

No. 5138

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

Guarantee Agreement—*Southern Italy Development 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 11 October 1956

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* (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 11 octobre 1956

Texte officiel anglais.

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

No. 5138. GUARANTEE AGREEMENT¹ (*SOUTHERN ITALY DEVELOPMENT PROJECTS*) BETWEEN THE REPUBLIC OF ITALY AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 11 OCTOBER 1956

AGREEMENT, dated October 11, 1956, 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-four million six hundred twenty-eight thousand dollars (\$74,628,000) 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, 1956,² 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 10 December 1956, upon notification by the Bank to the Government of Italy.

² See p. 12 of this volume.

³ See p. 36 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 Project will be constructed and carried out with due diligence and efficiency, and that it will be efficiently operated and maintained;
- (ii) the water impounded by the dams included in the Irrigation Project will, with the exception of amounts presently allocated for the Cagliari Aqueduct, be entirely available for irrigation uses in the Irrigation Project and that no multi-purpose or other use of such water will at any time reduce the availability of the amount needed for such irrigation uses;
- (iii) the water so made available and the land included in the Irrigation Project are to the maximum extent possible fully, effectively and promptly utilized.

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 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)

AGREEMENT, dated October 11, 1956, 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

¹ See above

² See p. 36 of this volume.

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.

- (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 the Irrigation Project or any part thereof. It shall also include Società Finanziaria Elettrica Nazionale per Azioni (hereinafter called Finelettrica), Società Italiana per le Strade Ferrate Meridionali (hereinafter called Bastogi), “La Centrale” Società per il Finanziamento di Imprese Elettriche e Telefoniche (hereinafter called La Centrale), Società Romana di Elettricità (hereinafter called SRE) and Società Generale Elettrica della Sicilia (hereinafter called SGES).
- (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 “SIAL Project Agreement” means the agreement of even date herewith between the Bank of the one part and Società Idroelettrica Alto Liri, SRE and La Centrale of the other part.
- (7) The term “TIFEO Project Agreement” means the agreement of even date herewith between the Bank of the one part and “TIFEO” Società per la Produzione dell’Energia Elettrica, SGES, 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 on this Agreement set forth or referred to, an amount in various currencies equivalent to seventy-four million six hundred twenty-eight thousand dollars (\$74,628,000).

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.

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.

The date specified for the purpose of Section 2.02 of the Loan Regulations is December 10, 1956, 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 five per cent (5%) 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 March 1 and September 1 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.

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 2² to this Agreement in the amounts specified in Schedule 4³ 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 SIAL Project Agreement, and the TIFEO 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 Agreement⁴ 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

¹ See p. 26 of this volume.

² See p. 28 of this volume.

³ See p. 44 of this volume.

⁴ See p. 4 of this volume.

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.

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 form and detail as the Bank shall reasonably request and shall promptly cause any material modifications therein to be furnished to the Bank.

Section 4.06. The provisions of this Agreement shall apply to the Technical Services Project only to the extent that the nature of said Project shall permit.

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 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 Project 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 the water impounded by the dams included in the Irrigation Project and the land included therein are to the maximum extent possible fully, effectively and promptly utilized.

(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. This Agreement and the Guarantee Agreement shall become effective in respect of the Irrigation Project and the Technical Services Project 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 June 30, 1959.

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 Cable Address :

Intbafrad
Washington, D. C., U. S. A.

For the Borrower :

Cassa per il Mezzogiorno
Via Aniene 14
Rome, Italy

Alternative Cable Address :

Casmez, 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
President

SCHEDULE 1

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>
—	—	\$74,628,000	March 1, 1968 . . .	\$2,067,000	\$44,212,000
Sept. 1, 1959 . . .	\$1,359,000	73,269,000	Sept. 1, 1968 . . .	2,119,000	42,093,000
March 1, 1960 . . .	1,393,000	71,876,000	March 1, 1969 . . .	2,172,000	39,921,000
Sept. 1, 1960 . . .	1,427,000	70,449,000	Sept. 1, 1969 . . .	2,226,000	37,695,000
March 1, 1961 . . .	1,463,000	68,986,000	March 1, 1970 . . .	2,282,000	35,413,000
Sept. 1, 1961 . . .	1,500,000	67,486,000	Sept. 1, 1970 . . .	2,339,000	33,074,000
March 1, 1962 . . .	1,537,000	65,949,000	March 1, 1971 . . .	2,397,000	30,677,000
Sept. 1, 1962 . . .	1,576,000	64,373,000	Sept. 1, 1971 . . .	2,457,000	28,220,000
March 1, 1963 . . .	1,615,000	62,758,000	March 1, 1972 . . .	2,519,000	25,701,000
Sept. 1, 1963 . . .	1,655,000	61,103,000	Sept. 1, 1972 . . .	2,582,000	23,119,000
March 1, 1964 . . .	1,697,000	59,406,000	March 1, 1973 . . .	2,646,000	20,473,000
Sept. 1, 1964 . . .	1,739,000	57,667,000	Sept. 1, 1973 . . .	2,713,000	17,760,000
March 1, 1965 . . .	1,783,000	55,884,000	March 1, 1974 . . .	2,780,000	14,980,000
Sept. 1, 1965 . . .	1,827,000	54,057,000	Sept. 1, 1974 . . .	2,850,000	12,130,000
March 1, 1966 . . .	1,873,000	52,184,000	March 1, 1975 . . .	2,921,000	9,209,000
Sept. 1, 1966 . . .	1,920,000	50,264,000	Sept. 1, 1975 . . .	2,994,000	6,215,000
March 1, 1967 . . .	1,968,000	48,296,000	March 1, 1976 . . .	3,069,000	3,146,000
Sept. 1, 1967 . . .	2,017,000	46,279,000	Sept. 1, 1976 . . .	3,146,000	—

