

No. 5137

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

Guarantee Agreement—*Electric Power, Irrigation and Industrial Projects* (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 1 June 1955

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 intéressant l'énergie électrique, l'irrigation et l'industrie* (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 1^{er} juin 1955

Texte officiel anglais.

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

No. 5137. GUARANTEE AGREEMENT¹ (*ELECTRIC POWER, IRRIGATION AND INDUSTRIAL PROJECTS*) BETWEEN THE REPUBLIC OF ITALY AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 1 JUNE 1955

AGREEMENT, dated June 1, 1955, 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 million dollars (\$70,000,000) 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 February 15, 1955,² 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 3 August 1955, upon notification by the Bank to the Government of Italy.

² See p. 212 of this volume.

³ See p. 236 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 the interest, commitment charge and service charge, if any, on the Loan, the principal of and interest on 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 :

- (i) whenever there is reasonable cause to believe that the resources available to the Borrower will be inadequate to meet the estimated expenditures required for the construction of the Irrigation Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures; and
- (ii) to take or cause to be taken all such action as shall be necessary to assure that the Irrigation Project will be efficiently operated and maintained.

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 condition 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 for 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 Pietro CAMPILLI
Authorized Representative

International Bank for Reconstruction and Development :
By Eugene R. BLACK
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1955

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

[*Not published herein. See United Nations, Treaty Series, Vol. 221, p. 160.*]

LOAN AGREEMENT
(*ELECTRIC POWER, IRRIGATION AND INDUSTRIAL PROJECTS*)

AGREEMENT, dated June 1, 1955, 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 February 15, 1955,¹ 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. 236 of this volume.

- (4) The term "beneficiary enterprise" means any company, società per azioni, consorzio, individual or group of individuals, or other entity or association, other than the Borrower, to which the Borrower shall advance any part of the Loan for the construction or operation of a Project or which shall be charged with or be responsible for or undertake the operation of the Irrigation Project or any part thereof. It shall also include, in the case of each Power Project, 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 "UNES Project Agreement" means the agreement of even date herewith between the Bank of the one part and Unione Esercizi Elettrici, Finelettrica and Bastogi of the other part.
- (7) The term "PUGLIESE Project Agreement" means the agreement of even date herewith between the Bank of the one part and Società Generale Pugliese di Elettricità, 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 million dollars (\$70,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. 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 and this Agreement.

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 withdrawn from time to time.

The date specified for the purposes of Section 2.02 of the Loan Regulations is August 2, 1955, provided, however, that if this Agreement shall become effective before that date in respect of any part or parts of the Loan, then the date so specified shall for each such part be deemed to be the date on which this Agreement becomes effective in respect thereof.

Section 2.04. The Borrower shall pay interest at the rate of four and three-fourths per cent ($4\frac{3}{4}$ %) 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 January 15 and July 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 1¹ to this Agreement.

¹ See p. 224 of this volume.

Article III

USE OF PROCEEDS OF LOAN

Section 3.01. (a) The Borrower shall cause the equivalent of 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 4² 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, 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.

Section 4.02. The Borrower shall cause each of the beneficiary enterprises punctually to perform all the covenants and agreements on its part to be performed as set forth in the SME Project Agreement, the UNES Project Agreement and the PUGLIESE 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 Agreement³ 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 shall include appropriate provisions whereby further access by a beneficiary enterprise to the proceeds of the Loan may be suspended 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.

Section 4.05. The Borrower shall, immediately upon the preparation thereof, cause the plans and specifications for each Project to be furnished to the Bank in such

¹ See p. 226 of this volume.

² See p. 242 of this volume.

³ See p. 204 of this volume.

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 Project to be constructed and operated 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 the Industrial Projects to be so constructed and operated.

(b) 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 each Project and the operation thereof, and the operations and financial condition of each beneficiary enterprise.

(c) 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. 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 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; TERMINATION

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. This Agreement and the Guarantee Agreement shall become effective in respect of the Irrigation Project and the amount of the Loan set forth opposite such Project in Schedule 4 to this Agreement only when : (a) the Borrower shall have furnished to the Bank evidence satisfactory to the Bank that adequate arrangements have been made to insure that water impounded by the Pozzillo Dam described in Schedule 2 to this Agreement will be entirely available for irrigation uses and that no multi-purpose use of such water will prejudice the Irrigation Project, and (b) the Bank notifies the Borrower and the Guarantor of its acceptance of such evidence. Such evidence shall include an opinion of counsel acceptable to the Bank that such arrangements are valid and binding.

