

AGREEMENT BETWEEN  
THE GOVERNMENT OF THE UNITED STATES OF AMERICA  
AND  
THE GOVERNMENT OF THE REPUBLIC OF BOTSWANA  
REGARDING THE REDUCTION OF CERTAIN DEBTS OWED TO THE GOVERNMENT  
OF THE UNITED STATES AND ITS AGENCIES

The Government of the United States of America (the "USG") and the Government of the Republic of Botswana (the "GOB"),

*Seeking* to facilitate the conservation, protection, restoration, and sustainable use and management of tropical forests in Botswana, which provide a wide range of benefits to the people of Botswana,

*Noting* that tropical deforestation and forest degradation continue to be serious problems in many regions of the world,

*Recognizing* that the alleviation of external debt in the context of broader economic reforms can reduce economic pressures on countries and result in increased protection for tropical forests,

*Also recognizing* that economic benefits to local communities of sustainable uses of tropical forests are critical to their protection and sustainable management,

*Considering* Botswana's positive record in implementing market-based economic reforms including sustained efforts to liberalize its investment regime, and

*In furtherance of* the goals of the U.S. Tropical Forest Conservation Act of 1998, as amended, and the Foreign Operations, Export Financing, and Related Programs Appropriations Acts for U.S. fiscal year 2005,

Have agreed as follows:

Article I  
DEFINITIONS

1. "633H001 November 2006 Payment" means, if the Closing Date is after November 23, 2006, the amount due on November 23, 2006 from, and paid by or on behalf of, the GOB to USAID with respect to Loan 633H001 that shall be transferred by USAID according to the provisions of Article III, paragraph 2 or 3 of this Agreement.
2. "Agreement" means this debt reduction agreement, as it may be amended from time to time.
3. "Board" has the meaning ascribed to it in Article III of the Tropical Forest Agreement.



4. "Business Day" means any day on which the Central Bank of Botswana is open for business, or, with respect to the provisions of Article II, paragraphs 1 and 2, and, if applicable, with respect to Articles III, paragraphs 2 and 3, Article V, paragraph 4(b)(iii), and Article VII, paragraph 2, of this Agreement, any day on which both the Bank of Botswana and the Federal Reserve Bank of New York are open for business.
5. "Closing" has the meaning set forth in Article II of this Agreement.
6. "Closing Date" has the meaning set forth in Article II of this Agreement.
7. "Effective Date" has the meaning set forth in Article VII, paragraph 1 of this Agreement.
8. "Exchange Rate" means the daily reference exchange rate for Local Currency expressed in U.S. Dollars as certified by the Bank of Botswana for the Business Day preceding the Business Day on which the Payment is due.
9. "Executive Director" has the meaning ascribed to it in the Tropical Forest Agreement.
10. "Fiscal Agent" has the meaning ascribed to it in Article II, paragraph 4, of the Tropical Forest Agreement.
11. "Fund" means the new Tropical Forest Conservation Fund established in accordance with the laws of Botswana pursuant to the Tropical Forest Agreement.
12. "GOB" means the Government of the Republic of Botswana, its agencies or instrumentalities, acting primarily through the Ministry of Finance.
13. "Local Currency" means the lawful currency of the Republic of Botswana.
14. "New TFCA Obligations" means the GOB's new obligations concluded pursuant to this Agreement, which shall replace the Old Obligations and obligate the GOB to make the Payments to the Fund in accordance with the Tropical Forest Agreement and the terms and conditions set forth herein.
15. "Notification Date" has the meaning set forth in Article V, paragraph 4 of this Agreement.
16. "Old Obligations" means Loans 633H001, 633H002, and 633H002A, under the agreements entitled "Loan and Grant Agreement between the Government of Botswana and the Government of the United States of America Acting through the Agency for International Development," dated June 30, 1971, August 31, 1972, and June 13, 1973,

Handwritten signature in black ink, appearing to be 'BS' or similar initials.

respectively, that obligate the GOB to repay principal and interest on debt whose outstanding principal sums at the Effective Date amount to U.S. \$7,438,975.24.