* 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 3 years before maturity	1/4%
More than 3 years but not more than 6 years before maturity	1/2%
More than 6 years but not more than 11 years before maturity	1%
More than 11 years but not more than 16 years before maturity	2 1/2%
More than 16 years but not more than 18 years before maturity	4%
More than 18 years before maturity	5%

SCHEDULE 2

DESCRIPTION OF PROJECTS

A. *Power Projects*I. *SIAL Power Project*

This Project, to be constructed by Società Idroelettrica Alto Liri (SIAL), includes two new hydroelectric plants which will be used mainly for peaking purposes in the Società Romana di Elettricità (SRE) system and will either be leased to SRE or operated by SIAL which will sell the entire output to SRE.

a) *San Biagio Hydro-Electric Power Plant*

This plant, which will be completed by December 31st, 1958, will be located on the Mollarino river near Cassino. The main works will consist of the following: An earth dam to be built at Selva across the Schiavonaro river. The dam will be 34 meters high and will form a reservoir with a useful capacity of 2 million cubic meters, into which there will be also diverted the Chiaro river, through a tunnel 1 kilometer long, and the Prada stream, through a canal 2 kilometers long. A pressure tunnel 4.3 kilometers long will lead to a surge tank, and a 233 meter long penstock will lead to the plant. Two small streams, the Monascesca and the Cerasa, will be diverted into the pressure tunnel, one through a pit and the other through a 700 meter long canal. The powerhouse will be built on the right bank of the Mollarino, adjacent to the existing diversion tunnel of the Cassino plant, and will be equipped with a 3,100 kw generating unit, operating under a 142 meter head, and with all necessary transformers, switchgear and auxiliary equipment. The discharge from this plant will flow into the Cassino diversion tunnel and increase the amount of water available for the Cassino plant.

b) *Pontecorvo Hydro-Electric Power Plant*

This part of the Project, which is to be put into initial operation in August, 1959, and will be completed by March, 1960, will consist of the following works: A barrage will divert a flow of 90 cubic meters per second from the Liri river into a canal, 8.2 kilometers long, into which the flow from the Rio Forma springs will be led by a tributary canal 5.8 kilometers long. The main canal will terminate in a forebay with a capacity of 200,000 cubic meters from which the water will flow through a concrete penstock, 57 meters long, into the plant. The powerhouse will be located on the right bank of the Liri river at Pontecorvo and will be equipped with one 22,000 kw generator driven by a Kaplan type turbine, operating under a 26 meter head, and with the necessary switchgear and auxiliary equipment. An outdoor substation will step the voltage up to 150 kv.

II. *TIFEО Power Project*

This Project, to be constructed by "TIFEО" Società per la Produzione dell'Energia Elettrica, and to be completed by June 30th, 1958, includes a thermal plant and auxiliary works to be constructed near the RASIOM oil refinery, in the harbor of Augusta, Sicily, and two transmission lines. The Project will be leased to Società Generale Elettrica della Sicilia (SGES) and operated as an integral part of its system. The plant will be equipped with two turbo-generating units, with a rated capacity of 70,000 kw each, and

with two auxiliary turbo-generators of 3,600 kw each. The boilers will provide steam at a pressure of 1,380 lbs. per square inch and a temperature of 1,000 degrees Fahrenheit, and will be fired by refinery residues, fuel oil or pulverized coal. The condensers will be cooled by sea water brought to the plant by a canal 500 meters long with a capacity of 7 cubic meters per second. All necessary auxiliary equipment will be provided. Two transformers, with a capacity of about 100,000 kva each, will step the voltage up to 70 kv and 150 kv. Three oil storage tanks, with a capacity of 8,000 cubic meters each, will be connected by pipelines to the landing pier and the refinery.

