

No. 30684

**UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
and
NICARAGUA**

Exchange of notes constituting an agreement concerning certain commercial debts (The United Kingdom/Nicaragua Debt Agreement No. 1 (1991) (with annex). Managua, 22 February 1993

Authentic texts: English and Spanish.

Registered by the United Kingdom of Great Britain and Northern Ireland on 18 February 1994.

**ROYAUME-UNI DE GRANDE-BRETAGNE
ET D'IRLANDE DU NORD
et
NICARAGUA**

Échange de notes constituant un accord concernant certaines dettes commerciales [Accord n° 1 (1991) entre le Royaume-Uni et le Nicaragua en matière de dette] (avec annexe). Managua, 22 février 1993

Textes authentiques : anglais et espagnol.

Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le 18 février 1994.

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF NICARAGUA CONCERNING CERTAIN COMMERCIAL DEBTS (THE UNITED KINGDOM/NICARAGUA DEBT AGREEMENT No. 1 (1991))

I

*Her Majesty's Ambassador at Managua
to the Minister of External Co-operation of Nicaragua*

BRITISH EMBASSY
MANAGUA

22 February 1993

I have the honour to refer to the Agreed Minute on the Consolidation of the Debt of the Republic of Nicaragua which was signed at the Conference held in Paris on 17 December 1991, and to inform Your Excellency that the Government of the United Kingdom of Great Britain and Northern Ireland are 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 the two Governments in this matter which shall be known as 'The United Kingdom/Nicaragua Debt Agreement No. 1 (1991)' 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.

JOHN CULVER

¹ Came into force on 22 February 1993, the date of the note in reply, in accordance with the provisions of the said notes.

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 Nicaragua which was signed at the Conference held in Paris on 17 December 1991;
 - (b) “Appropriate Market Rate” means the Reference Rate plus a margin of 0.5 per cent;
 - (c) “the Bank” means the Central Bank 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 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) “the Consolidation Period” means the period from 1 January 1992 to 31 March 1993;
 - (f) “Contract” means a contract, or any agreement supplemental thereto, the parties to which include a Debtor and a Creditor and which either was for the sale of goods and/or services from outside Nicaragua to a buyer in Nicaragua, or was for the financing of such a sale, and which either:
 - (i) granted or allowed credit for a period exceeding one year and was entered into before 1 November 1988, or
 - (ii) granted or allowed credit for a period of one year or less and was entered into before 17 December 1991;
 - (g) “Creditor” means a person or body of persons or corporation resident or carrying on business in the United Kingdom, including the Channel Islands and the Isle of Man, or any successor in title thereto;
 - (h) “Currency of the Debt” means the currency specified in the relevant Contract as being the currency in which that Debt is to be paid;
 - (i) “Debt” means any debt to which, by virtue of the provisions of Section 2(1), the provisions of this Annex apply;
 - (j) “Debtor” means either:-
 - (i) the Government of Nicaragua, its public sector or the Bank (whether acting as primary debtor or as guarantor) or
 - (ii) any other person or corporation resident or carrying on business in Nicaragua;
 - (k) “the Department” means the Secretary of State of the Government of the United Kingdom acting through 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;
 - (l) “Maturity” in relation to a Debt:
 - (i) specified in Section 2(1)(a) 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;
 - (ii) specified in Section 2(1)(b)(i) means 31 December 1991;

- (iii) specified in Section 2(1)(b)(ii) means the relevant date of capitalisation specified in Section 4(3); or
 - (iv) specified in Section 2(1)(c) means the date on which the Nicaraguan Cordoba counterpart of the obligation is deposited by a Debtor with the Bank.
 - (m) “Nicaragua” means the Republic of Nicaragua;
 - (n) “Reference Rate” means the rate (rounded upwards where necessary to the nearest multiple of $\frac{1}{16}$ (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 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 11am (London time) two Business Days before the commencement of the relevant interest period;
 - (o) “the United Kingdom” means the United Kingdom of Great Britain and Northern Ireland.
- (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, or 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

- (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:
- (a) any amount whether of principal or of contractual interest accruing up to Maturity owed by a Debtor as specified in Section 1(1)(j)(i) to a Creditor and which:
 - (i) was guaranteed by the Department as to payment according to the terms of the Contract;
 - (ii) was not expressed by the terms of the Contract to be payable in Nicaraguan Cordoba;
 - (iii) does not arise from an amount payable upon or as a condition of the cancellation or termination of the Contract;
 - (iv) arose under or in relation to a Contract specified either in
 - (a) Section 1(1)(f)(i) and which has fallen due for payment on or before 31 December 1991 and remains unpaid, or falls due for payment during the Consolidation Period and remains unpaid;
- or