17. "Overdue Interest" means interest that accrues at a rate of three (3) percent per annum on any overdue and unpaid Payment. Overdue Interest shall be paid in Local Currency, unless Article V, paragraph 4(b)(iii) of this Agreement applies.
18. "Party" means either the USG or the GOB, and "Parties" means both the USG and the GOB.
19. "Payment(s)" means the payment(s) to be made by the GOB under the New TFCA Obligations as shown in Schedule A. A Payment shall be made in Local Currency calculated by the Government of Botswana using the Exchange Rate unless the Agreement specifically requires a U.S. Dollar Payment.
20. "Payment Due Date" has the meaning set forth in Article V of this Agreement.
21. "Schedule A" means the attached repayment schedule for the New TFCA Obligations. Schedule A lists the dates and amounts due for Payments under the New TFCA Obligations. Payments under the New TFCA Obligations are listed on Schedule A as U.S. Dollar Interest Payments, but, as provided in this Agreement, are to be paid in Local Currency using the Exchange Rate unless Article III or Article IV, paragraph 4(b) of this Agreement apply.
22. "Signature Date" has the meaning set forth in Article VII of this Agreement.
23. "Termination" has the meaning set forth in Article VII of this Agreement.
24. "Tropical Forest Agreement" means the "Agreement Between the Government of the United States of America and the Government of Botswana Concerning the Establishment of a Tropical Forest Conservation Fund and a Tropical Forest Conservation Board", dated as of the same date as this Agreement, to provide for the establishment and operation of a fund and the operation of an administering board in order to promote activities designed to conserve, maintain, restore or promote sustainable use the tropical forests of Botswana.
25. "USAID" means the United States Agency for International Development.
26. "USG" means the Government of the United States of America, acting primarily through the U.S. Department of the Treasury.

Two handwritten signatures in black ink, one above the other, located in the bottom right corner of the page.

27. "U.S. Treasury Escrow Account" has the meanings set forth in Article III, and Article V, paragraph 4(b)(iii) of this Agreement.

Article II  
CLOSING AND REDUCTION OF OUTSTANDING DEBT

1. Pursuant to the terms and subject to the conditions hereof, at the Closing, the USG and the GOB shall cancel the Old Obligations, and in its place substitute the New TFCA Obligations.
2. The consummation of the transactions set forth in paragraph 1 of this Article (the "Closing") shall occur on the Business Day (the "Closing Date") which is either: (a) December 4, 2006; or (b) such other Business Day on or before January 20, 2007, as may be agreed by the Parties in writing on or before the date set forth in subsection (a) of this paragraph.
3. The GOB agrees to make Payments to the Fund in Local Currency in accordance with the New TFCA Obligations as specified in Schedule A and in accordance with the terms and conditions set forth herein and in the Tropical Forest Agreement. If the respective Payment Due Date for the payment to the Fund is not a Business Day, then the Payment Due Date for that payment shall be the next succeeding day which is a Business Day.
4. The GOB agrees not to assign the New TFCA Obligations to any third party.

Article III  
PAYMENTS ON THE NEW TFCA OBLIGATIONS TO THE U.S. TREASURY ESCROW  
ACCOUNT AND OTHER PAYMENT ADJUSTMENTS

1. In the event that Closing has occurred, but the Fund has not been fully constituted under Botswanan law, the Board appointed, and a Fiscal Agent or Executive Director selected, the GOB shall make any Payment when due under Schedule A in U.S. dollars in the amount set forth in Schedule A into a USG account, as directed by Treasury through information provided to the GOB before the Closing Date (the "U.S. Treasury Escrow Account.") Amounts deposited in the U.S. Treasury Escrow Account shall not bear interest. Once the Fund is constituted, the Board appointed, and a Fiscal Agent or Executive Director selected, Treasury shall transfer promptly to an account, as designated by the GOB, all U.S. dollar funds in the U.S. Treasury Escrow Account. Within three (3) Business Days thereafter, the GOB shall then make a payment to the Fund in Local Currency, calculated by using the Exchange Rate, of an amount equivalent to the U.S. dollar funds transferred by the U.S. Treasury.




2. If the Closing occurs after November 23, 2006, and the following three events have all occurred: (a) the Fund has been fully constituted under Botswanan law, (b) the Board has been appointed, and (c) a Fiscal Agent has been selected, the GOB instructs USAID, to transfer the 633H001 November 2006 Payment to an account designated by the GOB. Such transfer shall occur no later than fourteen (14) Business Days after the Closing Date. Within three (3) Business Days after its receipt of the transferred funds, the GOB shall then make a payment to the Fund in Local Currency, calculated by using the Exchange Rate, of an amount equivalent to the U.S. dollar funds transferred by USAID.
3. If the Closing occurs after November 23, 2006, the GOB instructs USAID to transfer the 633H001 November 2006 Payment to the U.S. Treasury Escrow Account referred to in paragraph 1 above if, by the Closing Date, (a) the Fund has not been fully constituted under Botswanan law, (b) the Board has not been appointed, and (c) a Fiscal Agent has not yet been selected. Such transfer shall occur no later than 14 Business Days after the Closing Date.