The Project also includes two single circuit 150 kv transmission lines, each 40 kilometers long and with a maximum capacity of 70,000 kw, connecting the plant to the SGES network at the Zia Lisa substation in the suburbs of Catania, and two 40,000 kva synchronous condensers, to be added to the substation.

III. *SME Power Project*

This Project, to be completed by December 31st, 1959, and to be used for peaking purposes, consists of a hydro-electric plant and necessary works, and a transmission line. It will be owned and operated by Società Meridionale di Elettricità (SME) and includes a rock fill barrage 27 meters high, across the Bussento river south of Salerno, to divert 25 cubic meters per second into a pressure tunnel 7.4 kilometers long, a surge tank, and a penstock 1,400 meters long. The Cassaletto stream will also be diverted into the pressure tunnel by means of a concrete weir, 4 kilometers of canal and 2 kilometers of tunnel with a maximum capacity of one cubic meter per second. The powerhouse will be equipped with two 26,000 kw generators driven by vertical Francis type turbines operating under a head of 250 meters, and with all necessary switchgear and other auxiliary equipment. An outdoor substation will contain two 35,000 kva transformers stepping the voltage up to 30 or 150 kv.

A transmission line, 24 kilometers long, will connect the plant to the existing transmission line from Sila to Tuscano.

B. *Irrigation Project*

This Project is designed to provide irrigation to, and accomplish the effective utilization of, at least 50,000 hectares of the Campidano di Cagliari in Sardinia. It includes the following works :

I. *Flumineddu Works*

a) *Flumineddu Dam*

The Flumineddu dam will be 68 meters high and will create a reservoir with a useful capacity of 32 million cubic meters.

b) *Flumineddu-Flumendosa Tunnel*

The Flumineddu reservoir will supply the reservoir created by the Flumendosa dam, described below, through a pressure tunnel 9.2 kilometers long and 4 meters in diameter.

II. *Flumendosa Works*

a) *Flumendosa Dam*

The Flumendosa dam, to be completed by December, 1957, will be an arch-gravity type concrete dam 120 meters high, which will form a reservoir with a useful capacity of 250 million cubic meters.

b) *Flumendosa-Mulargia Pressure Tunnel*

A pressure tunnel 5.9 kilometers long and 4 meters in diameter will connect the Flumendosa reservoir to the Mulargia reservoir. It is to be completed by September, 1957.

III. *Mulargia Works*

a) *Mulargia Dam*

The Mulargia dam, to be completed by December, 1957, will be an arch-gravity type concrete dam 100 meters high and will create a reservoir with a useful capacity of 310 million cubic meters.

b) *Mulargia-Plateau Tunnel*

The water in the Mulargia reservoir will be carried to the eastern edge of the plateau lying between the reservoir and the Cagliari plain through a tunnel 9.9 kilometers long and with a capacity of 54 cubic meters per second. The pressure of the water will be dissipated, before entering the tunnel, by means of valves or by a hydro-electric plant which may be built later. The tunnel will be completed by December, 1957.

IV. *Trans-Plateau Canal and Step-Down Structures*

a) *Trans-Plateau Canal*

The water will cross the plateau by means of a concrete lined canal 14.6 kilometers long, and 2.2 kilometers of tunnels, with a capacity of 54 cubic meters per second. An area of 1,200 hectares will be irrigated near the village of Senorbi. The canal will be completed by April, 1957.

b) *Step-Down Structures*

The water will drop from an elevation of 190 meters at the western edge of the plateau to the plain level of 90 meters through a system of tunnels, penstocks, regulating valves and spillways. These structures will be completed by March, 1958. It is expected that a hydro-electric plant will later be constructed to utilize this drop. That plant is not part of the Project.

V. *Main Canals*

a) *Connecting Canal*

A canal, 2 kilometers long, with a capacity of 31.6 cubic meters per second, will carry the water from the step-down structures to a main canal system.

b) *Canals*

There will be five main canals which will form an H-shaped system. The north-eastern branch, 25 kilometers in length, with an upstream capacity of 5.8 cubic meters per second, and the southeastern branch, 45 kilometers in length, with an upstream capacity of 9.5 cubic meters per second, will serve the eastern part of the irrigated area. A transverse canal, 5 kilometers in length, with an upstream capacity of 16.1 cubic meters

per second, will follow the crest of the saddle which divides the plain and supply the two main canals on the western side of the irrigated area. The northwestern branch, 26.6 kilometers in length, with an upstream capacity of 4.8 cubic meters per second, and the southwestern branch, 34 kilometers in length, with an upstream capacity of 10.2 cubic meters per second, will supply the western part of the irrigated area. Water will be raised 14 meters by pumping from the transverse canal to the northwestern branch. There will also be about 500 kilometers of secondary and tertiary canals, supplying the sections (or *Commizzi*), into which the irrigated area will be divided.

