

No. 5139

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
ITALY**

Guarantee Agreement—*Southern Italy Development Projects, 1958* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and Cassa per opere straordinarie di pubblico interesse nell'Italia meridionale (Cassa per il Mezzogiorno)). Signed at Washington, on 28 February 1958

Official text: English.

Registered by the International Bank for Reconstruction and Development on 17 May 1960.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
ITALIE**

Contrat de garantie — *Projets de développement de l'Italie méridionale, 1958* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Cassa per opere straordinarie di pubblico interesse nell'Italia meridionale (Cassa per il Mezzogiorno)). Signé à Washington, le 28 février 1958

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 17 mai 1960.

No. 5139. GUARANTEE AGREEMENT¹ (*SOUTHERN ITALY DEVELOPMENT PROJECTS, 1958*) BETWEEN THE REPUBLIC OF ITALY AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 28 FEBRUARY 1958

AGREEMENT, dated February 28, 1958, between REPUBLIC OF ITALY (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Cassa per opere straordinarie di pubblico interesse nell'Italia meridionale (Cassa per il Mezzogiorno) (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies in an aggregate principal amount equivalent to seventy-five million dollars (\$75,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee such Loan and the obligations of the Borrower in respect thereof; and

WHEREAS in the Loan Agreement the Bank and the Borrower have agreed to accept all the provisions of Loan Regulations No. 4, dated June 15, 1956,³ a copy of which has been furnished to the Guarantor, subject, however, to the modifications of said Loan Regulations set forth in Schedule 3³ to the Loan Agreement, said Loan Regulations as so modified being hereinafter called the Loan Regulations; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to guarantee such Loan and the obligations of the Borrower in respect thereof;

NOW THEREFORE, the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of the Loan Regulations, as above defined, with the same force and effect as if they were fully set forth herein.

¹ Came into force on 8 May 1958, upon notification by the Bank to the Government of Italy.

² See p. 56 of this volume.

³ See p. 80 of this volume.

Section 1.02. Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the respective terms which are defined in the Loan Agreement shall have the respective meanings therein set forth.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Guarantee Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of and interest and other charges on the Loan and the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Guarantee Agreement, the Guarantor specifically undertakes to take or cause to be taken all such action as shall be required to assure that :

- (i) the Irrigation Projects will be constructed and carried out with due diligence and efficiency, and that they will be efficiently operated and maintained; and
- (ii) no use, other than for potable purposes, will reduce the amounts of water available for irrigation purposes on the Irrigation Projects below the amounts needed therefor.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor or any Agency or the Banca d'Italia as security for any external debt, such lien shall *ipso facto* equally and ratably secure the payment of the principal of and interest and other charges on the Loan and the Bonds and that in the creation of any such lien express provision shall be made to that effect; provided, however, that this Section shall not apply to :

- (a) any lien created on any property at the time of purchase thereof solely as security for the payment of the purchase price of such property;
- (b) any lien on commercial goods to secure a debt maturing not more than one year after its incurrence and to be paid out of the proceeds of sale of such commercial goods; or

- (c) any lien created by the Banca d'Italia on any of its assets in the ordinary course of its banking business to secure any indebtedness maturing not more than one year after its incurrence.

Section 3.02. (a) The Bank and the Guarantor shall cooperate fully to assure that the purposes of the Loan shall be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territory of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof; and the Guarantor shall promptly inform the Bank of any conditions which shall arise that shall interfere with, or threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor will at the request of the Bank afford to the Bank all reasonable opportunity for accredited representatives of the Bank to visit freely any part of the territory of the Guarantor for purposes consistent with the spirit and purposes of the Loan.

Section 3.03. The Guarantor covenants that the principal of and interest and other charges on the Loan and the Bonds will be paid without deduction for and free from any taxes, fees or charges imposed by the Guarantor or by any Agency or by any taxing authority thereof or therein and will be paid free from all restrictions of the Guarantor or any Agency. The foregoing provisions of this Section shall not apply to taxation of, or charges or fees upon, payments under the provisions of any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. The Guarantor covenants that the Loan Agreement and the Bonds and the Project Agreements and this Agreement will be free of any issue, stamp or other tax, fee or charge imposed by the Guarantor or any Agency or any taxing authority thereof or therein.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister for the Treasury of the Guarantor and such person or persons as he shall designate in writing to act in his stead, are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The Guarantor shall take such action as shall be necessary to enable the Borrower to carry out all its obligations under the Loan Agreement and, until termination of this Agreement pursuant to Section 9.05 of the Loan Regulations, shall to the extent that the Cassa shall not at any time have been continued in existence with all the powers and resources necessary for the carrying out of such obligations, assign the carrying out of such obligations to another Agency with all the powers and resources necessary therefor.