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 only 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 shall be June 30, 1958.

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

For the Borrower :

Cassa per il Mezzogiorno
Via Aniene 14
Rome, Italy

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 Eugene R. BLACK
President

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

By Gabriele PESCATORE
Authorized Representative

SCHEDULE I

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>
—	—	\$70,000,000	Jan. 15, 1967	.. \$2,002,000	\$42,310,000
July 15, 1958	.. \$1,000,000	69,000,000	July 15, 1967	.. 2,049,000	40,261,000
Jan. 15, 1959	.. 1,000,000	68,000,000	Jan. 15, 1968	.. 2,098,000	38,163,000
July 15, 1959	.. 1,000,000	67,000,000	July 15, 1968	.. 2,148,000	36,015,000
Jan. 15, 1960	.. 1,000,000	66,000,000	Jan. 15, 1969	.. 2,199,000	33,816,000
July 15, 1960	.. 1,000,000	65,000,000	July 15, 1969	.. 2,251,000	31,565,000
Jan. 15, 1961	.. 1,510,000	63,490,000	Jan. 15, 1970	.. 2,304,000	29,261,000
July 15, 1961	.. 1,546,000	61,944,000	July 15, 1970	.. 2,359,000	26,902,000
Jan. 15, 1962	.. 1,583,000	60,361,000	Jan. 15, 1971	.. 2,415,000	24,487,000
July 15, 1962	.. 1,620,000	58,741,000	July 15, 1971	.. 2,473,000	22,014,000
Jan. 15, 1963	.. 1,659,000	57,082,000	Jan. 15, 1972	.. 2,531,000	19,483,000
July 15, 1963	.. 1,698,000	55,384,000	July 15, 1972	.. 2,591,000	16,892,000
Jan. 15, 1964	.. 1,739,000	53,645,000	Jan. 15, 1973	.. 2,653,000	14,239,000
July 15, 1964	.. 1,780,000	51,865,000	July 15, 1973	.. 2,716,000	11,523,000
Jan. 15, 1965	.. 1,822,000	50,043,000	Jan. 15, 1974	.. 2,780,000	8,743,000
July 15, 1965	.. 1,866,000	48,177,000	July 15, 1974	.. 2,846,000	5,897,000
Jan. 15, 1966	.. 1,910,000	46,267,000	Jan. 15, 1975	.. 2,914,000	2,983,000
July 15, 1966	.. 1,955,000	44,312,000	July 15, 1975	.. 2,983,000	—

* 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 these columns represent dollar equivalents.

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 5 years before maturity	1½%
More than 5 years but not more than 10 years before maturity	1%
More than 10 years but not more than 15 years before maturity	1¾%
More than 15 years before maturity	2½%

SCHEDULE 2

DESCRIPTION OF PROJECTS

A. *Power projects*

I. *SME Power Project*

This Project, to be constructed by Società Meridionale di Eletticità (SME), includes a new hydroelectric power plant at Luzzi in Calabria, the expansion of two existing power plants in Piedimonte, a transmission line and two substations. These will be integrated into the existing electric power system operated by SME.

a) *Luzzi Hydro-Electric Power Plant*

The plant, which is to be completed by February 28, 1956, will be located on the Mucone river in Calabria. The works will consist of a 45 meter long and 4 meter high concrete diversion barrage with a spillway, a regulating basin with a capacity of 28,000 cubic meters, a 10 km long concrete lined pressure tunnel, a surge tank, a 1,075 meter long steel penstock, a powerhouse, a tailrace channel and an outdoor substation. The plant will be equipped with two generating units, each with a capacity of 32,000 kw driven by Francis turbines and all necessary auxiliaries to put it in full operating condition, including gates, valves, turbines and generator accessory equipment, transformers, switchgear and control equipment.

b) *Matese Hydro-Electric Power Plants*

This part of the Project consists of the expansion of the existing first and second stage Matese hydro-electric power plants which are located in Piedimonte and utilize the water of the Matese lake. The additional works are to be completed by December 31, 1957, and will consist of:

- 1) *First Stage Plant.* — A 1,029 meter long steel penstock, necessary additions to the existing powerhouse and an outdoor substation, a generating unit with a capacity of 11,000 kw, driven by a Pelton turbine, and all necessary auxiliaries to put it in full operating condition including valves, turbine and generator accessory equipment, transformers, switchgear and control equipment.
- 2) *Second Stage Plant.* — A 772 meter long steel penstock, necessary addition to the existing powerhouse, a generating unit with a capacity of 10,000 kw, driven by a Pelton turbine, and all necessary auxiliaries to put it in full operating condition, including valves, turbine and generator accessory equipment, switchgear and control equipment.

c) *Mucone-Rotonda-Fratta Transmission Line*

The Mucone-Rotonda-Fratta transmission line, which is to be completed by February 28, 1956, will connect the Sila and Mucone hydro power plants of the SME system in Calabria with the Naples area. It will be designed for a capacity of 150,000 kw and will be a single circuit line, 287 km long and with steel towers, steel reinforced aluminum conductors and steel ground wire. Four single phase 25,000 kva transformers will be added to the Tuscano substation and three to the Popolo substation, together with necessary switchgear and control equipment. The additions to the substations will be completed by December 31, 1956.

II. *PUGLIESE Power Project*

This Project, to be constructed by the Società Generale Pugliese di Elettricità (PUGLIESE), includes a hydro-electric power plant in Calabria and a thermal-electric power plant at Bari. These will be integrated into the existing electric power system operated by SME and PUGLIESE.

a) *Coscile Hydro-Electric Power Plant*

The plant, which is to be completed by February 28, 1958, will be located on the Coscile river in Calabria. The works will consist of a 38 meter long and 7 meter high concrete diversion barrage with intake structure, a 2,465 meter long concrete lined pressure tunnel, a surge tank, a 225 meter long steel penstock, a powerhouse, a tailrace channel, and an outdoor substation. The plant will be equipped with a generating unit with a capacity of 4,000 kw, driven by a Francis turbine, and all necessary auxiliaries to put it in full operating condition, including gates, valves, turbine and generator accessory equipment, transformer, switchgear and control equipment.

b) *Bari Thermal-Electric Power Plant*

The plant, which is to be completed by February 28, 1958, will be located at Bari. The works will include a powerhouse, two cooling towers and an outdoor substation. The plant will be equipped with two turbo-generator units, each having a capacity of 60,000 kw. The turbines will be of the condensing type with a reheat cycle, designed for steam conditions of 2,300 pounds per square inch and 1,000° F. Two boilers will be installed, each to produce 530,000 pounds of primary steam per hour and designed for firing refinery residues, and fuel oil, and for conversion to coal firing. The plant will be equipped with all necessary auxiliaries to put it in full operating condition, including feedwater system, fuel oil storage and handling equipment, boiler and turbine accessory equipment, transformers, switchgear and control equipment.

III. *UNES Power Project*

This Project, to be constructed by Unione Esercizi Elettrici (UNES), and to be completed by December 31, 1957, includes a hydro-electric power plant to be located at Capodiponte, equipped with three generating units, of which two units will utilize water diverted by a barrage to be located on the Tronto river, and one will utilize water stored by a dam to be located on the Castellano river.

The Project also includes a hydro-electric power plant to be located at Ascoli, using water to be diverted by a barrage to be located downstream from Capodiponte. These plants will be integrated into the existing electric power system operated by UNES.

a) *Tronto Section*

This part of the Project consists of a 25 meter high and 90 meter long concrete barrage to be built across the Tronto river, a 5,888 meter long pressure tunnel with a capacity of 13.5 cubic meters per second, a surge tank and a penstock 220 meters long, leading to the Capodiponte powerhouse and supplying water to one unit of 7,500 kw and one unit of 3,600 kw. The Tronto Section will be completed by July 31, 1955.

b) *Castellano Section*

This part of the Project consists of an 80 meter high and 234 meter long concrete arch dam to be built across the Castellano river, creating a seasonal reservoir of 12 million cubic meters capacity, a pressure tunnel 3,160 meters long, with a capacity of 7 cubic meters per second, a surge tank and a penstock 500 meters long, leading to the Capodiponte powerhouse and supplying water to one 14,000 kw unit. This unit will be put into operation by July 31, 1956, using water stored by a temporary barrage twenty meters high, and the dam will be completed by December 31, 1957.

c) *Ascoli Plant*

This part of the Project consists of a concrete barrage, 9 meters high and 34 meters long, to be built across the Tronto river, a short distance downstream from Capodiponte, a 5,500 meter long free flow tunnel with a capacity of 27.5 cubic meters per second, and a 56 meter long vertical pressure shaft leading to a powerhouse to be equipped with two units of 7,200 kw each and one of 3,300 kw, which will be put into operation by December 31, 1956.

