or any of its subsidiaries shall be deemed to be incurred on the date of the agreement for such guarantee.
- (iii) Whenever in connection with this Section it shall be necessary to value in terms of Pakistan currency debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Bank.
- (iv) The term "consolidated debt" shall mean the total amount of debt of the

- Borrower and all its subsidiaries excluding debt owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or to any other subsidiary.
- (v) The term “consolidated capital and surplus” shall mean the total capital and surplus, determined in accordance with sound accounting practices, of the Borrower and all its subsidiaries after excluding such items of capital and surplus as shall represent equity interest by the Borrower or any subsidiary in the Borrower or any subsidiary.

### *Article VI*

#### CONSULTATION AND INFORMATION

*Section 6.01.* The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and other matters relating to the purpose of the Loan.

*Section 6.02.* The Bank and the Borrower shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by either of them of its obligations under the Loan Agreement.

### *Article VII*

#### TAXES

*Section 7.01.* The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement,<sup>1</sup> the Trust Deed, the Supplemental Indenture or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 7.02.* The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration

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<sup>1</sup> See p. 152 of this volume.

of the Loan Agreement, the Guarantee Agreement, the Trust Deed, the Supplemental Indenture or the Bonds.

### *Article VIII*

#### REMEDIES OF THE BANK

*Section 8.01.* If any event specified in Section 7.01 of the General Conditions or in Section 8.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower and the Guarantor declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

*Section 8.02.* For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) Any other loan or credit to the Borrower shall have become due and payable pursuant to the terms thereof prior to its stated maturity.
- (b) The security constituted by the Trust Deed shall have become enforceable.
- (c) The Tripartite Agreement, the Attock Agreement, the WAPDA Agreement or the Dawood Hercules Agreement shall have been in any material respect terminated, amended, suspended, waived or assigned without the prior approval of the Bank, and such event shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor.
- (d) The right of the Borrower to disbursements under any loan included in the financing referred to in Section 9.01 (a) of this Agreement shall have been suspended or cancelled without the prior agreement of the Bank, and such event shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor.

*Section 8.03.* For the purposes of Section 6.02 of the General Conditions, the following additional event is specified:

Any representation or warranty made by the Borrower in connection with the execution of this Loan Agreement, the Bonds, the Trust Deed, or the Supplemental Indenture, or in connection with any application for withdrawal from the Loan Account, shall have been incorrect in any material respect.

### *Article IX*

#### EFFECTIVE DATE; TERMINATION

*Section 9.01.* The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions:



- (a) The Borrower shall have made arrangements satisfactory to the Bank to obtain from sources in Pakistan financing for the Project aggregating approximately Rs. 34,000,000.
- (b) The Borrower shall have entered into an agreement satisfactory to the Bank with Attock Oil Company Limited amending the Agreement between them dated September 23, 1964 and providing for the supply of additional gas for the Borrower's transmission system.
- (c) The Borrower shall have advised the Bank of the arrangements it has made or proposes to make for implementing the provisions of Section 3.02 of this Agreement, and such arrangements shall be satisfactory to the Bank.
- (d) The Borrower shall have, to the satisfaction of the Bank, validly acquired all such lands and properties and all such rights of way, easements, licenses, consents, franchises, or other rights or privileges as may be necessary or requisite to enable it to construct the Project and operate its business, or has made (to the like satisfaction) effective arrangements for the acquisition thereof; and the Borrower has supplied to the Bank a certificate, satisfactory to the Bank, setting forth particulars of the foregoing.
- (e) All necessary acts, consents and approvals to be performed or given by the Guarantor, its political subdivisions or agencies or by any agency of any political subdivision, or otherwise to be performed or given in order to authorize the carrying out of the Project and to enable the Borrower to perform all of the covenants, agreements and obligations set forth or referred to in this Loan Agreement, together with the necessary powers and rights in connection therewith, shall have been performed or given.