Article VI

Section 6.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Ministry of the Treasury
Via XX Settembre
Rome
Italy

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Section 6.02. The Minister for the Treasury of the Guarantor in office at the time in question is designated for the purposes of Section 8.03 of the Loan Regulations.

Section 6.03. In this Guarantee Agreement any reference to the Minister for the Treasury of the Guarantor shall include a reference to any Minister of the Guarantor for the time being acting for or on behalf of the Minister for the Treasury of the Guarantor.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Italy :

By Manlio BROSIO

Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF

Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 260, p. 376.*]

LOAN AGREEMENT

(SOUTHERN ITALY DEVELOPMENT PROJECTS, 1958)

AGREEMENT, dated February 28, 1958, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank), and CASSA PER OPERE STRAORDINARIE DI PUBBLICO INTERESSE NELL'ITALIA MERIDIONALE (CASSA PER IL MEZZOGIORNO) (hereinafter called the Borrower).

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,¹ subject, however, to the modifications thereof set forth in Schedule 3² to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or any Schedule thereto :

- (1) The term "Cassa" means Cassa per opere straordinarie di pubblico interesse nell'Italia meridionale (Cassa per il Mezzogiorno) established by Law No. 646 of the Republic of Italy, dated the 10th of August 1950, as amended and supplemented.
- (2) The term "Borrower" means the Cassa and also includes any department or agency of the Guarantor which may be charged by the Guarantor, upon dissolution of the Cassa or otherwise, with the carrying out of the obligations of the Borrower hereunder.
- (3) The term "Agency" means any political subdivision of the Guarantor or any instrumentality of the Guarantor or of a political subdivision of the Guarantor and shall include any institution or organization a majority interest in which at the time referred to is owned directly or indirectly by the Guarantor or a political subdivision of the Guarantor, or all or substantially all of whose obligations are guaranteed by the Guarantor or a political subdivision of the Guarantor, or the operations of which are conducted primarily in the interest of or for account of the Guarantor or a political subdivision of the Guarantor, as the case may be.

¹ See above.

² See p. 80 of this volume.

- (4) The term “beneficiary enterprise” means any company, *società per azioni*, *ente*, consortium, individual or group of individuals, or other entity or association, other than the Borrower, to which any part of the Loan shall be made available for the construction or operation of a Project or which shall be charged with or be responsible for or undertake the operation of an Irrigation Project or any part thereof. It shall also include Società Finanziaria Elettrica Nazionale per Azioni (hereinafter called Finelettrica) and Società Italiana per le Strade Ferrate Meridionali (hereinafter called Bastogi).
- (5) The term “SME Project Agreement” means the agreement of even date herewith between the Bank of the one part and Società Meridionale di Elettricità, Finelettrica and Bastogi of the other part.
- (6) The term “SGES Project Agreement” means the agreement of even date herewith between the Bank of the one part and Società Generale Elettrica della Sicilia, Finelettrica and Bastogi of the other part.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to seventy-five million dollars (\$75,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and, as this Agreement becomes effective in respect of any Project, shall credit to such Account the amount of the Loan set forth opposite such Project in Schedule 4¹ to this Agreement. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date 60 days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

Section 2.04. The Borrower shall pay interest at the rate of five and one-half percent ($5\frac{1}{2}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Interest and commitment charge shall be payable semi-annually on February 15 and August 15 in each year.

Section 2.06. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1² to this Agreement.

¹ See p. 86 of this volume.

² See p. 70 of this volume.

Article III

USE OF PROCEEDS OF LOAN

Section 3.01. (a) The Borrower shall cause the proceeds of the Loan to be applied in accordance with the provisions of this Agreement to expenditures on the Projects described in Schedule 2¹ to this Agreement in the amounts specified in Schedule 4 to this Agreement.

(b) The Bank and the Borrower may from time to time agree to changes in Schedule 2 and Schedule 4 to this Agreement.

Article IV

SPECIAL PROVISIONS RELATING TO PROJECTS

Section 4.01. The Borrower shall make arrangements, and enter into loan agreements, adequate to protect the interests of the Borrower and the Bank and satisfactory to the Bank, with the respective beneficiary enterprises concerning the financing, construction and operation of the Power Projects and the Industrial Projects and the rights of the Borrower and the Bank with respect thereto. Such agreements shall not be amended without the consent of the Bank.

Section 4.02. The Borrower shall cause each of the beneficiary enterprises concerned punctually to perform all the covenants and agreements on its part to be performed as set forth in the SME Project Agreement and the SGES Project Agreement, respectively.

