

No. 3322

**UNITED STATES OF AMERICA
and
ITALY**

**Exchange of notes constituting an agreement relating to
the establishment of a revolving industrial loan fund
for Southern Italy. Rome, 16 June 1954**

Official texts: English and Italian.

Registered by the United States of America on 26 April 1956.

**ÉTATS-UNIS D'AMÉRIQUE
et
ITALIE**

**Échange de notes constituant un accord relatif à la création
d'un fonds de roulement pour le crédit industriel en
Italie méridionale. Rome, 16 juin 1954**

Textes officiels anglais et italien.

Enregistré par les États-Unis d'Amérique le 26 avril 1956.

No. 3322. EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND ITALY RELATING TO THE ESTABLISHMENT OF A REVOLVING INDUSTRIAL LOAN FUND FOR SOUTHERN ITALY. ROME, 16 JUNE 1954

I

The American Ambassador to the Italian Prime Minister

Rome, June 16, 1954

Excellency :

I have the honor to refer to the conversations which have recently taken place between representatives of our two Governments relating to the establishment of a revolving industrial loan fund for Southern Italy.

It is my understanding that a general objective of the Italian Government is rapid economic development in Southern and Insular Italy, and a more rapid rate of industrial growth to aid in the attainment of that general objective. I further understand that elements necessary to achieve this objective include the maximum availability of private capital, including capital from outside the region and from outside Italy; the introduction and development of more advanced production and management techniques; and a broader industrial base that is not limited, as at present, primarily to the processing of regional materials or production for regional markets.

To assist the Italian Government in the attainment of the above outlined objective, the Government of the United States of America is prepared to grant 20 million dollars to the Italian Government from Mutual Security funds during the fiscal year 1954, subject to the following terms and conditions :

1. Ninety per cent of the Lira Counterpart of the 20 million dollars will be used to create a revolving industrial loan fund for Southern and Insular Italy to complement the loan operations already being carried out. The purpose of this fund will be to help overcome existing disadvantages of the South in the industrial field by providing capital on a greater risk basis than that which funds are currently available and by inducing, where needed, a substantial contribution of experienced technical and management services. To carry out this purpose, the Loan Fund will be operated in such a fashion as to (a) attract private capital, whether from local sources, from other parts of Italy, or from abroad, to the industrial development of Southern Italy, and (b) foster the introduction of advanced technological and managerial methods into the Southern economy.

¹ Came into force on 16 June 1954 by the exchange of the said notes.

2. To this end priority will be given to the following types of loans :

a. Projects where a substantial portion of the total investment requirements is provided by foreign investors.

b. Projects that will help to broaden, i.e. diversify, the industrial base of Southern and Insular Italy.

c. Projects which provide for contribution by foreign firms of engineering services and management "know-how" either through direct participation, i.e., through a foreign firm being associated with the firm applying for the loan, or through the provision of foreign skill and experience on a contract basis.

d. Projects submitted by small and medium sized enterprises. This will mean that individual loans will generally be limited to a maximum of 200 million lire. It is recognized, however, that there may be cases where it will be desirable to exceed this maximum.

3. The loan fund will be administered so as to strengthen free labor. To this end each loan applicant must be willing to negotiate with the free trade unions as the elected representatives of his workers. The applicant must also agree, in the loan contract, to observe the labor conditions and wage rates established in the national wage contracts, and to comply with existing social security legislation and other legislation pertaining to the protection of workers.

4. The loan fund will be administered in the manner that will best encourage private initiative and competition and discourage monopolistic and other restrictive practices.

5. The financial administration of the program will be effected through ISVEIMER,¹ IRFIS,² and CIS³ as agents of the Fund. It is desirable that the fund be administered in as simple a manner as possible, consistent with adequate controls, and in close coordination with the other institutional loan programs in the South. The United States Government shall have the right of final approval or disapproval of any individual loan for which it desires to exercise this right, after consultation with the Italian Government, pursuant to the terms and objectives of the Mutual Security Act.⁴ Any contemplated loan that exceeds 200 million lire shall automatically require prior United States Government concurrence before being finally approved by the appropriate Italian authorities. To enable the United States Government to exercise the above outlined prerogatives, the Italian Government will furnish the United States Government with a copy of each loan application, when submitted, and a statement of each project that has been approved, at least one month prior to the actual granting of a loan. The Italian Government will also furnish to the United States Government, on a semi-annual basis, a detailed report on the status of the loan fund.

6. The loan fund will be so administered that medium and long-term financing, up to 15 years, will be available for a substantial share of the cost of building, equipment, technically necessary inventory, and technical or management services essential to the success of the project. Security for the loans will be limited to reasonable coverage, not

¹ Institute for the Economic Development of Southern Italy.

² Regional Institute for Loans to Medium and Small Enterprises in Sicily.

³ Sardinian Industrial Credit.

⁴ United States of America : 65 Stat. 373; 22 U.S.C. § 1651 note.

exceeding the assets of the project, and without recourse to bank guarantees or mortgages on other property privately owned by the owners of the new plant.