*Section 9.02.* The following are specified as additional matters, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

- (a) That the Borrower has full power and authority to construct the Project and to operate its business and has all necessary rights and powers in connection therewith; that all acts, franchises, concessions, consents and approvals necessary therefor have been duly and validly performed or given; and that, with such exceptions as the Bank may have approved, all easements, rights and privileges necessary therefor have been duly obtained.
- (b) That the Attock Agreement is a valid and binding obligation of the respective parties thereto in accordance with its terms.
- (c) That all acts, consents, and approvals referred to in paragraph (e) of Section 9.01 of this Agreement, together with all necessary powers and rights in connection therewith, have been duly and validly performed or given and that no other such acts, consents or approvals are required in order to authorize the carrying out of the Project and to enable the Borrower to perform all the covenants, agreements and obligations of the Borrower in the Loan Agreement contained.

*Section 9.03.* The date September 1, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.

*Article X*

ADDRESSES

*Section 10.01.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

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.

For the Borrower:

Sui Northern Gas Pipelines Limited  
P.O. Box 56  
Monnoo House  
3 Montgomery Road  
Lahore, Pakistan  
Cable address:  
Suinorth  
Lahore

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be delivered 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 J. BURKE KNAPP  
Vice President

Sui Northern Gas Pipelines Limited:

By M. A. K. ALIZAI  
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 and the allocation of the amounts of the Loan to each category:

| <i>Category</i>  | <i>Amount of the<br/>Loan allocated<br/>(expressed in<br/>dollar equivalent)</i> |
|--|--|
| 1. Procurement and installation of high pressure transmission pipeline, including pipe, meters and regulators, valves, pipe fittings, coat and wrap materials, cathodic protection equipment and materials, and bridging materials . . . . . | 12,600,000   |
| 2. Procurement and installation of compressor units, including ancillary fittings and equipment and generating equipment . . . . .   | 3,100,000  |
| 3. Procurement of materials and equipment for expansion of distribution facilities, including pipe, meters, regulators, valves, pipe fittings, coat and wrap materials and cathodic protection materials and equipment . . . . .             | 1,800,000  |
| 4. Procurement, engineering and installation of materials and equipment for expansion of telecommunications and telemetry . . . . .  | 1,000,000  |
| 5. Engineering services and training related to Categories 1, 2, 3 and 4 . . . . .   | 400,000  |
| 6. Unallocated . . . . .   | 300,000  |
| <b>TOTAL</b>   | <b>19,200,000</b>  |

2. Notwithstanding the provisions of paragraph 1 above and supplementing the provisions of Section 5.01 of the General Conditions, no withdrawals shall be made in respect of payments for taxes imposed by the Guarantor or any of its political subdivisions on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above:

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan;
- (b) if the estimate of the expenditures under any Category shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan will be allocated by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

## SCHEDULE 2

### AMORTIZATION SCHEDULE

| <i>Date Payment Due</i>    | <i>Payment<br/>of Principal<br/>(expressed<br/>in dollars)*</i> | <i>Date Payment Due</i>    | <i>Payment<br/>of Principal<br/>(expressed<br/>in dollars)*</i> |
|----------------------------|---|----------------------------|---|
| December 1, 1973 . . . . . | 535,000   | December 1, 1982 . . . . . | 535,000   |
| June 1, 1974 . . . . .     | 535,000   | June 1, 1983 . . . . .     | 535,000   |
| December 1, 1974 . . . . . | 535,000   | December 1, 1983 . . . . . | 535,000   |
| June 1, 1975 . . . . .     | 535,000   | June 1, 1984 . . . . .     | 535,000   |
| December 1, 1975 . . . . . | 535,000   | December 1, 1984 . . . . . | 535,000   |
| June 1, 1976 . . . . .     | 535,000   | June 1, 1985 . . . . .     | 535,000   |
| December 1, 1976 . . . . . | 535,000   | December 1, 1985 . . . . . | 535,000   |
| June 1, 1977 . . . . .     | 535,000   | June 1, 1986 . . . . .     | 535,000   |
| December 1, 1977 . . . . . | 535,000   | December 1, 1986 . . . . . | 535,000   |
| June 1, 1978 . . . . .     | 535,000   | June 1, 1987 . . . . .     | 535,000   |
| December 1, 1978 . . . . . | 535,000   | December 1, 1987 . . . . . | 535,000   |
| June 1, 1979 . . . . .     | 535,000   | June 1, 1988 . . . . .     | 535,000   |
| December 1, 1979 . . . . . | 535,000   | December 1, 1988 . . . . . | 535,000   |
| June 1, 1980 . . . . .     | 535,000   | June 1, 1989 . . . . .     | 535,000   |
| December 1, 1980 . . . . . | 535,000   | December 1, 1989 . . . . . | 535,000   |
| June 1, 1981 . . . . .     | 535,000   | June 1, 1990 . . . . .     | 535,000   |
| December 1, 1981 . . . . . | 535,000   | December 1, 1990 . . . . . | 535,000   |
| June 1, 1982 . . . . .     | 535,000   | June 1, 1991 . . . . .     | 475,000   |

\* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

### PREMIUMS ON PREPAYMENT AND REDEMPTION

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 or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

| <i>Time of Prepayment or Redemption</i>  | <i>Premium</i> |
|--|----------------|
| Not more than three years before maturity . . . . .                                | 1%             |
| More than three years but not more than six years before maturity . . . . .        | 2%             |
| More than six years but not more than eleven years before maturity . . . . .       | 3¼%            |
| More than eleven years but not more than sixteen years before maturity . . . . .   | 5%             |
| More than sixteen years but not more than nineteen years before maturity . . . . . | 6%             |
| More than nineteen years before maturity . . . . .                                 | 7%             |

## SCHEDULE 3

## DESCRIPTION OF THE PROJECT

The Project is (i) the expansion of the capacity of the Borrower's gas transmission system from approximately 207 million cubic feet per day to approximately 266 million cubic feet per day, (ii) the extension of the system to Daudkhel, to the Peshawar-Takht Bai area and to Rahwali and (iii) the provision of local distribution facilities in various urban areas. The Project includes:

1. The installation, including cathodic protection, of 76 miles of 18-inch and 30 miles of 16-inch diameter high pressure steel pipe, paralleling sections of the existing pipeline between Sui and Lyallpur.
2. The installation, including cathodic protection, of 80 miles of 10-inch, 98 miles of 8-inch and 30 miles of 6-inch diameter high pressure steel pipe to extend the system to serve Daudkhel, Gujranwala and the Peshawar-Takht Bai areas.
3. The construction of three new compressor stations and the installation of six 1,100 hp compressor units and one 300 hp unit at these stations.
4. The installation of three compressor units, with a capacity of 1,100 hp each, at three existing compressor stations.
5. The installation of additional low pressure distribution facilities both in the areas to be newly served and in markets now being served.
6. The installation of telecommunication and automation equipment at the three new compressor stations and the extension of telecommunications into the portion of the system serving the Peshawar, Daudkhel and Rahwali areas.

The Project is expected to be completed by December 31, 1972.

## SCHEDULE 4

## PROCUREMENT

1. All contracts to be financed out of the proceeds of the Loan for the procurement of equipment involving expenditures estimated to exceed \$20,000 equivalent and for civil works involving expenditures estimated to exceed \$200,000 equivalent will be awarded on the basis of international competitive bidding in accordance with the Guidelines referred to in Section 3.04 (a) of this Agreement.

2. With respect to contracts for the procurement of equipment involving expenditures estimated to exceed \$100,000 equivalent and for civil works involving expenditures estimated to exceed \$200,000 equivalent:

- (a) Invitations to bid, conditions of contract, specifications and all other tender documents, together with a list of the firms to be invited to bid and evidence of the advertising procedure to be used, will be submitted to the Bank for its review and approval before bids are invited.
- (b) After the bids have been received and analyzed, the analysis of bids and recommendations of the consultants and the proposals of the Borrower for award, together with the reasons for such proposal, will be submitted to the Bank for its review and approval prior to the award of the contract or the issuance of a letter of intent.
- (c) If the final contract is to differ substantially from the terms and conditions contained in the respective documents approved by the Bank under (a) and (b) above, then the text of the proposed changes will be submitted to the Bank for its review and approval prior to execution of the contract.
- (d) After award of the contract copies of the final contract will be submitted to the Bank.

3. With respect to all contracts for equipment involving expenditures estimated to exceed the equivalent of \$20,000 but to be less than \$100,000 equivalent, copies of all tender documents, including the evaluation report, and a copy of the executed contract will be sent to the Bank promptly after the execution of any such contract and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

4. Arrangements for contracts below \$20,000 equivalent in the case of equipment and \$200,000 equivalent in the case of civil works will be made in accordance with the normal procedures of the Borrower without the requirement of international competitive bidding. The Bank will be sent a copy of each such contract executed at the time the first request for disbursement relating to such contract is made and any information about such contracts which the Bank may request will be provided.