Section 4.03. All arrangements and agreements entered into pursuant to Section 4.01 shall include provisions which will enable the Borrower and the Guarantor to carry out their respective obligations under this Agreement and the Guarantee Agreement² and shall include, without limitation : (i) the right to require that the proceeds of the Loan shall be used exclusively as provided in this Agreement in the carrying out of the Projects; (ii) the right to require that the Projects be constructed and operated with due diligence and efficiency and in accordance with sound engineering, financial and business standards, including the maintenance of adequate records; (iii) the right to inspect the sites, works and construction included in the Projects and the operation thereof; (iv) the right to obtain all such information as the Bank or the Borrower shall reasonably request relating to any of the foregoing and to the operation and financial condition of the Projects and of the beneficiary enterprises. Such arrangements and agreements shall also include appropriate provisions whereby further access by a beneficiary enterprise to the proceeds of the Loan may be suspended or cancelled by the Borrower, upon failure by such enterprise to carry out the terms of arrangements or agreements entered into pursuant to this Article IV.

Section 4.04. The Borrower shall exercise its rights in relation to each Project in such manner as to protect the interests of the Borrower and the Bank.

¹ See p. 72 of this volume.

² See p. 48 of this volume.

Section 4.05. The Borrower shall, immediately upon the preparation thereof, cause the plans, specifications, construction schedules and cost estimates for each Project to be furnished to the Bank in such form and detail as the Bank shall reasonably request and shall promptly cause any material modifications therein to be furnished to the Bank.

Article V

BONDS

Section 5.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 5.02. The President, any Vice President or the Director General of the Borrower, and such person or persons as any of them shall appoint in writing to act in his stead, are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article VI

PARTICULAR COVENANTS

Section 6.01. (a) The Borrower shall cause the Irrigation Projects to be constructed with due diligence and efficiency and in accordance with sound engineering, financial and business standards and practices, and shall exercise every right and recourse available to it to cause the Power Projects and Industrial Projects to be so constructed and so operated.

(b) The Borrower shall, within the limits of its competence, cause the Irrigation Projects to be operated and maintained with due diligence and efficiency and in accordance with sound engineering, agricultural, financial and business standards and practices and shall exercise every right and recourse available to it to cause to be taken all such action as shall be required to assure that no use, other than for potable purposes, will reduce the amounts of water available for irrigation purposes on the Irrigation Projects below the amounts needed therefor.

(c) The Borrower shall maintain, or cause to be maintained, books, accounts and records adequate to show the expenditure of the proceeds of the Loan; the current total expenditures on each Project; the progress of each Project; the operation and financial condition of each Project; and, in respect of the Industrial Projects, the operations and financial condition of each beneficiary enterprise. The Borrower shall at the request of the Bank enable, or take such steps as shall be necessary to enable, the Bank's accredited representatives to examine the sites, works and construction included in each Project, the operation thereof, and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, each Project and the operation thereof, and the operations and financial condition of each beneficiary enterprise.

(d) The operations and transactions of the Borrower in connection with the Projects shall be accounted for by the Borrower separately from its other activities.

Section 6.02. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower such information shall include information with respect to its operations and financial condition.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

Section 6.03. It is the mutual intention of the Borrower and the Bank that no other debt shall enjoy any priority over the Loan by way of a lien on assets of the Borrower. To that end, the Borrower specifically undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien shall *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision shall be made to that effect, provided, however, that the foregoing provisions of this Section shall not apply to any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property.

Section 6.04. The Borrower shall pay or cause to be paid any and all taxes, duties, charges or fees that shall be imposed on or in connection with the execution, issue, delivery or registration of this Agreement, the Bonds, the Project Agreements or the Guarantee Agreement, or that shall be imposed by the Guarantor or by any Agency or by any taxing authority thereof or therein upon this Agreement, the Bonds, the Project Agreements or the Guarantee Agreement, or the registration thereof with any Agency or official, or the payment of principal, interest or other charges thereunder. Such principal, interest and other charges shall be paid without deduction for and free of any and all such taxes, duties, charges and fees. This Section shall not apply to taxation of any Bond, or payments made under the provisions of any Bond, when the beneficial holder thereof, other than the Bank, shall be an individual or corporate resident of the Guarantor.

Article VII

REMEDIES OF THE BANK

Section 7.01. (i) If any event specified in paragraphs (a) or (b) of Section 5.02 of the Loan Regulations shall occur and shall have continued for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall have continued for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the

Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VIII

EFFECTIVE DATES

Section 8.01. This Agreement and the Guarantee Agreement shall not in any event become effective in respect of any Project or any part of the Loan until the Bank shall have notified the Borrower and the Guarantor of its acceptance of the evidence provided for in Sections 9.01 and 9.02 of the Loan Regulations.