The plants will include outdoor substations at Tronto and Ascoli. The plants will be equipped with all necessary auxiliaries to put them in full operating condition, including gates, valves, turbine and generator accessory equipment, transformers, switch-gear and control equipment.

B. *Irrigation project*

This Project is designed to provide irrigation to 31,000 hectares of the Catania Plain by means of the following works :

I. *Pozzillo Dam*

The Pozzillo dam, to be constructed on the Salso river near Regalbuto, will be 55 meters high and will have a developed length of 235 meters at crest level. It will be composed of concrete blocks $4 \times 4 \times 4$ meters, with an upstream sheet metal apron, and will include the necessary spillway and discharge works. It will form a reservoir of 130 million cubic meters. The dam will be completed in time to furnish water for the irrigation season of 1958.

II. *Works between the Dam and the Main Canals*

a) *Passo d'Ipsi Barrage*

Water will be diverted from the Salso river at a point about 25 km downstream from the Pozzillo dam by means of the Passo d'Ipsi barrage, 230 meters long, at about elevation 105 meters.

b) *Left Bank Canal*

A canal, about 6 km long, with a capacity of 20 cubic meters per second, will carry the water along the left bank of the Salso river.

c) *Siphon*

A double-pipe siphon, 1,350 meters long, each pipe having a diameter of 1.6 meters, will carry about 8.4 cubic meters per second of water from the end of the left bank canal across the Simeto river up to the head of the Passo d'Ipsi main canal at elevation 100 meters.

d) *Penstock*

A penstock, 900 meters long, with a diameter of 1.75 meters, will carry 11.6 cubic meters per second down to the head of the Gerbini main canal at elevation 60 meters, through the valves and structures necessary for the dissipation of energy.

The works between the dam and the main canals will be completed by March 31, 1958.

III. *Irrigation Networks*

a) *Passo d'Ipsi Main Canal and Network*

The Passo d'Ipsi main canal, with an upstream capacity of 8.4 cubic meters per second, will originate at elevation 100 meters on the right bank of the Simeto river, near the existing Barca di Paternò bridge, and will be about 43 km long. About 150 km of laterals and sublaterals and 600 km of small canals will serve an area of 15,500 hectares in the upper western part of the Plain.

b) *Gerbini Main Canal and Network*

The Gerbini main canal, with an upstream capacity of 11.6 cubic meters per second, will originate at elevation 60 meters near the Barca di Paternò bridge, and will be about 35 km long. In addition to feeding the Paternò main canal, it will have capacity adequate for the ultimate irrigation of 15,500 hectares in the center of the Plain. A network of about 90 km of laterals and sublaterals and 360 km of small canals will be constructed to irrigate an area of 9,200 hectares.

c) *Paternò Main Canal and Network*

The Paternò main canal, at the north of the irrigated plain, will have an upstream capacity of 3.2 cubic meters and a length of about 18 km. It will originate at Kilometer 7 of the Gerbini canal, and will cross the Simeto river by means of a siphon to reach the left bank. By means of a network of about 60 km of laterals and sublaterals and 240 km of small canals, it will serve an area of 6,200 hectares.

All canals will be concrete or concrete lined and the networks will include all necessary structures, such as bridges, siphons and outlets.

The irrigation networks will be completed by December 31, 1961.

IV. *Other Works*

The Project also includes a system of levees, drainage canals and structures to protect the irrigated area described above against floods, about 50 km of roads, windbreaks, aqueducts, electric lines and miscellaneous works. This part of the Project will be completed by December 31, 1960.

C. *Industrial projects*

I. *FARMEDI Pharmaceutical Project*

This Project consists of a plant at Palermo, to be constructed, owned and operated by FARMEDI, Istituto Farmacoterapico del Mediterraneo, S.p.A., to produce a wide range of pharmaceutical products, antibiotics, supplementary feeds, parasiticides, disinfectants and essences.