## SCHEDULE 5

### MODIFICATIONS OF GENERAL CONDITIONS

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

- (1) Paragraph 7 of Section 2.01 is amended to read as follows:

“7. The term ‘Guarantor’ means the Islamic Republic of Pakistan, acting by its President.”

- (2) Paragraph 10 of Section 2.01 is deleted and the following new paragraph is substituted therefor:

“10. The term ‘Bonds’ means Bonds issued and authenticated pursuant

to the Trust Deed (except as otherwise provided in Section 8.06 (b)), with the guarantee of the Guarantor endorsed thereon as provided in the Loan Agreement and the Guarantee Agreement.”

(3) The following paragraph is added to Section 2.01:

“18. The term ‘Trust Deed’ shall have the meaning as defined in the Loan Agreement.”

(4) Section 8.06 is amended to read as follows:

“SECTION 8.06. *Form of Bonds and of Guarantee.* (a) The Bonds shall be fully registered bonds without coupons (hereinafter sometimes called registered Bonds) or bearer bonds with coupons for semi-annual interest attached (hereinafter sometimes called coupon Bonds). Bonds delivered to the Bank shall be registered Bonds or coupon Bonds in such temporary or definitive form (authorized by the Trust Deed) as the Bank shall request. Registered Bonds and coupon Bonds payable in dollars and the coupons attached thereto shall be substantially in the forms respectively set forth in the Trust Deed. Bonds payable in any currency other than dollars shall be substantially in the forms respectively set forth in the Trust Deed, as the case may be, except that they shall (i) provide for payment of principal, interest and premium on redemption, if any, in such other currency, (ii) provide for such place of payment as the Bank shall specify, and (iii) contain such other modifications as the Bank shall reasonably request in order to conform to the laws or to the financial usage of the place where they are payable.

“(b) Notwithstanding any other provision of the Loan Agreement or these General Conditions, if the Bank shall so require, the Borrower shall execute and deliver bonds pursuant to Section 8.01 before the execution and delivery of the Supplemental Indenture. The provisions of Section 8.06 of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969, but before modification by paragraph (a) of this Section, shall apply to the form of any such bonds, with appropriate changes therein satisfactory to the Bank, to provide for the exchange thereof, free of cost to the Bank, for Bonds of the same respective amounts, currencies and maturities issued under the Trust Deed, the Loan Agreement and these General Conditions. All other provisions of the Loan Agreement, the Guarantee Agreement and these General Conditions relating or referring to Bonds shall apply *mutatis mutandis* to such bonds except where such application would be clearly inconsistent with the requirements of this paragraph.

“(c) All Bonds shall have the guarantee of the Guarantor endorsed thereon substantially in the form set forth in Schedule 2 to these General Conditions.”

(5) The following sentence is added at the beginning of Section 8.08, namely:  
“Except as the Bank and the Borrower shall otherwise agree, Bonds shall be dated as hereinafter in this Section provided.”

(6) Section 8.17 is deleted.

(7) In Section 9.01, after the words “Guarantee Agreement” where those words occur, the words “, the Trust Deed” are added.

(8) By the deletion of the second sentence of Section 9.02 and the substitution therefor of the following sentence:

“Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower, and shall not be impaired by any of the following: any extension of time, forbearance or concession given to the Borrower; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or in respect of any security for the Loan; any modification or amplification of the provisions of the Loan Agreement contemplated by the terms thereof; any modification or amplification of any other document related to the Loan or related to any security therefor; any failure of the Borrower to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor.”

(9) Subsection (j) of Section 9.04 is amended to read as follows:

“(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties under the Loan Agreement and Guarantee Agreement or any claim by any such party against any other such party arising thereunder, provided, however, that nothing herein shall be deemed to preclude any of the said parties from exercising, or instituting any legal or equitable action to enforce, any right or claim arising out of or pursuant to the Trust Deed or the Bonds, and submission to arbitration hereunder shall not be deemed to be a condition precedent or in any way to prejudice such exercise or other enforcement of any such right or claim.”