Section 8.02. The Agreement and the Guarantee Agreement shall become effective in respect of the Irrigation Projects and the amounts of the Loan set forth opposite such Projects in Schedule 4 to this Agreement when the Bank notifies the Borrower and the Guarantor of its acceptance of the evidence provided for in Sections 9.01 and 9.02 of the Loan Regulations.

Section 8.03. This Agreement and the Guarantee Agreement shall become effective in respect of each Power Project and each Industrial Project and in respect of the amount of the Loan set forth opposite such Project in Schedule 4 to this Agreement when :

(a) the Bank shall have received evidence (including the opinion provided for in Section 8.04 hereof) satisfactory to it that the requirements set forth in Sections 4.01 and 4.03 of this Agreement have been satisfied in respect thereof (and, in the case of a Power Project, that the Project Agreement relating thereto has been duly authorized or ratified by all necessary corporate and governmental action and is valid and binding on the beneficiary enterprises which are parties thereto), and

(b) the Bank notifies the Borrower and the Guarantor of its acceptance of such evidence.

Section 8.04. As part of the evidence to be furnished pursuant to Section 8.03 hereof, there shall be furnished to the Bank an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing that the arrangements and agreements to which such evidence relates are valid, binding and enforceable in accordance with their terms and (in the case of agreements and arrangements made pursuant to Section 4.01 of this Agreement) contain valid provisions satisfying the requirements of Section 4.03 of this Agreement.

Article IX

MISCELLANEOUS

Section 9.01. The date specified for the purposes of Section 9.04 of the Loan Regulations is 90 days after the date of this Agreement.

Section 9.02. The Closing Date for each Project shall be February 15, 1961,

Section 9.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

For the Borrower :

Cassa per il Mezzogiorno
Piazza dei Congressi N.20 (EUR)
Rome, Italy

Alternative address for cablegrams and radiograms :

Casmez, Rome

Article X

PROVISIONS AS TO MATURITIES

Section 10.01. For the purposes of this Article the term " prior Loan Agreements " means the Loan Agreements between the Bank and the Borrower dated October 10, 1951,¹ October 6, 1953,² June 1, 1955,³ and October 11, 1956,⁴ respectively, and the term " amortization schedule " means the amortization schedule set forth in Schedule 1 of the Loan Agreement or Agreements referred to.

Section 10.02. For the purpose of facilitating the sale of portions of the Loan, of Bonds, of portions of the loans provided for in the prior Loan Agreements or any of them or of bonds issuable pursuant to the terms thereof, the Bank and the Borrower may, notwithstanding anything contained herein or in the prior Loan Agreements, from time to time by agreement between them vary the amounts of instalments of principal set forth in the amortization schedule to the Loan Agreement and of instalments of principal set forth in the amortization schedules to the prior Loan Agreements or any of them, provided that no such variation shall change (a) the aggregate amount of instalments of principal which, but for such variation, would have been due in any half of any calendar year under this Agreement and the prior Loan Agreements; or (b) the total principal amount payable in respect of the Loan or the total principal amount payable in respect of the loan provided for in any of the prior Loan Agreements.

¹ United Nations, *Treaty Series*, Vol. 159, p. 383.

² United Nations, *Treaty Series*, Vol. 301, p. 135.

³ United Nations, *Treaty Series*, Vol. 358.

⁴ See p. 3 of this volume.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By W. A. B. ILIFF
Vice President

Cassa per opere straordinarie di pubblico interesse nell'Italia meridionale
(Cassa per il Mezzogiorno) :

By Gabriele PESCATORE
President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
February 15, 1961	\$1,302,000	February 15, 1970	\$2,121,000
August 15, 1961	1,338,000	August 15, 1970	2,180,000
February 15, 1962	1,374,000	February 15, 1971	2,240,000
August 15, 1962	1,412,000	August 15, 1971	2,301,000
February 15, 1963	1,451,000	February 15, 1972	2,364,000
August 15, 1963	1,491,000	August 15, 1972	2,429,000
February 15, 1964	1,532,000	February 15, 1973	2,496,000
August 15, 1964	1,574,000	August 15, 1973	2,565,000
February 15, 1965	1,617,000	February 15, 1974	2,635,000
August 15, 1965	1,662,000	August 15, 1974	2,708,000
February 15, 1966	1,707,000	February 15, 1975	2,782,000
August 15, 1966	1,754,000	August 15, 1975	2,859,000
February 15, 1967	1,803,000	February 15, 1976	2,938,000
August 15, 1967	1,852,000	August 15, 1976	3,018,000
February 15, 1968	1,903,000	February 15, 1977	3,101,000
August 15, 1968	1,956,000	August 15, 1977	3,187,000
February 15, 1969	2,009,000	February 15, 1978	3,274,000
August 15, 1969	2,065,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity	½%
More than 3 years but not more than 6 years before maturity	1 ½%
More than 6 years but not more than 11 years before maturity	2 ½%
More than 11 years but not more than 16 years before maturity	3 ½%
More than 16 years but not more than 18 years before maturity	4 ½%
More than 18 years before maturity	5 ½%

