



Treaty Series No. 56 (1997)

## 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. 6 (1996))

Lusaka, 30 May 1997 and 5 June 1997

[The Agreement entered into force on 5 June 1997]

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

*September 1997*

**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. 6 (1996))**

**No. 1**

*Her Majesty's High Commissioner at Lusaka to the Minister of Finance and Economic  
Development of the Republic of Zambia*

*British High Commission  
Lusaka  
30 May 1997*

I 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 27 and 28 February 1996, and to inform Your Excellency 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, I have the honour to propose that this Note together with its Annex, and your reply to that effect, shall constitute an Agreement between our two Governments in this matter which shall be known as 'The United Kingdom/Zambia Debt Agreement No. 6 (1996)' and which shall enter into force on the date of your reply. I also enclose a draft reply Note, which should quote the entire text of this Note and Annex at the place indicated.

I have the honour to convey to Your Excellency the assurance of my highest consideration.

P M NIXON

**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 in Paris on 28 February 1996;
  - (b) "Appropriate Market Rate" means the Reference rate plus 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 excluding Saturday and Sunday 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) "the Consolidation Period" means the period from 1 January 1996 to 31 December 1998 inclusive;
  - (f) "Currency of the Debt" means the currency specified in the Third, Fourth or Fifth Agreement as being the currency in which that Debt is to be paid;
  - (g) "Debt" means any debt to which, by virtue of the provisions of Section 2, the provisions of this Annex apply;

- (h) “the Department” means the Secretary of State acting by the Export Credits Guarantee Department or any other Department of the Government of the United Kingdom which the Secretary of State may subsequently nominate for the purpose hereof;
  - (i) “the Fifth Agreement” means the Agreement between the Government of the United Kingdom and the Government of Zambia on Certain Commercial Debts signed on 5 May 1993<sup>1</sup>;
  - (j) “the Fourth Agreement” means the Agreement between the Government of the United Kingdom and the Government of Zambia on Certain Commercial Debts signed on 20 May 1991<sup>2</sup>;
  - (k) “Maturity” in relation to a Debt specified in Section 2 means either 31 December 1995 or the date for payment specified in the Third, Fourth or Fifth Agreement if that date is later;
  - (l) “Reference Rate” means the rate (rounded upwards where necessary to the nearest multiple of 1/16th (one sixteenth) of one per cent) 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 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;
  - (m) “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 1988<sup>3</sup>;
  - (n) “United Kingdom” means the United Kingdom of Great Britain and Northern Ireland;
  - (o) “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, and 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

The provisions of this Annex shall, subject to the provisions of Article IV paragraph 4 of the Agreed Minute, apply to:

- (a) any amount, whether of principal or of interest (excluding interest accrued on interest), payable under the Third Agreement which fell due on or before 31 December 1995 or which has fallen due or will fall due during the Consolidation Period and which remains unpaid; and
- (b) any amount, whether of principal or of interest, (excluding interest accrued on interest) payable under the Fourth Agreement which fell due on or before 31 December 1995 or which has fallen due or will fall due during the Consolidation Period and which remains unpaid; and

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<sup>1</sup>Not published.

<sup>2</sup>Treaty Series No. 34 (1992) Cm 1952.

<sup>3</sup>Treaty Series No. 70 (1988) Cm 492.

- (c) any amount, whether of principal or of interest (excluding interest accrued on interest), payable under the Fifth Agreement which fell due on or before 31 December 1995 or which has fallen due or will fall due during the Consolidation Period and which remains unpaid.

### SECTION 3

#### **Payments under the Third Agreement, the Fourth Agreement and the Fifth Agreement**

The provisions of the Third Agreement, the Fourth Agreement and the Fifth Agreement insofar as they relate to the payment of any Debt shall cease to apply upon the entry into force of this Agreement.

