



Treaty Series No. 70 (1988)

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. 3 (1986))

Lusaka, 23 December 1986 and 13 April 1988

[The Agreement entered into force on 13 April 1988]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
October 1988*

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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. 3 (1986))**

No. 1

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

Note No. 130

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 4 March 1986 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 hereunder.

SECTION I

Definitions and Interpretation

- (1) In this Note, unless the contrary intention appears:
 - (a) "the Bank" means the Bank of Zambia;
 - (b) "Contract" means a contract entered into before 1 January 1983 the parties to which include a Debtor and a Creditor and which is either for the sale of goods and/or services from outside the Republic of Zambia to a buyer in the Republic of Zambia or is in respect of the financing of such a sale and which in either case granted or allowed credit to the Debtor for a period exceeding one year;
 - (c) "Creditor" means a person or body of persons or corporation resident or carrying on business in the United Kingdom or any successor in title thereto;
 - (d) "Currency of the Debt" means the currency specified in the relevant Contract or in either of the Previous Agreements as being the currency in which that Debt is to be paid;
 - (e) "Debt" means any debt to which, by virtue of the provisions of Section 2 and of the operation of the rules specified in Section 9, the provisions of this Note apply;
 - (f) "Debtor" means the Government of Zambia (whether as primary debtor or as guarantor) or any person or body of persons or corporation resident or carrying on business in the Republic of Zambia or any successor in title thereto;
 - (g) "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 purposes hereof;
 - (h) "the Government of Zambia" means the Government of the Republic of Zambia;
 - (i) "the Government of the United Kingdom" means the Government of the United Kingdom of Great Britain and Northern Ireland;
 - (j) "Maturity" in relation to a Debt means the due date for the payment or repayment thereof under the relevant Contract or on a promissory note or bill of exchange drawn up pursuant thereto;
 - (k) "Previous Agreements" means the Agreements signed on 30 December 1983¹ and 15 February 1985² between the Government of the United Kingdom and the Government of Zambia on Certain Commercial Debts;

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

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

- (1) "United Kingdom" means the United Kingdom of Great Britain and Northern Ireland and includes the Channel Islands and the Isle of Man.
- (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 365 days.
- (3) Where the context of this Note 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 specified Section of this Note.
- (5) The headings to the Sections are for ease of reference only.

SECTION 2

The Debt

- (1) The provisions of this Note shall, subject to the provisions of paragraph (2) of this Section and the rules specified in paragraph (1) of Section 9, apply to every Debt, being:
 - (a) any amount, whether of principal or interest, payable under either of the Previous Agreements which fell due or will fall due for repayment on or before 31 December 1986 and remains unpaid, and
 - (b) any other amount, whether of principal or contractual interest accruing up to Maturity, owed by a Debtor to a Creditor and which:
 - (i) arises under or in relation to a Contract or any agreement supplemental thereto;
 - (ii) fell due or will fall due on or before 31 December 1986 and remains unpaid;
 - (iii) is guaranteed by the Department as to payment according to the terms of the Contract; and
 - (iv) is not expressed by the terms of the Contract to be payable in Kwacha.
- (2) The provisions of this Note shall not apply to so much of any Debt as arises from an amount payable upon or as a condition of the formation of the Contract or upon or as a condition of the cancellation or termination of the Contract.

SECTION 3

Payments in Kwacha in respect of Debts

In addition to the Debts owed by the Government of Zambia as Debtor, where a Debtor has made a payment in Kwacha in respect of any Debt, then:

- (a) where the payment was made before entry into force of the Agreement of which this Note forms a part, upon such entry into force, and
 - (b) where the payment was made subsequently, upon such payment,
- the payment of such Debt shall become the obligation of the Government of Zambia. The payment of all such Debt by the Government of Zambia to the Department shall be made in accordance with the provisions of Section 4.

SECTION 4

Transfer Scheme

The Government of Zambia shall, subject to the rules specified in paragraph (3) of Section 9, pay and transfer to the Department 100 per cent of each debt by ten equal and consecutive half-yearly instalments on 30 June and 31 December in each year commencing on 31 December 1991.

SECTION 5

Interest

(1) The Government of Zambia shall be liable for and shall, subject to the rules specified in paragraph (3) of Section 9, pay to the Department in accordance with the provisions 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.