7. In administering the loan fund the interest charged to borrowers will be consonant with that charged on other Government financing for fully secured loans, viz. $5\frac{1}{2}\%$. The administrative institution shall be authorized to retain an interest payment of $3\frac{1}{2}\%$ to cover its administrative costs and compensation for such risk as it bears. The remaining 2% interest payment will revert to the fund. Any losses are to be borne 50%¹ by the financing institution and 70% by the revolving fund. In those cases where it is mutually desirable however, this percentage may be modified by mutual agreement between the United States and Italian Governments.

8. Repayments of loans shall be paid into the loan fund and shall be available for further loans under the terms of this agreement. Should this fund be terminated, the balance remaining plus all payments due shall be returned to the Lira Counterpart Fund established under the Economic Cooperation Agreement of June 28, 1948.²

9. Subject to mutual agreement between the two Governments, special terms and procedures may be established for the approval of loans in which special risk factors are involved, in those cases where this is desirable to encourage projects of great potential value to the economic development of Southern and Insular Italy.

10. The management of the fund will assist the applicant in contracting with a qualified consulting firm for technical and management services related to the development and establishment of the project in all cases where the provision of such services would place the project on a sounder basis. The United States Operations Mission and the Comitato Nazionale per la Produttività (National Committee for Productivity) will, whenever appropriate, fully cooperate in this aspect of the loan operations.

11. The same import regulations that are applicable to private investments will be applied to machinery and equipment purchased under this program, without additional restrictions or discriminations. Moreover, the Italian Government will make available whatever amounts and type of foreign exchange that may be needed to cover the costs of technical service contracts entered into in connection with loan projects.

12. The Italian Government will take all action necessary to publicize fully the availability of this revolving loan fund.

13. The whole of the 20 million dollars to be allotted by the Government of the United States in connection with the foregoing counterpart loan program will be subject to the normal import programming and control procedures established under the Mutual Security Act as amended, and the Economic Cooperation Agreement of June 28, 1948 between the United States and Italy.

14. It is understood that the Italian Government will take all measures necessary, including such legislation as may be required, to make effective the foregoing terms and conditions, as well as such extensions or alterations of the foregoing terms and conditions,

¹ The following information is given by the Department of State of the United States of America (*Treaties and Other International Acts Series* 3073, p. 3, footnote 2): "Should read '30 %'."

² United Nations, *Treaty Series*, Vol. 20, p. 43; Vol. 55, p. 318; Vol. 79, p. 274; Vol. 141, p. 362, and Vol. 200, p. 264.

as may be deemed necessary by the Government of the United States, after consultation with the Italian Government, to comply with the terms of the Mutual Security Act; alternatively, the Italian Government shall have the option of returning the funds made available by the United States Government for the establishment of this revolving loan fund.

Upon receipt of a letter from your Government indicating that the foregoing terms and conditions are acceptable to the Italian Government, the Government of the United States of America will consider that this letter and your Government's reply thereto constitute an agreement between the two Governments on this subject which will enter into force on the date of your letter in reply.

Accept, Excellency, the renewed assurances of my most distinguished consideration.

Clare Boothe LUCE
American Ambassador

His Excellency Mario Scelba
Prime Minister of Italy
Palazzo Viminale
Rome

II

The Italian Prime Minister to the American Ambassador

[ITALIAN TEXT — TEXTE ITALIEN]

REPUBBLICA ITALIANA

IL PRESIDENTE DEL CONSIGLIO DEI MINISTRI

22/00558

16 giu. 1954

Eccellenza,

ho l'onore di accusare ricevuta della Nota di Vostra Eccellenza in data odierna del seguente tenore :

« Ho l'onore di riferirmi alle conversazioni che si sono recentemente svolte tra i rappresentanti dei nostri due Governi in merito all'istituzione di un fondo rotatorio per prestiti all'industria nell'Italia meridionale.

Premesso che uno degli obiettivi d'ordine generale dell'azione del Governo italiano è il rapido sviluppo economico dell'Italia meridionale e insulare ed un più rapido incremento della produzione industriale per contribuire al raggiungimento di quell'obiettivo; premesso, inoltre, che tra i fattori necessari per raggiungere quell'obiettivo sono da includere : la disponibilità massima di capitale privato, compreso il capitale di provenienza da altre regioni e dall'estero; la introduzione e lo sviluppo dei più moderni sistemi di produzione e di gestione; e una più larga base industriale, non

[TRANSLATION¹ — TRADUCTION²]

ITALIAN REPUBLIC

THE PRESIDENT OF THE COUNCIL OF MINISTERS

22/00558

June 16, 1954

Excellency,

I have the honor to acknowledge the receipt of Your Excellency's note, dated today, reading as follows :

[*See note I*]

I have the honor to concur in the proposal made in Your Excellency's note and to inform you that the terms and conditions therein contained are acceptable to the Italian Government. Your Excellency's note and this note shall constitute an agreement between our two Governments on this subject.

Accept, Excellency, the renewed assurances of my highest consideration.

SCELBA

Her Excellency Clare Boothe Luce
Ambassador of the United States of America
Rome

¹ Translation by the Government of the United States of America.

² Traduction du Gouvernement des États-Unis d'Amérique.