



Treaty Series No. 1 (2003)

## Exchange of Notes

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

# concerning Certain Commercial Debts (The United Kingdom/Malawi Debt Agreement No. 4 (2001))

Lilongwe, 27 August and 5 September 2002

[The Agreement entered into force on 5 September 2002]

*Presented to Parliament  
by the Secretary of State for Foreign and Commonwealth Affairs  
by Command of Her Majesty  
January 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 MALAWI CONCERNING CERTAIN COMMERCIAL DEBTS (THE UNITED KINGDOM/MALAWI DEBT AGREEMENT NO. 4 (2001))**

**No. 1**

*The British High Commissioner at Lilongwe to the Minister of Finance and Economic Planning of the Republic of Malawi*

Lilongwe

27 August 2002

I have the honour to refer to the Agreed Minute on the Consolidation of the Debt of the Republic of Malawi which was signed in Paris on 25 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 Republic of Malawi 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 Malawi, 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/Malawi Debt Agreement No 4 (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.

NORMAN A LING

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 Malawi that was signed in Paris on 25 January 2001;
  - (b) "Appropriate Market Rate" means the Reference Rate plus 0.5 per cent;
  - (c) "Bank" means the Reserve Bank of Malawi or any other institution that the Government of Malawi may nominate for the purposes of this Annex;
  - (d) "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;
  - (e) "Debt" means any debt to which, by virtue of the provisions of Section 2, the provisions of this Annex apply;
  - (f) "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;

- (g) "Government of Malawi" means the Government of the Republic of Malawi;
  - (h) "Maturity" in relation to a Debt specified in Section 2 means the date for payment specified in the Third Agreement;
  - (i) "Reference Rate" means the rate (rounded upwards where necessary to the nearest multiple of 1/16 (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 six-month sterling deposits are offered in the London Interbank Market at 11 am (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 per cent) quoted to the Department by a bank to be agreed by the Department and the Republic of Malawi, as the rate at which that bank is offering six-month sterling deposits;
  - (j) "Third Agreement" means the Agreement between the Government of the United Kingdom and the Government of Malawi on Certain Commercial Debts signed on 27 January 1989;<sup>1</sup>
  - (k) "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 paragraphs 3 and 4 of the Agreed Minute, apply to any amount, whether of principal or of interest, (excluding late interest) payable under the Third Agreement which has fallen due or will fall due during the period from 1 December 2000 to 31 December 2003 and remain unpaid.

## SECTION 3

### **Payments under the Third Agreement**

The provisions of the Third Agreement insofar as it relates to the payment of any Debt as defined herein shall cease to apply upon entry into force of this Agreement.

## SECTION 4

### **Debt Reduction and Payment**

- (1) The Department shall forgive the amount of each Debt by 90 per cent upon Maturity.
- (2) The Government of Malawi shall pay to the Department, in accordance with the provisions of Section 6(1), the remainder of each Debt on the following dates and in the following percentages:

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<sup>1</sup> Treaty Series No. 31 (1990) CM 1062.

<i>Repayment Date</i>	<i>Percentage to be repaid</i>
31 December 2008	0.12
30 June 2009	0.20
31 December 2009	0.28
30 June 2010	0.38
31 December 2010	0.48
30 June 2011	0.58
31 December 2011	0.70
30 June 2012	0.82
31 December 2012	0.94
30 June 2013	1.08
31 December 2013	1.22
30 June 2014	1.36
31 December 2014	1.52
30 June 2015	1.70
31 December 2015	1.86
30 June 2016	2.06
31 December 2016	2.26
30 June 2017	2.46
31 December 2017	2.68
30 June 2018	2.92
31 December 2018	3.18
30 June 2019	3.44
31 December 2019	3.70
30 June 2020	4.00
31 December 2020	4.30
30 June 2021	4.64
31 December 2021	4.98
30 June 2022	5.34
31 December 2022	5.72
30 June 2023	6.12
31 December 2023	6.54
30 June 2024	7.00
31 December 2024	7.46
30 June 2025	7.96

## 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 Malawi shall pay to the Department interest on each Debt in accordance with the provisions of Section 6(1) 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 30 June and 31 December (the “Due Dates”) each year commencing on 30 June 2001.

(3) If any amount of principal or interest payable in accordance with the provisions of Section 4(2) or paragraph (2) of this Section is not paid on the Due Date for payment thereof, the Government of Malawi shall pay to the Department interest on such amount of overdue principal and/or 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 6

### **Payments to the Department**

- (1) When payment becomes due under the terms of Section 4 or 5, the Bank 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 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 Malawi 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 Malawi 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 Malawi 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 Malawi and will only be exercised on condition that Debt sold or exchanged is discharged in Malawi.

## SECTION 11

### **Conditionality**

Unless the Department otherwise agrees, the conditions of Article IV paragraphs 3 and 4 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 payment schedules in the Third Agreement as if this Annex had never existed.

*The Minister of Finance and Economic Planning of the Republic of Malawi to the British High Commissioner at Lilongwe*

Lilongwe

5 September 2002

I have the honour to acknowledge with thanks receipt of Your Excellency's Note of August 27, 2002 which reads as follows:

**[As in No. 1]**

I confirm that the terms and conditions set out in the Annex to your Note are acceptable to the Government of the Republic of Malawi and that your Note together with its Annex and this, shall constitute an Agreement between our two Governments in this matter which shall be known as "The United Kingdom/Malawi Debt Agreement No 4 (2001)" and which shall enter into force today.

I avail myself of this opportunity to renew to your Excellency the assurances of my highest consideration.

FRIDAY A JUMBE



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