

PAKISTAN



Treaty Series No. 55 (2001)

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. 2 (2001))

Islamabad, 1 August 2001

[The Agreement entered into force on 1 August 2001]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
November 2001*

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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 CERTAIN COMMERCIAL DEBTS (THE UNITED KINGDOM/PAKISTAN DEBT AGREEMENT NO 2 (2001))

No. 1

The Acting British High Commissioner at Islamabad to the Secretary, Economic Affairs Division of the Ministry of Finance and Economic Affairs of the Islamic Republic of Pakistan

Islamabad

1 August 2001

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 23 January 2001, 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 2 (2001)" 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.

M. F. SMITH

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 Islamic Republic of Pakistan which was signed in Paris on 23 January 2001;
- (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) "Contract" means a contract, including any agreement supplemental thereto, entered into 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;
- (e) "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;
- (f) "Debt" means any debt to which, by virtue of the provisions of Section 2(1), the provisions of this Annex apply;
- (g) "Debtor" means the Government of Pakistan or its public sector whether as primary debtor or as guarantor;

- (h) "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;
 - (i) "the First Agreement" means the Agreement between the Government of the United Kingdom and the Government of Pakistan on Certain Commercial Debts which entered into force on 21 February 2000;¹
 - (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) "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;
 - (l) "Pakistan" means the Islamic Republic of Pakistan;
 - (m) "Reference Rate" means the rate (rounded upwards where necessary to the nearest multiple of 1/16 (one sixteenth) of one percent) 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 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 necessary to the nearest multiple of 1/16 (one sixteenth) of one percent) quoted to the Department by a bank to be agreed upon by the Department and the Ministry, as the rate at which that bank is offering six-month sterling deposits;
 - (n) "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 (excluding interest accrued on interest) accruing up to Maturity, which is owned 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 before 1 October 2001 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

¹Treaty Series No. 63 (2000) Cm 4729.

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

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

Payment of the Debt

The Government of Pakistan shall pay to the Department in accordance with the provisions of Section 6, 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 November 2004	0.44%
1 May 2005	0.58%
1 November 2005	0.74%
1 May 2006	0.90%
1 November 2006	1.07%
1 May 2007	1.25%
1 November 2007	1.43%
1 May 2008	1.62%
1 November 2008	1.82%
1 May 2009	2.02%
1 November 2009	2.22%
1 May 2010	2.43%
1 November 2010	2.64%
1 May 2011	2.86%
1 November 2011	3.08%
1 May 2012	3.30%
1 November 2012	3.53%
1 May 2013	3.76%
1 November 2013	4.00%
1 May 2014	4.23%
1 November 2014	4.48%
1 May 2015	4.72%
1 November 2015	4.97%
1 May 2016	5.22%
1 November 2016	5.47%
1 May 2017	5.72%
1 November 2017	5.98%
1 May 2018	6.24%
1 November 2018	6.51%
1 May 2019	6.77%

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 Pakistan shall pay to the Department interest on each Debt in accordance with the provisions of Section 6 to the extent that such Debt has not been

settled by payment to the Department. Such interest shall be paid to the Department half-yearly on 1 May and 1 November (the "Due Dates") each year commencing on 1 November 2001.

- (3) Interest payable in accordance with the provisions of paragraph (2) 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.
- (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, 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 plus 0.5 percent and be payable on the outstanding amount of overdue interest from day to day from the Due Date 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.
- (5) If any amount of Debt payable in accordance with the provisions of Section 4 is not paid on the Due Date, the Government of Pakistan shall pay to the Department interest on any such outstanding amount which shall accrue at the Appropriate Market Rate plus 0.5 percent and be payable from day to day from the Due Date to the date of receipt of the payment by the Department, and shall be due without further notice or demand.

SECTION 6

Payments to the Department

- (1) When payment becomes due under the terms of Section 4 or 5, 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 sterling 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/or interest to which the payments relate.

SECTION 7

Exchange of Information

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

SECTION 8

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

SECTION 10

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 2C of the Agreed Minute to sell or exchange Debt. This option may only be implemented with the consent of the Government of Pakistan and shall only be exercised on condition that the Debt sold or exchanged is discharged in the lawful currency of Pakistan.

SECTION 11

Conditionality

Unless the Department otherwise agrees, the condition set out in Article IV paragraph 3 of the Agreed Minute shall apply to this Annex. If this Annex ceases to apply because it has been deemed by Paris Club Creditors and the Chairman of the Paris Club that the condition 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, Economic Affairs Division of the Ministry of Finance and Economic Affairs of the Islamic Republic of Pakistan to the Acting British High Commissioner at Islamabad

Islamabad

1 August 2001

I have the honour to acknowledge receipt of Your Excellency's Note of August 1, 2001 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 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 2(2001)' and which shall enter into force today.

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

NAWID AHSAN

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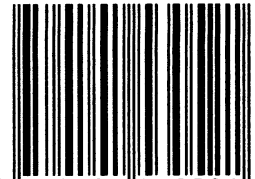
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