- (b) Section 1(1)(f)(ii) and which has fallen due for payment on or before 31 December 1991 and remains unpaid;
- (b) any amount of interest charged under Section 4 in respect of Debts specified in paragraph (a) of this Section
- (i) having accrued on or before 31 December 1991, or
 - (ii) accruing during the Consolidation Period.
- (c) any amount whether of principal or of contractual interest accruing up to Maturity, owed by a Debtor as defined in Section 1(1)(j)(ii) to a Creditor for which the corresponding payment in Nicaraguan Cordoba had been deposited in the Bank before 31 December 1991, and which:
- (i) was guaranteed by the Department as to payment according to the terms of the Contract;
 - (ii) was not expressed by the terms of the Contract to be payable in Nicaraguan Cordoba;
 - (iii) does not arise from an amount payable upon or as a condition of the cancellation or termination of the Contract; and
 - (iv) has fallen due for payment on or before 31 December 1991 and remains unpaid.
- (2) The Department and the Bank 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 Bank, but may not be added to or amended without the agreement of both the Department and the Bank. Delay in the completion of the Debt List shall neither prevent nor delay the implementation of the other provisions of this Annex.

SECTION 3

Debt Reduction and Payment

- (1) The Department agrees to reduce the amount of each Debt specified in Section 2(1)(a) by 50 per cent on Maturity.
- (2) The Government of Nicaragua shall then pay to the Department, in accordance with the provisions of Section 5(1), the remainder of the Debt specified in Sections 2(1)(a) and also 100 per cent of the Debt specified in Section 2(1)(b)(i) in the following percentages and on the following dates:

<i>Repayment Date</i>	<i>Percentage to be repaid</i>
1 July 1999	0.12
1 January 2000	0.20
1 July 2000	0.28
1 January 2001	0.38
1 July 2001	0.48
1 January 2002	0.58
1 July 2002	0.70
1 January 2003	0.82
1 July 2003	0.94

<i>Repayment Date</i>	<i>Percentage to be repaid</i>
1 January 2004	1·08
1 July 2004	1·22
1 January 2005	1·36
1 July 2005	1·52
1 January 2006	1·70
1 July 2006	1·86
1 January 2007	2·06
1 July 2007	2·26
1 January 2008	2·46
1 July 2008	2·68
1 January 2009	2·92
1 July 2009	3·18
1 January 2010	3·44
1 July 2010	3·70
1 January 2011	4·00
1 July 2011	4·30
1 January 2012	4·64
1 July 2012	4·98
1 January 2013	5·34
1 July 2013	5·72
1 January 2014	6·12
1 July 2014	6·54
1 January 2015	7·00
1 July 2015	7·46
1 January 2016	7·96

(3) The Government of Nicaragua shall also pay to the Department, in accordance with the provisions of Section 5(1):

(a) in respect of amounts of interest specified in Section 2(1)(b)(ii) and falling due on 1 July 1992, 1 January 1993 and 31 March 1993:—

(i) 50 per cent on those dates

(ii) 50 per cent, capitalised in accordance with Section 4(3), in 6 equal and consecutive half-yearly instalments commencing 1 December 1992:

(b) in respect of Debt specified in Section 2(1)(c):

100 per cent in 10 equal and consecutive half-yearly instalments commencing 30 June 1992.

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 Nicaragua shall be liable for and shall pay to the Department in accordance with the provisions of Section 5(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 charged half-yearly on 1 January and 1 July (the “Due Dates”) each year commencing on 1 July 1992, and for the purposes of paragraph 3 of this Section interest shall also be charged on 31 March 1993.

(3) 50 per cent of the interest specified in Section 2(1)(b)(ii) which falls due on 1 July 1992, 1 January 1993 and 31 March 1993 will be capitalised on those dates respectively.

(4) If any amount of interest payable in accordance with the provisions of paragraph (3) of this Section is not paid on the 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 (3) of this Section. It shall accrue 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 (3) of this Section to the date of receipt of the payment by the Department, and shall be due without further notice or demand. Such compensation shall be calculated in accordance with the provisions of paragraph (5) of this Section.

(5) 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 5

Payments to the Department

- (1) When payment becomes due under the terms of Section 3 or 4, the Bank shall:
 - (a) where possible draw upon the special account referred to in Article IV paragraph 4 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 Nicaragua, 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, interest and/or compensation to which the payments relate.

SECTION 6

Exchange of Information

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

SECTION 7

Other Debt Settlements

- (1) The Government of Nicaragua undertakes to perform its obligations under Article III of the Agreed Minute and agrees to accord to the United Kingdom terms no less favourable than those agreed with any other creditor country, 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 Nicaragua are authorised to act respectively on behalf of and to bind such Creditor and Debtor.

SECTION 9

Debt Conversion Option

The Department agrees to give prior notification to the Government of Nicaragua if it intends to exercise the option provided for in Article II paragraph 4 of the Agreed Minute. The Department also recognises that this option can only be implemented with the consent of the Government of Nicaragua.

[TRANSLATION¹ — TRADUCTION²]

I have the honour to acknowledge receipt of Your Excellency's Note of 22 February 1993 which in translation reads as follows:

[*See note I*]

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 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. 1 (1991)" and which shall enter into force today.

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

ERWIN KRÜGER MALTEZ

[*Annex as under note I*]

¹ Translation provided by the Government of the United Kingdom.

² Traduction fournie par le Gouvernement du Royaume-Uni.