



Treaty Series No. 34 (1992)

Exchange of Notes

between the Government of the
United Kingdom of Great Britain and Northern Ireland
and the Government of the Republic of Zambia

concerning Certain Commercial Debts

(The United Kingdom/Zambia Debt Agreement No. 4 (1990))

Lusaka, 5 March 1991 and 20 May 1991

[The Agreement entered into force on 20 May 1991]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
May 1992*

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**EXCHANGE OF NOTES
BETWEEN THE GOVERNMENT OF THE
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
AND THE GOVERNMENT OF THE REPUBLIC OF ZAMBIA
CONCERNING CERTAIN COMMERCIAL DEBTS
(THE UNITED KINGDOM/ZAMBIA DEBT AGREEMENT No. 4 (1990))**

No. 1

The British High Commission at Lusaka to the Ministry of Foreign Affairs of Zambia

NOTE No. 42

The British High Commission present their compliments to the Ministry of Foreign Affairs of the Government of the Republic of Zambia and have the honour to refer to the Agreed Minute on the Consolidation of the Debt of the Republic of Zambia which was signed at the conference held in Paris on 12 July, 1990, and to inform the Ministry that the Government of the United Kingdom of Great Britain and Northern Ireland is prepared to provide debt relief to the Government of the Republic of Zambia on the terms and conditions set out in the attached Annex.

If these terms and conditions are acceptable to the Government of the Republic of Zambia, the British High Commission have the honour to propose that this Note together with its Annex, and the Government of Zambia's reply to that effect, shall constitute an Agreement between the two governments in this matter which shall be known as "The United Kingdom/Zambia Debt Agreement No. 4 (1990)" and shall enter into force on the date of the Government of Zambia's reply.

The British High Commission avail themselves of the opportunity to renew to the Ministry of Foreign Affairs of the Government of the Republic of Zambia the assurance of their highest consideration.

British High Commission
Lusaka
5 March 1991

ANNEX

SECTION 1

Definitions and Interpretation

- (1) In this Annex, unless the contrary intention appears:
- (a) "the Agreed Minute" means the Agreed Minute on the Consolidation of the Debt of the Republic of Zambia which was signed at the Conference held in Paris on 12 July 1990;
 - (b) "Appropriate Market Rate" means the Reference Rate plus a margin of 0.5 per cent;
 - (c) "the Bank" means the Bank of Zambia or any other institution which the Government of Zambia may nominate for the purposes of this Annex;
 - (d) "Business Day" means a day on which dealings are carried on in the London Interbank Market and (if payment is required to be made on such day) on which banks are open for domestic and foreign exchange business in London in the case of sterling and in both London and New York City in the case of US dollars;
 - (e) "Contract" means a contract, or any agreement supplemental thereto, entered into before January 1983, the parties to which include the Debtor and a Creditor and which either is for the sale of goods and/or services from outside Zambia to a buyer in Zambia, or is for the financing of such a sale, and which in either case granted or allowed credit to the Debtor for a period exceeding one year;
 - (f) "Creditor" means a person or body of persons or corporation resident or carrying on business in the United Kingdom, including the Channel Islands and the Isle of Man, or any successor in title thereto;
 - (g) "Currency of the Debt" means the currency specified in the relevant Contract or in the Previous Agreements as being the currency in which that Debt is to be paid;
 - (h) "Debt" means any debt to which, by virtue of the provisions of Section 2(1), the provisions of this Annex apply;
 - (i) "Debtor" means the Government of Zambia (whether as primary debtor or as guarantor);
 - (j) "the Department" means the Secretary of State of the Government of the United Kingdom acting through the Export Credits Guarantee Department or any other Department of the Government of the United Kingdom which that Government may subsequently nominate for the purpose hereof;
 - (k) "the First Two Agreements" means the Agreements between the Government of the United Kingdom and the Government of Zambia on Certain Commercial Debts signed on 30 December 1983¹ and 15 February 1985² respectively;
 - (l) "Maturity" in relation to a Debt:
 - (i) payable under the First Two Agreements means either 30 June 1990 or the relevant due date for payment specified therein if that date is a later one,
 - (ii) payable under the Third Agreement means the relevant due date for payment specified therein,
 - (iii) specified in Section 2(1)(b) means the due date for payment or repayment thereof under the relevant Contract or on a promissory note or bill of exchange drawn up pursuant thereto, or
 - (iv) specified in Section 2(1)(c) means 30 June 1990;
 - (m) "The Previous Agreements" means the First Two Agreements and the Third Agreement;
 - (n) "Reference Rate" means the rate quoted to the Department by a bank to be agreed upon by the Department and the Bank as the rate at which that bank is offering six-month eurodollar deposits, in the case of a Debt denominated in US dollars, or