SCHEDULE 2

DESCRIPTION OF PROJECTS

A. *Power Projects*

I. *SME Power Project*

This Project, to be constructed by Società Meridionale di Elettricità (SME), and scheduled to be completed by June 30, 1961, includes a thermal electric plant and auxiliary works to be constructed on the east side of the existing Vigliena Thermal Electric Plant, in the harbor of Naples. It will be owned by SME and operated as part of its system. The plant will be equipped with two turbo-generating units, with a maximum continuous output capacity of 150,000 kw each and operating at a temperature of 1,000 degrees Fahrenheit and at a pressure of 2,400 lbs. per square inch. Two boilers will produce 1.06 million lbs. of steam per hour each, and will be fired by fuel oil or pulverized coal. The condensers will be cooled by sea water. There will be a bank of single phase transformers, with a total capacity of about 430,000 kva, and 220 kv and 60 kv cables connecting the plant with the SME grid. The plant will be equipped with all necessary auxiliaries including a feed water treatment plant, fuel handling and storage facilities, switchgear and control equipment.

II. *SGES Power Project*

This Project, to be constructed by Società Generale Elettrica della Sicilia (SGES), and scheduled to be completed by December 31, 1960, includes a hydroelectric plant to be located at Guadalami, south of Palermo, Sicily. It will be owned and operated by SGES as part of its system. The main works will consist of the following: an intake structure, taking water from the existing Piani dei Greci reservoir; a 1,113 meter long intake pressure tunnel; a surgetank; two steel penstocks, each about 230 meters long; a powerhouse; and an earth dam—25 meters high and 450 meters long—across the upper Belice river, creating a lower reservoir with a useful capacity of 750,000 cubic meters. The water of the Guadalami stream will be diverted into the lower reservoir by means of a small barrage and a 755 meters long canal. The powerhouse will be located on the right bank of the upper Belice river and will be equipped with two horizontal units, each consisting of a turbine, a generator/motor and a pump. The turbines will be of the Francis type and will operate under a head of 170 meters. Each generator will have a capacity of 30,000 kw. The plant will be equipped with all necessary auxiliary equipment. Two 43,000 kva transformers will be installed in an outdoor substation. One 18 km 150 kv transmission line and three 70 kv transmission lines with a total length of 30 km will be constructed to connect the plant with the SGES grid. During the day

the plant will supply energy to the SGES system at times of peak load and during the night it will pump water from the lower reservoir to the Piani dei Greci reservoir using energy from the SGES grid.

B. *Irrigation Projects*

I. *Fortore Irrigation Project*

This Project is designed to provide irrigation to about 66,000 hectares along the lower reaches of the Fortore river and in the plain around the city of Foggia. It includes the following works :

a) *Dam and Reservoir*

An earth dam will be constructed across the Fortore river at the Occhito gap. The dam will be 60 meters high and will have a length of 432 meters along the crest. It will create a reservoir with a useful capacity of 250 million cubic meters.

b) *Diversion Barrage and Canal*

A concrete diversion barrage 1.5 meters high and 190 meters long will be constructed at S. Maria about 10 kilometers downstream from Occhito on the Fortore river. An intake structure on the right side of the barrage will feed a diversion canal with a capacity of 21 cubic meters per second, to be constructed along the right bank of the river. The canal will have a length of 13 kilometers, of which 5 kilometers will be in tunnel.

c) *Main Canals*

(i) A canal, fed directly from the end of the diversion canal, will run south-eastwards. It will have a total length of 58.5 kilometers, of which 3.5 kilometers will be in tunnel. The initial capacity will be 19 cubic meters per second. At kilometer 8 a canal about 15 kilometers long with an initial capacity of 1 cubic meter per second will branch off and run northwards on the right side of the Fortore. At kilometer 13.5 a second canal about 34 kilometers long with an initial capacity of 5 cubic meters per second will branch off and run northwards.

