



Treaty Series No. 63 (2000)

Exchange of Notes

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

concerning Certain Commercial Debts (The United Kingdom/Pakistan Debt Agreement No. 1 (1999))

Islamabad, 17 and 21 February 2000

[The Agreement entered into force on 21 February 2000]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
June 2000*

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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 ISLAMIC REPUBLIC OF PAKISTAN CONCERNING COMMERCIAL DEBTS (THE UNITED KINGDOM/PAKISTAN DEBT AGREEMENT NO. 1 (1999))

No. 1

Her Majesty's High Commissioner at Islamabad to the Secretary of the Economic Affairs Division of the Ministry of Finance and Economic Affairs of Pakistan.

Islamabad

17 February 2000

Your Excellency,

I have the honour to refer to the Agreed Minute on the Consolidation of the Debt of the Islamic Republic of Pakistan which was signed in Paris on 30 January 1999, 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 Islamic Republic of Pakistan on the terms and conditions set out in the attached Annex.

If these terms and conditions are acceptable to the Government of the Islamic Republic of Pakistan, 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/Pakistan Debt Agreement No 1 (1999)' and which shall enter into force on the date of your reply.

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

DAVID DAIN

ANNEX

SECTION I

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 Islamic Republic of Pakistan which was signed in Paris on 30 January 1999;
 - (b) "Appropriate Market Rate" means the Reference Rate plus 0.5 per cent;
 - (c) "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;
 - (d) "the Consolidation Period" means the period from 1 January 1999 to 31 December 2000 inclusive;
 - (e) "Contract" means a contract, including any agreement supplemental thereto, concluded before 30 September 1997, the parties to which include the Debtor and a Creditor and which either was for the sale of goods and/or services from outside Pakistan to a buyer in Pakistan, or was 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, the Channel Islands or the Isle of Man or any successor in title thereto;

- (g) “Currency of the Debt” means the currency specified in the relevant Contract 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 Pakistan or its public sector whether as primary debtor or as guarantor;
 - (j) “the Department” means 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) “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;
 - (l) “the Ministry” means the Ministry of Finance and Economic Affairs or any other institution which the Government of Pakistan may nominate for the purposes of this Annex;
 - (m) “Pakistan” means the Islamic Republic of Pakistan;
 - (n) “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 Ministry, as the rate which the Bank is offering six-month sterling deposits, in the London interbank market at 11 a.m. (London time) two Business Days before the commencement of the relevant interest period;
 - (o) “United Kingdom” means the United Kingdom of Great Britain and Northern Ireland.
2. All interest payable pursuant to this Annex shall be calculated on the basis of actual days elapsed and a year of 365 days.
 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 Article IV paragraph 3 of the Agreed Minute, apply to any amount, whether of principal or of contractual interest accruing up to Maturity, which is owed by the Debtor to a Creditor and:—
 - (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 the lawful currency of Pakistan;
 - (iv) has fallen due or will fall due for payment during the Consolidation Period and remains unpaid.

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

SECTION 3

Payment of the Debt

The Government of Pakistan shall pay to the Department in accordance with the provisions of Section 5(1), each Debt specified in Section 2 on the following dates and in the following percentages:—

<i>Repayment Date</i>	<i>Percentage to be repaid</i>
1 July 2003	0.44
1 January 2004	0.58
1 July 2004	0.74
1 January 2005	0.90
1 July 2005	1.07
1 January 2006	1.25
1 July 2006	1.43
1 January 2007	1.62
1 July 2007	1.82
1 January 2008	2.02
1 July 2008	2.22
1 January 2009	2.43
1 July 2009	2.64
1 January 2010	2.86
1 July 2010	3.08
1 January 2011	3.30
1 July 2011	3.53
1 January 2012	3.76
1 July 2012	4.00
1 January 2013	4.23
1 July 2013	4.48
1 January 2014	4.72
1 July 2014	4.97
1 January 2015	5.22
1 July 2015	5.47
1 January 2016	5.72
1 July 2016	5.98
1 January 2017	6.24
1 July 2017	6.51
1 January 2018	6.77

SECTION 4

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 Pakistan shall pay to the Department interest on each Debt in accordance with the provisions of Section 5(1) to the extent that such Debt has not been settled by payment to the Department. Such interest shall be paid to the Department first on 1 April 2000 and thereafter half-yearly on 1 January and 1 July (the “Due Dates”) each year commencing on 1 July 2000.

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 Pakistan shall pay to the Department interest on such amount of overdue interest. Such additional interest shall accrue at the Appropriate Market Rate 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 5

Payments to the Department

1. When payment becomes due under the terms of Section 3 or 4, the Ministry shall arrange for the necessary amounts, without deduction of taxes, fees, other public charges or any other costs incurred outside the United Kingdom, to be paid in the Currency of the Debt to an account notified by the Department to the Ministry.

2. If the day on which such a payment falls due is not a Business Day payment shall be made on the next succeeding Business Day.

3. The Ministry shall give the Department full particulars of the Debts and interest to which the payments relate.

SECTION 6

Exchange of Information

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

SECTION 7

Other Debt Settlements

1. The Government of Pakistan 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 4.

SECTION 8

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 Pakistan are authorised to act respectively on behalf of and to bind such Creditor and Debtor.

SECTION 9

Debt Swaps Option

The Department shall give prior notification to the Government of Pakistan if it wishes to exercise the option given in Article II paragraph 2(c) of the Agreed Minute to sell or exchange Debt. This option may only be implemented with the consent of the Government of Pakistan and will only be exercised on condition that the Debt sold or exchanged is discharged in Pakistani Rupees.

SECTION 10

Conditionality

Unless the Department otherwise agrees, the conditions of Article IV paragraph 3 of the Agreed Minute shall apply to this Annex. If this Annex ceases to apply because any of these conditions has not been fulfilled, all outstanding payments shall be due according to the original Contracts, as if this Annex had never existed.

No. 2

The Secretary of the Economic Affairs Division of the Ministry of Finance and Economic Affairs of Pakistan to Her Majesty's High Commissioner at Islamabad.

Islamabad

21 February 2000

Excellency,

I have the honour to acknowledge receipt of Your Excellency's Note of 17 February 2000 which in translation¹ 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 Islamic Republic of Pakistan, 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/Pakistan Debt Agreement No. 1 (1999)' and which shall enter into force today.

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

NAWID AHSAN

¹ The Notes were exchanged in English only.



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