¹Treaty Series No. 23 (1984), Cmnd. 9187.

²Treaty Series No. 23 (1985), Cmnd. 9535.

six-month sterling deposits, in the case of a Debt denominated in sterling in the London Interbank Market at 11 am (London time) two Business Days before the commencement of the relevant interest period in each year;

- (o) "The Third Agreement" means the Agreement between the Government of the United Kingdom and the Government of Zambia on Certain Commercial Debts signed on 13 April 1988¹;
- (p) "the United Kingdom" means the United Kingdom of Great Britain and Northern Ireland;
- (q) "Zambia" means the Republic of Zambia.

(2) All references to interest, excluding contractual interest, shall be to interest accruing from day to day and calculated on the basis of actual days elapsed and a year of 360 days, in the case of Debts denominated in US dollars, or 365 days in the case of Debts denominated in sterling.

(3) Where the context of this Annex so allows, words importing the singular include the plural and vice versa.

(4) Unless otherwise indicated, reference to a specified Section shall be construed as a reference to that Section of this Annex.

(5) The headings to the Sections are for ease of reference only.

SECTION 2

The Debt

(1) The provisions of this Annex shall, subject to the provisions of paragraph (2) of this Section and Section 10 apply to:

- (a) any amount whether of principal or of interest, payable under any of the Previous Agreements falling due on or before 31 December 1991 and which remains unpaid; and
- (b) any other amount, whether of principal or of contractual interest accruing up to Maturity, owed by the Debtor to a Creditor and which:
 - (i) arises under or in relation to a Contract;
 - (ii) is guaranteed by the Department as to payment according to the terms of the Contract;
 - (iii) is not expressed by the terms of the Contract to be payable in Kwacha;
 - (iv) does not arise from an amount payable upon or as a condition of the cancellation or termination of the Contract; and
 - (v) falls due for payment on or before 31 December 1991 and remains unpaid; and
- (c) any amount of interest accruing in accordance with the provisions of Section 5 of this Annex as at 30 June 1990.

(2) The Department and the Bank shall, as soon as possible, agree and draw up a list of Debts ("the Debt List") to which, by virtue of the provisions of this Section, this Annex shall apply. The Debt List may be reviewed from time to time at the request of the Department or of the Bank, but may not be added to or amended without the agreement of both the Department and the Bank. Delay in the completion of the Debt List shall neither prevent nor delay the implementation of the other provisions of this Annex.

SECTION 3

Payments under the Previous Agreements

The provisions of the Previous Agreements insofar as they relate to the payment of any debt shall cease to apply upon the entry into force of this Agreement.

¹Treaty Series No. 70 (1988), Cm 492.

SECTION 4

Payment of Debt

The Government of Zambia shall pay to the Department, in accordance with the provisions of Section 6(1), the following in respect of each Debt:

100 per cent of amounts of principal and interest including late interest by twelve (12) equal and half-yearly instalments, commencing on 30 September 1999 (end of grace period) with the final payment to be made on 31 March 2005 (end of the repayment period).

SECTION 5

Interest

(1) Interest on the balance of each Debt shall be deemed to have accrued and shall accrue during, and shall be payable in respect of, the period from Maturity until the settlement of that Debt by payment to the Department in accordance with Section 4.