(ii) A canal, also fed directly from the end of the diversion canal, will run northwards on the left side of the Fortore. A siphon will be constructed across the river. The canal will be about 25 kilometers long and will have an initial capacity of 2 cubic meters per second.

d) *Distribution Networks*

A network consisting of about 3,400 kilometers of secondary and small canals will be constructed to distribute the water to each farm to be irrigated.

e) *Other Works*

The Project also includes flood and erosion control works, roads and other works necessary for the proper utilization of the irrigation water and the land in the area to be irrigated.

II. *Volturno Irrigation Project*

This Project is designed to provide irrigation to, and enable the effective utilization of, about 40,000 hectares in the lower Volturno Plain. It includes the following works :

a) *Diversion Works*

(i) Barrage near Ponte Annibale. — A concrete barrage, being constructed near Ponte Annibale on the Volturno river, will divert a total of 23 cubic meters per second of water into two diversion canals, one on the right and one on the left bank of the river. A power plant, not part of the Project, and to be located at the left end of the barrage, will be constructed by Ente Autonomo Volturno.

(ii) Right Bank Diversion Canal. — The diversion canal on the right bank will be 7.2 kilometers long and will have an initial capacity of 12.6 cubic meters per second. This canal will feed the area north of the Volturno river.

(iii) Left Bank Diversion Canal. — The diversion canal on the left bank will be 7.2 kilometers long and will have an initial capacity of 10.4 cubic meters per second. This canal will feed the area south of the Volturno river.

b) *Main Canals*

(i) Canals North of the Volturno

- (a) At kilometer 2.1 a canal will branch off the right bank diversion canal; it will be 6.25 kilometers long and will have an initial capacity of 1 cubic meter per second.
- (b) At kilometer 7.2 the right bank diversion canal will feed two main canals; one will run southwards and will be 5.5 kilometers long and have an initial capacity of 0.85 cubic meter per second; the other will run westwards and will be 5.95 kilometers long and have an initial capacity of 10.7 cubic meters per second.
- (c) This last canal will feed, on the one side, a single canal which will follow the Volturno rather closely, and on the other side a system of canals, which will serve the most northern parts of the Project area. The canal along the Volturno will be 16.5 kilometers long and will have an initial capacity of 3.3 cubic meters per second. The system of canals for the northern part of the plain will have a total length of 51.5 kilometers and an initial capacity of 7.0 cubic meters per second.

(ii) Canals South of the Volturno

- (a) A first canal, starting at the end of the left bank diversion canal, will follow the Volturno rather closely; it will be 22.4 kilometers long and have an initial capacity of 5.7 cubic meters per second.
- (b) A second canal, also starting at the end of the left bank diversion canal, will run south-westwards; it will be 41 kilometers long and have an initial capacity of 4.7 cubic meters per second.

c) *Irrigation Network*

A network of distributory canals will be constructed to distribute the water from the main canals to each farm to be irrigated. The network to the north of the Volturno will have a total length of 726 kilometers; the network to the south of the Volturno will have a total length of 800 kilometers.

d) *Other Works*

The Project also includes the construction and improvement of river control and drainage works, roads, electric lines, windbreaks and other structures necessary for the proper utilization of the irrigation water and the land in the area to be irrigated.

C. *Industrial Projects*

I. "*Trinacria*" *Potash Fertilizer Project*

This Project consists of a mine to be opened and worked, and a plant to be constructed and operated, at Calascibetta by Sali Potassici Trinacria S.p.A. to mine and process annually about 560,000 tons of potash ore for the production of about 140,000 tons of kalimagnesia with a K_2O content of 26% and 26,000 tons of potassium sulphate with a K_2O content of 48 to 50%.

II. "*Montecatini Potash Fertilizer Project*

This Project consists of a mine at Serradifalco to be opened and worked, a processing plant at Campofranco to be constructed and operated, and a ropeway between these two points to be installed and operated, by Montecatini, Società Generale per l'Industria Mineraria e Chimica S.p.A. to mine, transport and process annually about 840,000 tons of potash ore for the production of about 133,000 tons of potassium sulphate with a K_2O content of 48 to 50%.

III. *SINCAT Fertilizer and Chlorine-Caustic Project*

This Project consists of the expansion of a fertilizer plant near Augusta, owned and operated by SINCAT (Società Industriale Catanese S.p.A.) to increase capacity from 100,000 tons to about 300,000 tons per year of double and triple compound fertilizers.

