

NICARAGUA



Treaty Series No. 40 (2003)

Exchange of Notes

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

concerning Certain Commercial Debts

(The United Kingdom/Nicaragua Debt
Agreement No. 2 (2002))

Managua 22 and 30 July 2003

[The Agreement entered into force on 30 July 2003]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
October 2003*

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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 NICARAGUA
CONCERNING CERTAIN COMMERCIAL DEBTS (THE UNITED
KINGDOM/NICARAGUA DEBT AGREEMENT NO. 2 (2002))**

No 1.

*The British Ambassador at Managua to the President of the Central Bank of
Nicaragua*

*Managua
22 July 2003*

I have the honour to refer to the Agreed Minute on the Consolidation of the Debt of the Republic of Nicaragua which was signed in Paris on 13 December 2002, 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 Nicaragua 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 Nicaragua, 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/Nicaragua Debt Agreement No. 2 (2002)' 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.

TIM BROWNBILL

ANNEX

SECTION 1

Definitions and Interpretation

- (1) In this Annex, unless the contrary intention appears:
- (a) "**Agreed Minute**" means the Agreed Minute on the Consolidation

of the Debt of the Republic of Nicaragua which was signed in Paris on 13 December 2002;

(b) "**Appropriate Market Rate**" means the Reference Rate plus 0.5 per cent;

(c) "**Bank**" means the Central Bank of Nicaragua, institution that acts as Financial Agent of the Government of the Republic of Nicaragua, or any other institution which the Government of Nicaragua may nominate for the purposes of this Annex;

(d) "**Business Day**" means a day on which banks are open for domestic and foreign exchange business in London;

(e) "**Consolidation Period**" means the period between 1 October 2002 and 30 September 2005 inclusive;

(f) "**Debt**" means any debt to which, by virtue of the provisions of Section 2, the provisions of this Annex apply;

(g) "**Department**" means the Export Credits Guarantee Department or any other department or entity that the Government of the United Kingdom may subsequently nominate to perform the functions of the Export Credits Guarantee Department hereunder;

(h) "**First Agreement**" means the Agreement between the Government of the United Kingdom and the Government of Nicaragua concerning Certain Commercial Debts signed on 22 February 1993;¹

(i) "**Maturity**" in relation to a Debt;

(i) specified in Section 2(a) means 30 September 2002;

(ii) specified in Section 2(b) means the due date for payment under the First Agreement;

(iii) specified in Section 2(c) means the due date for payment under this Agreement;

(j) "**Nicaragua**" means the Republic of Nicaragua;

(k) "**Reference Rate**" means the rate (rounded upwards where necessary to the nearest multiple of one sixteenth of one per cent) quoted by the Reuters Monitor Money Rate Services (International Swap Dealers Association Interbank Rate from London) (page reference "ISDA") as the rate at which six-month sterling deposits, in the case of a Debt denominated in sterling, are offered in the London Interbank Market at 11am (London time) two Business Days before the commencement of the relevant interest period. If the Reuters Monitor Money Rate Services are unavailable at that time on that date, the rate to be used will be the rate (rounded upwards where

¹ Treaty Series No. 49 (1993) Cm 2304

necessary to the nearest multiple of one sixteenth of one per cent) quoted by a bank to be agreed by the Department and the Bank, as the rate at which that bank is offering six-month sterling deposits;

- (1) **"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

The provisions of this Annex shall, subject to the provisions of Article IV paragraph 3 of the Agreed Minute, apply to:

- (a) any amount, whether of principal or of interest (including interest accrued on interest), payable under the First Agreement which fell due on or before 30 September 2002 and remains unpaid; and
- (b) any amount, whether of principal or of interest (excluding interest accrued on interest), payable under the First Agreement which has fallen due or will fall due during the Consolidation Period and remains unpaid; and
- (c) any amount of interest which is charged under Section 5 of this Annex in respect of Debts specified in paragraphs (a) and (b) of this Section and is due between 1 October 2002 and 31 December 2003 inclusive.