#### Article IV CONDITIONS TO CLOSING

The obligation of USG hereunder to cancel the Old Obligations and substitute the New TFCA Obligations shall be subject to the fulfillment or waiver on or prior to the Closing Date of the following conditions, each of which shall be performed to the satisfaction of the USG:

- (a) The GOB shall have paid in full to USAID any amounts due under the Old Obligations up to, but not including, the Closing Date. For the avoidance of doubt, GOB shall continue to make payments to USAID under the terms and conditions, and according to the payment schedules, of the Old Obligations on any amounts due to USAID under the Old Obligations for the period between the Signature Date and the Closing Date. After the Closing Date, the 633H001 November 2006 Payment, if applicable, shall be transferred by USAID to the U.S. Treasury Escrow Account, or an account designated by GOB, in accordance with the procedures set forth in Article III., paragraphs 2 or 3.
- (b) The GOB shall have signed this Agreement and the Tropical Forest Agreement and both agreements shall have entered into force.



- (c) If applicable, the Parliament of the Republic of Botswana shall have approved this Agreement and the Tropical Forest Agreement.
- (d) The USG shall have received from the GOB such further documents, opinions, and certificates as the USG shall reasonably request.

Article V

FAILURE TO MAKE A PAYMENT OF PRINCIPAL OR INTEREST ON THE NEW TFCA OBLIGATION WHEN DUE

1. In the event the GOB does not make full payment of any installment under the New TFCA Obligations when due under this Agreement (each such due date hereinafter referred to as a "Payment Due Date"), the GOB shall within 7 Business Days commence discussions with USG to resolve such payment default. The GOB and the USG agree to use their best efforts to find a mutually acceptable solution.
2. Overdue Interest shall accrue on any overdue and unpaid installment of the New TFCA Obligations. The GOB shall make an Overdue Interest payment as soon as possible, without waiting for the due date of the next scheduled payment under the New TFCA Obligations.
3. Except as otherwise provided below, the GOB shall pay any Overdue Interest accruing on a due and unpaid Payment under a New TFCA Obligation directly to the Fund.
4. (a) Notwithstanding any other provision of this Agreement or the Tropical Forest Agreement, if the USG determines that any other condition under this Agreement or the Tropical Forest Agreement is not being substantially fulfilled and so notifies the GOB (the date of receipt of the notification being the "Notification Date"), the GOB shall commence discussions with the USG within seven (7) Business Days after the Notification Date to seek to resolve such matter. The GOB and the USG agree to use their best efforts to find a mutually acceptable solution. The GOB shall continue to make any Payment when due to the Fund after the Notification Date, unless otherwise instructed.  
  
(b) If the GOB and the USG are unable to find a mutually acceptable solution within sixty (60) Business Days following either a Notification Date or GOB's failure to make a full Payment on the Payment Due Date, including any accrued Overdue Interest, if applicable, the following procedures shall apply:



- (i) the USG may require the GOB to pay immediately in U.S. Dollars any unpaid Payment under the New TFCA Obligations, including any accrued Overdue Interest, to the Fund;
- (ii) the USG may, in its sole discretion, declare all, or any part of, future Payments under the New TFCA Obligations due and payable immediately in U.S. Dollars (“Accelerated Payments”), in which case, such amounts shall be paid to the Fund for distribution in accordance with the Tropical Forest Agreement unless Article IV, paragraph 4(b)(iii) below applies; or
- (iii) the USG may, in its sole discretion, require that the GOB make unpaid and future Payments, including any accrued Overdue Interest, or Accelerated Payments, in U.S. Dollars to the U.S. Treasury Escrow Account until the USG, in its sole discretion, is satisfied that the conditions under this Agreement and the Tropical Forest Agreement are being fulfilled. If satisfied, the USG shall transfer funds to the Fund from the U.S. Treasury Escrow Account within 14 Business Days of such determination.

Article VI  
AMENDMENT AND NOTIFICATION

1. This Agreement may be amended with the written consent of both Parties.
2. All notices, consents, requests, instructions, approvals, and other communications provided for in this Agreement shall be in writing and shall be deemed validly given (a) on the date of delivery when delivered by hand, (b) on the date of transmission when sent by facsimile transmission during normal business hours with telephone confirmation of receipt, or (c) on the date of receipt in accordance with the records of receipt by a reputable overnight courier that maintains records of receipt, all addressed as set forth below (or to such other address as any Party shall have designated by notice in accordance with this Article VI to the other Party).

FOR THE USG:

Deputy Assistant Secretary  
International Development Finance and Debt  
Department of the Treasury  
1500 Pennsylvania Avenue  
Washington DC 20220  
Tel. (202) 622 0070  
Fax (202) 622 0658

*BB*  
*AVC*

FOR THE GOB:

Secretary for Economic Affairs  
Ministry of Finance and Development Planning  
P/Bag 008  
Gaborone, Botswana  
Tel. (267) 3950372

Article VII  
ENTRY INTO FORCE AND TERMINATION

1. This Agreement shall enter into force on the date (the "Effective Date") that is forty-five calendar days after the date of the last signature hereto (the "Signature Date"), unless a party gives notice to the other party, prior to the expiration of that forty-five-day period, that it is unable to bring the Agreement into force.