II. *SINCAT Fertilizer Project*

This Project consists of a fertilizer plant at Mellili-Augusta, to be constructed, owned and operated by SINCAT, Società Industriale Catanese, S.p.A., with an initial capacity of 100,000 tons per year of compound fertilizers.

III. *SIL Paper Mill Project*

This Project consists of a paper mill near Avezzano, to be constructed, owned and operated by SIL, Società Idroelettrica Liri, to produce about 6,000 tons of newsprint, 8,000 tons of magazine paper, 7,000 tons of medium grade paper and 4,000 tons of fine paper per year. The plant will have a groundwood mill, producing 12,000 tons of wood pulp per year, and a straw pulp mill, producing 6,000 tons of bleached sulphite pulp per year. The equipment of the plant will include an electrolysis plant for the production of caustic soda and chlorine, and a small thermal plant producing process steam and part of the required power. The Project will also include an existing hydro-electric plant owned by SIL.

IV. *SFAS Fruit Juice Project*

This Project consists of a plant at Catania, to be constructed, owned and operated by SFAS, Succhi Frutta Agrumi Siciliani, S.p.A., to produce annually about 800 metric tons of orange juice, about 630 metric tons of lemon juice, and about 67 metric tons of tangerine juice, all concentrated 4:1, and frozen or pasteurized, and by-products; about 290 metric tons of tomato juice, about 435 metric tons of tomato paste, about 290 metric tons of grape juice single strength and 645 metric tons of grape juice concentrated 4:1.

V. *MANITEX Woolen Mill Project*

This Project consists of a woolen mill at Frosinone, to be constructed, owned and operated by MANITEX, Manifatture Tessili, S.p.A., with a normal capacity of combing and spinning to produce about 360,000 kg. of finished yarn per year.

VI. SICULAZOTO Fertilizer Project

This Project consists of a fertilizer plant at Catania to be constructed, owned and operated by SICULAZOTO, S.p.A., with an initial capacity of about 50,000 metric tons per year of compound fertilizer and about 3,000 tons of Flotal, and facilities for producing the necessary ammonia and sulphuric acid.

VII. CEMENTERIE SICILIANE Cement Plant Project

This Project consists of a dry-process cement plant at Isola delle Femmine, near Palermo, to be constructed, owned and operated by S.p.A. CEMENTERIE SICILIANE, with a capacity of about 130,000 tons of cement 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 February 15, 1955, shall be deemed to be modified as follows :

(a) The second sentence of Section 2.02 is changed to read as follows :

“ Such commitment charge shall accrue in respect of the Loan, or parts of the Loan, as the case may be, from the date or dates specified in the Loan Agreement for the purpose of this Section to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV or shall be cancelled pursuant to Article V. ”

(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 January 1, 1955; (ii) a Project in respect of which the Loan Agreement has not become effective; or (iii) the Passo d'Ipsi Barrage and the Left Bank Canal, included as parts II, (a) and (b) of the Irrigation Project, as described in Schedule 2 to this Agreement. ”

(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) Section 5.04 is deleted.

(i) Section 5.06 is amended by inserting the words "the Project Agreements" after the words "the Loan Agreement".

(j) Section 6.17 is amended by inserting the words "or any Project Agreement" after the words "the Guarantee Agreement".

(k) Section 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, any right 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."

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

(m) 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. ”

(n) 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. ”

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

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

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

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

(q) Paragraph 13 of Section 10.01 is deleted.

(r) 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. ”

(s) 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. Power Projects	
1. SME	\$9,000,000
2. PUGLIESE	12,000,000
3. UNES	9,000,000
B. Irrigation Project	20,000,000
C. Industrial Projects	
1. FARMEDI Pharmaceutical Plant	1,600,000
2. SINCAT Fertilizer Plant	5,760,000
3. SIL Paper Mill	4,160,000
4. SFAS Fruit Juice Plant	1,874,000
5. MANITEX Woolen Mill	912,000
6. SICULAZOTO Fertilizer Plant	2,400,000
7. CEMENTERIE SICILIANE Cement Plant	1,696,000
8. Industrial Project (unallocated)	1,598,000