(2) The Government of Zambia shall be liable for and shall pay to the Department in accordance with the provisions of Section 6(1) and of this Section interest on each Debt to the extent that it has not been settled by payment to the Department in the United Kingdom pursuant to Section 4. Such interest shall be paid to the Department half-yearly on 30 June and 31 December (the "Due Dates") each year commencing on 30 June 1991. It is agreed, however, that payment of up to 70 per cent of such interest accruing prior to each Due Date up to and including 31 December 1991 may be deferred until not later than 30 June 1992. Additional interest shall accrue in accordance with paragraph (4) of this Section on any amount so deferred.

(3) All interest accruing up to each Due Date payable in accordance with the provisions of paragraph (2) of this Section shall be paid at the rate of 3.5 per cent below the Appropriate Market Rate applicable to each half-yearly interest period commencing with the half-yearly interest period within which the Maturity of the Debt concerned occurs.

(4) If any amount of Debt or interest payable in accordance with the provisions of paragraphs (2) and (3) of this Section is not paid on the relevant Due Date, interest on such amount of overdue interest at the Appropriate Market Rate shall thereafter become payable and shall accrue from day to day from the relevant Due Date to the date of receipt of the payment by the Department.

SECTION 6

Payments to the Department

(1) When payment becomes due under the terms of Sections 4 or 5, the Bank shall:

- (a) where possible draw upon the special account referred to in Article IV, paragraph 4, of the Agreed Minute to meet such payments, and
- (b) in any event arrange for the necessary amounts, without deduction for taxes, fees, other public charges or any other costs accruing inside or outside Zambia, to be paid in the Currency of the Debt to an account notified by the Department to the Bank.

(2) If the day on which such a payment falls due is not a Business Day payment shall be made on the nearest Business Day.

(3) The Bank shall give the Department full particulars of the Debts and/or interest to which the payments relate.

SECTION 7

Exchange of Information

The Department and the Bank shall exchange all information required for the implementation of this Annex.

SECTION 8

Other Debt Settlements

(1) The Government of Zambia undertakes to perform its obligations under Article III of the Agreed Minute and agrees to accord to the United Kingdom terms no less favourable than those agreed with any other creditor country, notwithstanding any provision of this Annex to the contrary.

(2) The provisions of paragraph (1) of this Section shall not apply to matters relating to the payment of interest determined by Section 5.

SECTION 9

Preservation of Rights and Obligations

This Annex and its implementation shall not affect the rights or obligations of any Creditor or Debtor under a Contract other than those rights and obligations in respect of which the Government of the United Kingdom and the Government of the Republic of Zambia are authorised to act respectively on behalf of and to bind such Creditor and Debtor.

SECTION 10

Conditionality

This Annex shall apply subject to the conditions of Article IV, paragraph 3, of the Agreed Minute being met by the dates specified therein.

No. 2

The Prime Minister and Acting Minister of Finance and NCDP of Zambia to the British High Commissioner at Lusaka

*Office of the Prime Minister
Lusaka
20 May 1991*

Your Excellency,

UK/ZAMBIA DEBT AGREEMENT No. 4 (1990)

The Ministry of Finance through the Ministry of Foreign Affairs of the Government of the Republic of Zambia present their compliments to the British High Commission and has the honour to acknowledge receipt of the British High Commission's Note No. 42 of 5th March, 1991 which reads as follows:—

[As in No. 1]

The Ministry of Finance through the Ministry of Foreign Affairs has the honour to confirm that the terms and conditions set out in the Annex to the High Commission Note are acceptable to the Government of the Republic of Zambia, and that the British High Commission's Note No. 42 of 5th March, 1991 together with its Annex, and this reply, shall constitute an Agreement between the Government of the United Kingdom and the Government of the Republic of Zambia in this matter, which shall be known as "The United Kingdom/Zambia Debt Agreement No. 4 (1990)" and shall enter into force today.

I have the honour to avail myself of this opportunity to renew the assurances of my highest consideration.

M. N. MASHEKE

[Annex as in No. 1]



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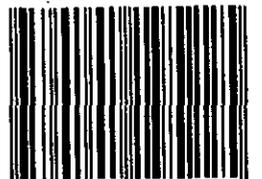
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