2. This Agreement shall automatically terminate: (a) in the event that the Closing has not taken place on or before (i) December 4, 2006 or (ii) such later Business Day on or before January 20, 2007, as may be agreed by the Parties in writing on or before the date in subparagraph (i) of this paragraph; or (b) if the Closing has occurred, upon the payment by the Government of Botswana of all amounts due under the New TFCA Obligations.

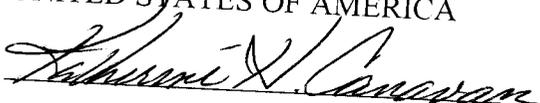
3. Either Party may terminate this Agreement upon six months' written notice to the other Party. The Parties agree to use best efforts to avoid the provision of such notice, including use of the resolution and review of disputes procedures provided under Article VII of the Tropical Forest Agreement and the amendment procedures provided under Article VI, paragraph 1 of this Agreement and Article X, paragraph 2 of the Tropical Forest Agreement. Upon termination of this Agreement, amounts generated by the Debt Reduction Agreement remaining in the Fund (including accrued interest traceable to Payments into the Fund) and any unpaid and remaining Payments under the New TFCA Obligations shall be made in U.S. Dollars into the U.S. Treasury Escrow Account, on the dates and in the U.S. Dollar amounts set forth in Schedule A, until both Parties reach a mutually-acceptable arrangement as to the future use of such funds.



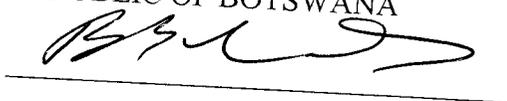
IN WITNESS WHEREOF the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

DONE at Gaborone, Botswana, this 5<sup>th</sup> day of October, 2006, in duplicate in the English language.

FOR THE GOVERNMENT OF THE  
UNITED STATES OF AMERICA



FOR THE GOVERNMENT OF THE  
REPUBLIC OF BOTSWANA



**Schedule A**  
**Schedule of Payments under New TFCA Obligations**

<b>Obligation 1</b>		
	Scheduled Principal	Scheduled Interest
**11/23/2006	139,155.38	27,221.32
5/23/2007	141,242.71	25,133.99
11/23/2007	143,361.35	23,015.35
5/23/2008	145,511.78	20,864.92
11/23/2008	147,694.45	18,682.25
5/23/2009	149,909.87	16,466.83
11/23/2009	152,158.52	14,218.18
5/23/2010	154,440.89	11,935.81
11/23/2010	156,757.51	9,619.19
5/23/2011	159,108.87	7,267.83
11/23/2011	161,495.50	4,881.20
5/23/2012	163,917.60	2,458.76
<b>Total</b>	<b>1,814,754.43</b>	<b>181,765.62</b>

<b>Obligation 2</b>		
	Scheduled Principal	Scheduled Interest
2/28/2007	257,124.11	59,589.98
8/28/2007	260,980.97	55,733.12
2/28/2008	264,895.69	51,818.40
8/28/2008	268,869.12	47,844.97
2/28/2009	272,902.16	43,811.93
8/28/2009	276,995.69	39,718.40
2/28/2010	281,150.63	35,563.46
8/28/2010	285,367.89	31,346.20
2/28/2011	289,648.40	27,065.69
8/28/2011	293,993.13	22,720.96
2/28/2012	298,403.03	18,311.06
8/28/2012	302,879.07	13,835.02
2/28/2013	307,422.26	9,291.83
8/28/2013	312,033.16	4,680.50
<b>Total</b>	<b>3,972,665.31</b>	<b>461,331.52</b>

<b>Obligation 3</b>		
	Scheduled Principal	Scheduled Interest
1/21/2007	75,770.82	24,773.33
7/21/2007	76,907.38	23,636.77
1/21/2008	78,060.99	22,483.16
7/21/2008	79,231.91	21,312.24
1/21/2009	80,420.38	20,123.77
7/21/2009	81,626.69	18,917.46
1/21/2010	82,851.09	17,693.06
7/21/2010	84,093.86	16,450.29
1/21/2011	85,355.26	15,188.89
7/21/2011	86,635.59	13,908.56
1/21/2012	87,935.13	12,609.02
7/21/2012	89,254.15	11,290.00
1/21/2013	90,592.97	9,951.18
7/21/2013	91,951.86	8,592.29
1/21/2014	93,331.14	7,213.01
7/21/2014	94,731.11	5,813.04
1/21/2015	96,152.07	4,392.08
7/21/2015	97,594.35	2,949.80
1/21/2016	99,058.75	1,485.88
<b>Total</b>	<b>1,651,555.50</b>	<b>258,783.83</b>

\*\*See definition of 633H001 November 2006 Payment and related provisions