
LOAN NUMBER 189 IT

Guarantee Agreement

(Southern Italy Development Projects—1958)

BETWEEN

REPUBLIC OF ITALY

AND

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

DATED FEBRUARY 28, 1958

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DATED FEBRUARY 28, 1958

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

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

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

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

ARTICLE II

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

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

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

ARTICLE III

SECTION 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end the Guarantor undertakes that, except

as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor or any Agency or the Banca d'Italia as security for any external debt, such lien shall *ipso facto* equally and ratably secure the payment of the principal of and interest and other charges on the Loan and the Bonds and that in the creation of any such lien express provision shall be made to that effect; provided, however, that this Section shall not apply to:

(a) any lien created on any property at the time of purchase thereof solely as security for the payment of the purchase price of such property;

(b) any lien on commercial goods to secure a debt maturing not more than one year after its incurrence and to be paid out of the proceeds of sale of such commercial goods; or

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

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

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

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

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

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

ARTICLE IV

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

ARTICLE V

SECTION 5.01. The Guarantor shall take such action as shall be necessary to enable the Borrower to carry out all

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

ARTICLE VI

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

For the Guarantor:

Ministry of the Treasury
Via XX Settembre
Rome
Italy

For the Bank:

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

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

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

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused

this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF ITALY

By /s/ MANLIO BROGIO
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ W. A. B. ILIFF
Vice President