The major items to be provided under this Project include :

- (1) the construction and operation at Augusta (Priolo) of
 - (a) facilities for the production of 200,000 tons per year of complex fertilizers, sulphuric acid facilities to expand production to 170,000 tons per year, nitric acid facilities to expand production to 70,000 tons per year, an anhydrous ammonia plant with an annual capacity of 36,000 tons and facilities for the production of ammonium sulphate, and
 - (b) facilities for the annual production of 5,000 tons of caustic soda and 4,500 tons of chlorine and the manufacture of chlorine derivatives.
- (2) the opening and operation of a potash ore mine at S. Caterina, Sicily, and construction and operation of a plant at Augusta (Priolo) to mine and process annually about 130,000 tons of potash ore for the production of about 8,000 tons of potassium sulphate with a K_2O content of 48 to 50% and about 50,000 tons of schoenite with a K_2O content of 18 to 20%.

IV. "*Marzotto*" *Ready-made Clothing Project*

This Project consists of a plant at Salerno to be constructed, owned and operated by Marzotto Sud S.p.A., to produce annually about 290,000 units of ready-to-wear clothing.

V. *C.M.I. Electrolytic Tin Plate Project*

This Project consists of the installation and operation of an electrolytic tinplate line at an existing plant at Naples owned and operated by Cantieri Metallurgici Italiani to produce annually about 24,000 tons of electrolytic tinplate.

VI. *CONE Electric Household Appliances Project*

This Project consists of the modernization and expansion of a plant at Naples owned by Compagnia Napoletana Elettrici, to increase production to about 50,000 refrigerators and 30,000 water heaters per year.

SCHEDULE 3

MODIFICATIONS OF THE LOAN REGULATIONS

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows :

(a) Section 2.02 is deleted.

(b) The first two sentences of Section 3.01 are deleted.

(c) The following sentence is added to Section 3.05 :

“ If a withdrawal is applied for on account of expenditures in the currency of the Guarantor, the value of the currency of the Guarantor in terms of the currency or currencies to be withdrawn shall be as reasonably determined by the Bank. ”

(d) Section 4.01 is changed to read as follows :

“ *Withdrawal from the Loan Account.* The Borrower shall be entitled, subject to the provisions of these Regulations, to withdraw from the Loan Account, in dollars or such other currencies (other than the currency of the Guarantor) as may be agreed upon between the Bank and the Borrower, the equivalent of such amounts as shall be required by it to finance amounts expended on the Projects, provided that the Bank and the Borrower may make arrangements for advances on account of such withdrawals. Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of : (i) expenditures made on the Projects before September 1, 1957; (ii) a Project in respect of which the Loan Agreement has not become effective; or (iii) expenditures in the territories of any country which is not a member of the Bank or for goods produced in (including services supplied from) such territories.* ”

(e) Section 4.02 is deleted.

(f) Section 4.03 is changed to read as follows :

“ *Applications for Withdrawal.* When the Borrower shall desire to withdraw any amount from the Loan Account, the Borrower shall deliver to the Bank a written application in such form, and containing such statements and agreements, as the Bank shall reasonably request. Since the rate at which Loan proceeds are withdrawn affects the cost to the Bank of holding funds at the Borrower's disposal, applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall, except as the Bank and the Borrower shall otherwise agree, be made promptly in relation to expenditures on the Projects. ”

(g) Section 5.01 is amended by inserting the words “ in respect of any Project ” after the word “ cancel ”.

(h) The first five lines of Section 5.02 are amended to read as follows :

“ SECTION 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may at any time or from time to time by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account : ”

(i) The last paragraph of Section 5.02 is amended to read as follows :

“ The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section. ”

(j) Section 5.03 is changed to read as follows :

“ SECTION 5.03. *Cancellation by the Bank.* (a) If any of the events described in Section 5.02 shall have happened and be continuing, the Bank may by notice to the Borrower terminate in whole or in part the right of the Borrower to make withdrawals from the Loan Account and, upon the giving of such notice, the unwithdrawn amount of the Loan with respect to which such notice of termination shall have been given shall be cancelled.

“ (b) If at the Closing Date for any Project the Borrower shall not have withdrawn from the Loan Account the full amount of the Loan set forth opposite such Project in Schedule 4 to the Loan Agreement, the Bank may by notice to the Borrower terminate the right of the Borrower to make withdrawals from the Loan Account on account of such Project. Upon the giving of such notice the unwithdrawn part of the amount of the Loan set forth opposite such Project in Schedule 4 to the Loan Agreement shall be cancelled. ”

(k) Section 5.04 is deleted.

(l) Section 5.06 is amended by inserting the words, “ the Project Agreements ” after the words “ the Loan Agreements ”.

(m) Section 6.17 is amended by inserting the words “ or any Project Agreement ” after the words “ the Guarantee Agreement ”.

