

REPUBLIC OF ZAMBIA

THE GENERAL LOANS (GUARANTEE) ACT

CHAPTER 358 OF THE LAWS OF ZAMBIA

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CHAPTER 358

GENERAL LOANS (GUARANTEE)

51 of 1964
Government Notice
497 of 1964

An Act to empower the Government to guarantee the discharge by certain corporations of their obligations under agreements between such corporations and governments, the International Bank for Reconstruction and Development, the Commonwealth Development Corporation or other bodies or organisations outside Zambia; and to provide for matters incidental to or connected with the foregoing.

[29th September, 1964]

1. This Act may be cited as the General Loans (Guarantee) Act. Short title
2. In this Act, unless the context otherwise requires- Interpretation

"agreement" means an agreement made between a corporation and-

- (a) a government or any division or department of a government; or
- (b) the World Bank or,
- (c) the Commonwealth Development Corporation; or
- (d) any other body or organisation outside Zambia;

"corporation" means-

- (a) the Central African Airways Corporation;
- (b) the Central African Power Corporation;
- (c) the Rhodesia Railways;
- (d) the Central Electricity Corporation Limited;
- (e) any body incorporated directly by an enactment of Parliament;

"World Bank" means the International Bank for Reconstruction and Development.

3. (1) The Minister may, on such terms and conditions as he thinks fit- Guarantee of obligations of corporation

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- (a) guarantee in whole or in part the discharge by a corporation of its obligations under any agreement; and
- (b) undertake such other obligations as he may deem necessary or expedient in relation to or pursuant to any agreement;

and may give written authority to any person to sign and execute any such guarantee or undertaking as his representative.

(2) Without derogation from the generality of the powers conferred by subsection (1), a guarantee given under that subsection in respect of any loan made to a corporation by the World Bank may include a clause substantially in the form set out in the Schedule and, on the effectiveness of such guarantee, such clause shall have full force and effect in Zambia.

(3) Any sum required for fulfilling any guarantee given under subsection (1) is hereby charged on, and shall be paid by the Minister or such officer in his Ministry as he may authorise thereto out of the general revenues and assets of the Republic, which are hereby appropriated to the purpose, and any sum received by way of repayment of any sum so paid shall be paid into the general revenues of the Republic.

(4) As soon as possible after any guarantee is given under subsection (1), the Minister shall lay a statement thereof before the National Assembly.

(5) If any sum has been paid out of the general revenues and assets of the Republic under subsection (3), the Minister shall, as soon as possible after the end of each financial year of the corporation concerned, beginning with that in which the sum was paid and ending with that in which all liability in respect of that sum and any interest payable thereon is finally discharged, lay before the National Assembly a statement relating thereto.

4. Any loan made by the World Bank to a corporation in terms of an agreement shall be applied by the corporation to the purposes specified in that agreement:

Application of borrowing of corporation

Provided that any part of the loan which cannot be so applied shall be applied only to such other purposes as may be approved by the Government of the United Kingdom, the Government of Zambia and the World Bank.

5. Any sums issued out of the Consolidated Fund of the United Kingdom on account of any guarantee given by Her Majesty's Treasury in the United Kingdom in respect of any loan made to a corporation by the World Bank shall, to the extent of any guarantee given by the Minister in respect of that loan in terms of subsection (1) of section *three*, be repaid to Her Majesty's Treasury in the United Kingdom by the Minister or such officer in his Ministry as he may authorise thereto out of the general revenues and assets of the Republic, which are hereby appropriated to the purpose, with interest thereon at such rates as Her Majesty's Treasury in the United Kingdom, in consultation with the Minister, may fix.

Repayment of sums paid by United Kingdom under guarantee

6. Notwithstanding anything contained in any written law, the President may exercise all such powers and authorities and do or cause to be done all such things as appear to him to be necessary for giving full and complete effect to any guarantee given, and for the carrying out of any obligations undertaken by the Minister under subsection (1) of section three.

SCHEDULE

(Section 3)

Implementation of agreements

FORM OF GUARANTEE IN RELATION TO LOANS BY THE WORLD BANK

It is the mutual intention of Zambia and the Bank that no other external debt shall enjoy any priority over the Loan by way of alien on governmental assets. To that end, Zambia undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of Zambia as security for any external debt, such lien will *ipso facto* equally and rateably secure the payment of one-half of the principal of, and one-half of the interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provisions will be made to that effect; provided, however, that the foregoing provisions of this Schedule shall not apply to:

- (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property;
- (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or
- (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of Zambia" as used in this Schedule includes assets of Zambia or of any of its political subdivisions or of any agency of Zambia or of any such political subdivision, including its share of the assets of the Bank of Rhodesia and Nyasaland or of any other agency fulfilling similar functions in Zambia.