

CONFORMED COPY

CREDIT NUMBER 2720 BD

Project Agreement

(Gas Infrastructure Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

GAS TRANSMISSION COMPANY LIMITED

Dated May 24, 1995

CREDIT NUMBER 2720 BD

PROJECT AGREEMENT

AGREEMENT, dated May 24, 1995, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and GAS TRANSMISSION COMPANY LIMITED (GTCL).

WHEREAS (A) by the Development Credit Agreement of even date herewith between People's Republic of Bangladesh (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to eighty-three million four hundred thousand Special Drawing Rights (SDR 83,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that GTCL agree to undertake such obligations toward the Association as are set forth in this Agreement;

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

WHEREAS GTCL, in consideration of the Association's entering into the Development Credit 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 Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. GTCL declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out its part of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental and operational safety practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for its part of the Project.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. GTCL shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 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 its Project Agreement and its part of the Project.

Section 2.04. GTCL shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, GTCL 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) GTCL shall, at the request of the Association, exchange views with the Association with regard to the progress of its part of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) GTCL shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of its part of the Project, the accomplishment of the purposes of the Credit, or the performance by GTCL of its obligations under this Agreement and under the Subsidiary Loan Agreement.

Section 2.06. GTCL shall:

(a) prepare and furnish to the Association for its approval not later than October 1, 1995 or such other date as the Association may otherwise agree, proposals for twinning arrangement between GTCL and an established foreign gas company providing for sustained technical and managerial support from such company to GTCL over a number of years; and

(b) thereafter enter into such arrangements with said company as shall have been agreed upon.

ARTICLE III

Management and Operations of GTCL

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

Section 3.02. GTCL shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, environmental and safety practices.

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

ARTICLE IV

Financial Covenants

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

- (b) GTCL 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 Association;
 - (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, certified copies of its financial statements for such year as so audited and the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
 - (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 4.02. (a) Except as the Association shall otherwise agree, GTCL shall earn an annual return on the average current value of GTCL's net fixed assets in operation of not less than 4% for fiscal year 1995, 6% for fiscal years 1996 and 1997, 7% for fiscal year 1998, 8% for fiscal year 1999, and 10% for fiscal year 2000 and thereafter.

(b) Before the beginning of each fiscal year GTCL shall, on the basis of forecasts prepared by GTCL and satisfactory to the Association, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to the Association the results of such review upon its completion.

(c) If any such review shows that GTCL would not meet the requirements set forth in paragraph (a) for GTCL's fiscal years covered by such review, GTCL shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

- (d) For the purposes of this Section:
 - (i) The annual return shall be calculated by dividing GTCL's net operating income for the fiscal year in question by the average of the current value of GTCL's net fixed assets in operation at the beginning and at the end of that fiscal year.
 - (ii) The term "net operating income" means total operating revenues less total operating expenses.
 - (iii) The term "total operating revenues" means revenues from all sources related to operations.
 - (iv) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation on a straight-line basis or other basis acceptable to the Association, but excluding interest and other charges on debt.
 - (v) The current value of GTCL's gross fixed assets in operation means the gross value of GTCL's fixed assets in operation, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Association.
 - (vi) The term "current value of GTCL's net fixed assets in operation" means the gross value of GTCL's fixed assets in operation less the amount of accumulated depreciation, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Association.

Section 4.03. GTCL shall maintain its accounts receivable at a level not

exceeding the equivalent of three months' billings.

Section 4.04. (a) Except as the Association shall otherwise agree, GTCL shall, commencing in fiscal year 1995, not incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than 60 to 40.

(b) For the purposes of this Section:

- (i) The term "debt" means any indebtedness of GTCL maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of GTCL not allocated to cover specific liabilities.
- (iv) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, 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, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

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 Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of GTCL thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date twenty years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify GTCL of this event.

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 Association:

International Development Association

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

For Gas Transmission Company Limited:

Gas Transmission Company Limited
Bangladesh Shilpa Bank Bhaban
(15th Floor)
8, Rajuk Avenue
Dhaka-1000

Telex:

632213 PIU BJ

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 GTCL, may be taken or executed by the Secretary to the Board of GTCL or such other person or persons as GTCL shall designate in writing, and GTCL shall furnish to the Association 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 DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood

Regional Vice President
South Asia

GAS TRANSMISSION COMPANY LIMITED

By /s/ K.M. Ejazul Huq

Authorized Representative