SECTION 3

Payments under the First Agreement

The provisions of the First Agreement insofar as they relate to the payment of any Debt (as defined herein) shall cease to apply upon the entry into force of this Agreement.

SECTION 4

Debt Reduction and Payment

- (1) On Maturity each Debt specified in Section 2(a) and 2(b) is reduced by 80 per cent.
- (2) The Government of Nicaragua shall pay to the Department, in accordance with the provisions of Section 6, the remainder of each Debt specified in Section 2(a) and 2(b) on the following dates and in the following percentages:

<u>Repayment date</u>	<u>Percentage to be repaid</u>
30 September 2010	0.12
31 March 2011	0.20
30 September 2011	0.28
31 March 2012	0.38
30 September 2012	0.48
31 March 2013	0.58
30 September 2013	0.70
31 March 2014	0.82
30 September 2014	0.94
31 March 2015	1.08
30 September 2015	1.22
31 March 2016	1.36
30 September 2016	1.52
31 March 2017	1.70
30 September 2017	1.86
31 March 2018	2.06
30 September 2018	2.26
31 March 2019	2.46
30 September 2019	2.68
31 March 2020	2.92
30 September 2020	3.18
31 March 2021	3.44
30 September 2021	3.70
31 March 2022	4.00

<u>Repayment date</u>	<u>Percentage to be repaid</u>
30 September 2022	4.30
31 March 2023	4.64
30 September 2023	4.98
31 March 2024	5.34
30 September 2024	5.72
31 March 2025	6.12
30 September 2025	6.54
31 March 2026	7.00
30 September 2026	7.46
31 March 2027	7.96

(3) The Government of Nicaragua shall also pay to the Department, in accordance with the provisions of Section 6, 80 per cent of the Debt specified in Section 2(c) as and when it falls due. The remaining 20 per cent will be capitalised as it falls due and will be payable in 4 equal and consecutive half-yearly instalments commencing on 30 September 2005.

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 complete payment of that Debt.

(2) The Government of Nicaragua shall be liable for and shall pay to the Department interest on each Debt to the extent that such Debt has not been settled by payment to the Department in the United Kingdom. Such interest shall be paid first on 30 June 2003 and thereafter half-yearly on 31 March and 30 September (the "Due Dates") each year commencing 30 September 2003.

(3) If any amount of interest payable in accordance with the provisions of paragraph (2) of this Section is not paid on the pertinent Due Date, the Government of Nicaragua shall compensate the Department for any amount of interest outstanding. Such compensation shall be in addition to the interest payable under paragraph (2) of this Section. It shall accrue and be payable on the outstanding amount of overdue interest from day to day from the Due Date until the date of receipt of the payment by the Department, and shall be due without further notice or demand.

(4) All interest and compensation 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 Government of Nicaragua 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 sterling to the 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 next succeeding Business Day.
- (3) The Bank shall give the Department full particulars of the Debts and/or interest and compensation 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 Nicaragua 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 under Section 5.

SECTION 9

Debt Swaps Option

The Department shall notify the Government of Nicaragua if it wishes to exercise the option given in Article II paragraph 3 of the Agreed Minute to sell or exchange Debt. This option may only be implemented with the consent of the Government of Nicaragua and will only be exercised on condition that the Debt sold or exchanged is discharged in Cordoba.

SECTION 10

Conditionality

Unless the Department otherwise agrees in writing, 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 or according to the payment schedules in the First Agreement, as if this Annex had never existed.

Translation of

No. 2.

The President of the Central Bank of Nicaragua to the British Ambassador at Managua

Managua

30 July 2003

I have the honour to acknowledge receipt of Your Excellency's Note of 22 July 2003 which in translation 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 Nicaragua, 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/Nicaragua Debt Agreement No. 2 (2002)' and which shall enter into force today.

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

MARIO B. ALONSO I



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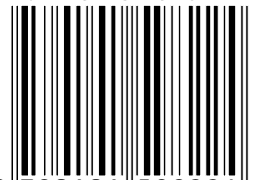
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