(n) Sections 7.01 and 7.02 are amended to read as follows :

“ SECTION 7.01. *Enforceability.* The rights and obligations of the Bank, the Borrower and the Guarantor under the Loan Agreement, the Project Agreements, the Guarantee Agreement and the Bonds shall be valid and enforceable in accordance with their terms notwithstanding the law of any state, or political subdivision thereof, to the contrary. Neither the Bank nor the Borrower nor the Guarantor shall be

entitled in any proceeding under this Article to assert any claim that any provision of these Regulations or of the Loan Agreement, the Guarantee Agreement, the Project Agreements or the Bonds is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank or for any other reason.

“SECTION 7.02. *Obligations of Guarantor.* The obligations of the Guarantor under the Guarantee Agreement shall not be discharged except by performance and then only to the extent of such performance. Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or any beneficiary enterprise or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower or any beneficiary enterprise, and shall not be impaired by any of the following: any extension of time, forbearance or concession given to the Borrower or any beneficiary enterprise; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or any beneficiary enterprise or in respect of any security for the Loan; any modification or amplification of the provisions of the Loan Agreement or of any Project Agreement contemplated by the terms thereof; any failure of the Borrower or any beneficiary enterprise to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or Agency of the Guarantor.”

(o) Section 7.03 is amended by inserting the words “or any Project Agreement” after the words “Guarantee Agreement”.

(p) Section 9.03 is amended to read as follows:

“SECTION 9.03. *Effective Dates.* Except as shall be otherwise agreed between the Bank and the Borrower, the Loan Agreement and Guarantee Agreement shall come into force and effect in respect of each Project and the amount of the Loan set forth opposite such Project in Schedule 4 to the Loan Agreement at the times and in the manner provided in Article VIII of the Loan Agreement.”

(q) Section 9.04 is amended to read as follows:

“SECTION 9.04. *Termination of Loan Agreement and Guarantee Agreement for Delay in Becoming Effective.* The Bank may at its option, at any time after the date specified in the Loan Agreement for the purposes of this Section, by notice to the Borrower and the Guarantor, terminate the Loan Agreement and the Guarantee Agreement in respect of any Project and the amount of the Loan set forth opposite such Project in Schedule 4 to the Loan Agreement, if the Loan Agreement and the Guarantee Agreement shall not have become effective in respect of such Project prior to such notice. Upon the giving of such notice the Loan Agreement and the Guarantee Agreement, and all obligations of the parties thereunder, in respect of such Project and such amount of the Loan shall forthwith terminate and such amount of the Loan shall be deemed to be cancelled pursuant to Article V of these Regulations.”

(r) Paragraph 6 of Section 10.01 is amended to read:

“The term ‘Guarantor’ means the Republic of Italy.”

(s) Paragraph 12 of Section 10.01 is amended to read :

“ The terms ‘ Project ’ and ‘ Projects ’ mean the Projects described in Schedule 2 of the Loan Agreement, or any of them, or such groupings of them, as the context may require. ”

(t) Paragraph 13 of Section 10.01 is deleted.

(u) Paragraph 15 of Section 10.01 is amended to read as follows :

“ The term ‘ Closing Date ’ for any Project means the date specified in the Loan Agreement as the Closing Date for such Project, or such other date as shall be agreed upon by the Bank and the Borrower as the Closing Date for such Project. ”

(v) Paragraph 16 of Section 10.01 is amended to read as follows :

“ The term ‘ Effective Date ’ means the date when the Loan Agreement shall first become effective in respect of any Project. ”

(w) The following new paragraph 21 is added to Section 10.01 :

“ 21. The terms ‘ Project Agreement ’ and ‘ Project Agreements ’ mean such one or more of the agreements referred to in Section 1.02 of the Loan Agreement as the context may require and shall include any amendments to any of them made by agreement between the Bank and the other parties thereto. ”

SCHEDULE 4

ALLOCATION OF LOAN

The Projects to which the Loan shall be applied, and the amounts to be applied to each, are as follows :

<i>Project</i>	<i>Amount in Dollar Equivalent</i>
A. <i>Power Projects</i>	
I. SME	\$22,000,000
II. SGES	7,200,000
B. <i>Irrigation Projects</i>	
I. “ Fortore ”	7,440,000
II. “ Volturmo ”	9,000,000
C. <i>Industrial Projects</i>	
I. “ Trinacria ” Potash Fertilizer Project	6,000,000
II. “ Montecatini ” Potash Fertilizer Project	6,400,000
III. SINCAT Fertilizers and Chemicals Project	12,800,000
IV. “ Marzotto ” Ready-made Clothing Project	2,080,000
V. C.M.I. Electrolytic Tin Plate Project	960,000
VI. CONE Electric Household Appliances Project	1,120,000