### SECTION 4

#### **Debt Reduction and Payment**

- (1) The Department shall:
- (a) reduce the amount of the Debt specified in Section 2(a) by 67 per cent on Maturity;
  - (b) reduce the amount of the Debt specified in section 2(b) except for Debt constituting 70 per cent of interest accrued under the Fourth Agreement as at 31 December 1991 by 50 per cent on Maturity;
  - (c) reduce the amount of the Debt specified in section 2(c) by 34 per cent on Maturity.
- (2) The Government of Zambia shall then pay to the Department, in accordance with the provisions of Section 6(1), the remainder of each Debt to which paragraph (1) hereof applies on the following dates and in the following percentages:

<i>Repayment Date</i>	<i>Percentage to be repaid</i>
31 December 2003	0.12
30 June 2004	0.20
31 December 2004	0.28
30 June 2005	0.38
31 December 2005	0.48
30 June 2006	0.58
31 December 2006	0.70
30 June 2007	0.82
31 December 2007	0.94
30 June 2008	1.08
31 December 2008	1.22
30 June 2009	1.36
31 December 2009	1.52
30 June 2010	1.70
31 December 2010	1.86
30 June 2011	2.06
31 December 2011	2.26
30 June 2012	2.46
31 December 2012	2.68
30 June 2013	2.92
31 December 2013	3.18
30 June 2014	3.44
31 December 2014	3.70
30 June 2015	4.00
31 December 2015	4.30
30 June 2016	4.64
31 December 2016	4.98
30 June 2017	5.34
31 December 2017	5.72
30 June 2018	6.12

31 December 2018	6.54
30 June 2019	7.00
31 December 2019	7.46
30 June 2020	7.96

(3) Debt constituting 70 per cent of interest accrued under the Fourth Agreement as at 31 December 1991, payment of which was deferred by Section 5(2) thereof and made payable in instalments by Section 3(2) of the Fifth Agreement, which fell due on or before 31 December 1995 or which has fallen due or will fall due during the Consolidation Period and which remains unpaid will be paid in 10 equal half-yearly instalments commencing on 30 June 2000.

## 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.

(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. Such interest shall be paid to the Department half-yearly on 30 June and 31 December (the "Due Dates") each year commencing on 31 December 1996.

(3) 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 without further notice or demand.

(4) All interest payable in accordance with the provisions of this Section shall be paid at 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.

## SECTION 6

### Payments to the Department

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

- (a) where possible draw upon the special account at the Bank for International Settlements referred to in Article IV paragraph 5 of the Agreed Minute to meet such payments, and
- (b) in any event arrange for the necessary amounts, without deduction of 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 fulfil its commitments under Article III of the Agreed Minute and agrees to accord to the Government of the United Kingdom terms no less favourable than those agreed with any other creditor, 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

### **Debt Conversion Option**

The Government of the United Kingdom shall give prior notification to the Government of Zambia if it is willing to exercise the option provided for in Article II paragraph 3 of the Agreed Minute. This option may only be implemented with the consent of the Government of Zambia.

## SECTION 10

### **Conditionality**

(1) Unless the Department otherwise agrees, this Annex shall become null and void if the Agreed Minute is declared null and void. If this Annex becomes null and void all outstanding payments shall be due according to the terms of the original contracts or the payment schedules established in the Third, Fourth or Fifth Agreement as the case may be.

(2) The Department reserves the right to declare that this Annex shall not apply to Debts with a Maturity from 1 January 1997 to 31 December 1997 and from 1 January 1998 to 31 December 1998 if the approvals referred to in Article IV paragraphs 4b and 4c of the Agreed Minute have not been given by 31 March 1997 and 31 March 1998 respectively.

**No. 2**

*The Minister of Finance and Economic Development of the Republic of Zambia to Her Majesty's High Commissioner at Lusaka*

*Lusaka  
5 June 1997*

Dear High Commissioner,

I have the honour to acknowledge receipt of Your Excellency's Note of 30 May, 1997 which reads as follows:

[As in No. 1]

I have the honour to confirm that the terms and conditions set out in the Annex to your Note are acceptable to the Government of the Republic of Zambia, and that your Note together with its Annex, and this reply, shall constitute an Agreement between our two Governments in this matter which shall be known as "The United Kingdom/Zambia Debt Agreement No 6 (1996)" and which shall enter into force today.

I have the honour to convey to Your Excellency the assurance of my highest consideration.

**RONALD D S PENZA**