VI. *Other Works*

The Project also includes levees, drainage canals, roads, electric lines, windbreaks, and other structures necessary for the proper utilization of the irrigation water and the land in the irrigated area.

The Project will also supply water for the Cagliari aqueduct, now under construction. That aqueduct is not part of the Project.

C. *Industrial Projects*

I. *“Forino” Fruit and Vegetable Canning Project*

This Project consists of the modernization and expansion of a plant at Nocera Inferiore, owned and operated by Forino, S.p.A., to produce 3,300-4,400 tons tomato paste, 150,000-200,000 cases of canned whole tomatoes, 20,000-25,000 cases of tomato juice, 750-1,000 tons of canned peas and green beans, and 800-1,000 tons of canned fruit per year.

II. *“Novilegni” Hardboard Project*

This Project consists of a plant at Avezzano, to be constructed, owned and operated by Novilegni, S.p.A., with a capacity of about 18,000 tons of hardboard per year.

III. *“Chimica del Tirreno” Fertilizer Project*

This Project consists of a fertilizer plant at Punta Fiume, to be constructed, owned and operated by Chimica del Tirreno, S.p.A., with a normal annual capacity of 75,000 tons of ammoniated superphosphate and facilities for producing the necessary ammonia and sulphuric acid.

IV. *“Vetreria di Latina” Glass Project*

This Project consists of a pressed glass plant at Latina, to be constructed, owned and operated by Vetreria di Latina, S.p.A., with a capacity of 1,000,000 square meters of pressed glass per year.

V. *“Saint Gobain” Glass Project*

This Project consists of a plant at Caserta, to be constructed, owned and operated by Saint Gobain, Fabbrica Pisana di Specchi e Lastre Colate di Vetro della Società Anonima delle Manifatture di Specchi e Prodotti Chimici di Saint Gobain, Chauny & Cirey, with a capacity of 650,000 square meters of plate glass and 1,000,000 square meters of pressed glass per year.

VI. "*Viberti*" Truck and Bus Body and Trailer Project

This Project consists of a manufacturing plant at Naples, to be constructed, owned and operated by Officine Viberti, S.p.A., with a capacity of about 900 truck and bus bodies and 500 trailers per year.

VII. *FIAT Automotive Assembly Project*

This Project consists of an assembly plant at Naples, to be constructed, owned and operated by FIAT, Fabbrica Italiana Automobili Torino, S.p.A., with an initial capacity of about 30,000 cars and 200 tons of spare parts per year.

VIII. *A.B.C.D. Polyethylene and Special Cements Project*

This Project consists of a plant at Ragusa to be constructed, owned and operated by A.B.C.D., Asfalti, Bitumi, Cementi e Derivati, S.p.A., to produce annually 30,000 tons of special cements and 5,000 tons of polyethylene, and with facilities for processing 700 tons of crude oil per day.

IX. "*Cementerie di Augusta*" Cement Project

This Project consists of the expansion of a dry process cement plant near Augusta, owned and operated by Cementerie di Augusta, S.p.A., to increase capacity from 130,000 tons to about 300,000 tons per year.

X. "*Cementerie di Sardegna*" Cement Project

This Project consists of a dry process cement plant near Sassari, to be constructed, owned and operated by Cementerie di Sardegna, S.p.A., with an initial capacity of about 100,000 tons of cement per year.

D. *Technical Services Project*

This Project consists of the securing by the Borrower of technical services, including, advice, assistance and consultation in the preparation, construction and implementation of programs and projects.

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) 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. The specific services to be financed out of the proceeds of the Loan as part of the Technical Services Project shall be determined from time to time by agreement between the Bank and the Borrower. 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, 1956; (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 supplies 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 paragraph of Section 5.02 is 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 Agreement”.

(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 contemplat-

ed 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 “ the Loan 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 to 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. Power Projects	
1. SIAL	\$ 8,200,000
2. TIFEO	10,500,000
3. SME	6,500,000
B. Irrigation Project	25,000,000
C. Industrial Projects	
1. Forino—Fruit and Vegetable Canning	920,000
2. Novilegni—Hardboard	903,000
3. Chimica del Tirreno—Fertilizer	2,560,000
4. Vetreria di Latina—Glass	640,000
5. Saint Gobain—Glass	4,000,000
6. Viberti—Truck & Bus Bodies and Trailers	1,340,000
7. FIAT—Automotive Assembly	4,800,000
8. A.B.C.D.—Polyethylene and Special Cements	4,960,000
9. Cementerie di Augusta—Cement	1,440,000
10. Cementerie di Sardegna—Cement	2,400,000
D. Technical Services Project	465,000