(2) 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 or, in the case of a Debt of principal or interest payable under either of the Previous Agreements from the due date for repayment thereunder until the settlement of that Debt by payment to the Department as aforesaid, and shall be paid and transferred to the Department half-yearly on 30 June and 31 December each year commencing on 30 June 1986.

(3) If any amount of any instalment payable in accordance with Section 4 is not paid on the due date for payment interest shall accrue in respect thereof after that date from day to day until the amount is paid and shall be due and payable without further notice or demand of any kind.

(4) If any amount of interest payable in accordance with the provisions of paragraph (2) of this Section is not paid on the due date for payment thereof the Government of Zambia shall be liable for and shall pay to the Department interest on such amount of overdue interest. Such additional interest shall accrue from day to day from the due date for payment thereof in accordance with the provisions of paragraph (2) of this Section to the date of receipt of the payment by the Department and shall be due and payable without further notice or demand of any kind.

(5) All interest payable in accordance with the provisions of this Section shall be paid at the rate of one per cent ('the margin') above the London Interbank Offered Rate for the period in question. The method of calculation is set out in Section 9.

SECTION 6

Exchange of Information

The Department and the Government of Zambia shall exchange all information required for the implementation of this Note.

SECTION 7

Other Debt Settlements

(1) If the Government of Zambia agrees with any creditor country other than the United Kingdom terms for the settlement of indebtedness similar to the indebtedness the subject of this Note which are more favourable to creditors than are the terms of this Note, then the terms of the payment of Debts under this Note shall, subject to the provisions of paragraphs (2) and (3) of this Section, be no less favourable to any Creditor than the terms so agreed with that other creditor country notwithstanding any provision of this Note to the contrary.

(2) The provisions of paragraph (1) of this Section shall not apply in a case where the aggregate of the indebtedness to the other creditor country is less than the equivalent of SDR 500,000.

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

SECTION 8

Preservation of Rights and Obligations

This Note and its implementation shall not affect the rights and obligations of any Creditor or Debtor under a Contract other than those in respect of which the parties hereto are authorised to act respectively on behalf of and to bind such Creditor and Debtor.

SECTION 9

Rules

(1) Debt List

- (a) The Department and the Bank shall agree a list of Debts to which, by virtue of the provisions of Section 2, this Note applies.
- (b) Such a list shall be completed as soon as possible. This list may be reviewed from time to time at the request of the Department or of the Bank. The agreement of both the Department and of the Bank shall be necessary before the list may be amended or added to.
- (c) Neither inability to complete the list referred to in paragraphs (1)(a) and (1)(b) of this Section nor delay in its completion shall prevent or delay the implementation of the other provisions of this Note.

(2) Calculation of Interest

Interest shall be calculated on the outstanding amount of the Debt. The rate of interest applicable to each interest period shall be that rate per annum being the aggregate of

- (a) the margin (one per cent as stated in paragraph (5) of Section 5); and
- (b) the rate quoted to the Department at its request by the Reference Bank (being a bank to be agreed upon by the Department and the Bank) at which six-month sterling deposits are offered to that Reference Bank by prime banks in the London Interbank Market at 11 am (London time) two business days before the commencement of an interest period.

(3) Payments to the Department

- (a) As and when payments become due under the terms of Sections 4 and 5, the Government of Zambia shall:
 - (i) in the first instance, draw upon the special account at the New York Federal Reserve Bank to meet such payments, and
 - (ii) arrange for the necessary amounts to be paid and transferred in the Currency of the Debt to the Department, in the United Kingdom, to an account details of which shall be notified by the Department to the Government of Zambia. In this respect the Department shall be regarded as acting as agent for each Creditor concerned.
- (b) The Government of Zambia shall give the Department full particulars of the Debts and/or interest to which the transfers relate.

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 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. 3 (1986)' 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

23 December 1986

No. 2

The Ministry of Finance of Zambia to the British High Commission at Lusaka

*Ministry of Finance
Lusaka
13 April 1988*

No. MFAL/102/12/434

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. 130 of 23 December 1986 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 Note are acceptable to the Government of the Republic of Zambia, and that the British High Commission's Note No. 130 of 23 December 1986 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. 3 (1986)' and shall enter into force today.

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

*Permanent Secretary
Ministry of Finance*



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