

Declassified E.O. 12356 Section 3.3/NND No. 785015

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33pp

Declassified E.O. 12356 Section 3.3/NND No. 785015

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FINANCIAL ADMINISTRATION
IN HORRIFIED
FEB. - DEC. 1941; JUNE 1942;
MAR. - JULY 1943

3399

Declassified E.O. 12356 Section 3.3/NND No.

785015

BIGOT

MOST SECRET

SUBJECT: Monies, Cheques etc. in Transit in HORRIFIED.

141F/3073/A

1 Jul 43

I.N.C.

Attached letter is passed to you for necessary action.

This copy only MAY BE SHOWN to fully
accredited unofficial researchers under
Sec/Army by TAG/ ----- date -----

FVD

Copy to: A.M.G.O.T.

3831

25 JUL 1943

John L. King
Colonel,
D.A.G.

P/2
2472

1630

Declassified E.O. 12356 Section 3.3/NND No. 785015

COPY

BIGCT

17A
MOST SECRET

141F/1804/2/CA

SUBJECT: Monies, Cheques, etc. in Transit in HORRIFIED

TO : 141 Force

PRINCIPAL COPY
AT IS

I am directed by the Chief Civil Affairs Officer to request you to arrange that all monies, cheques, money orders and other financial instruments found in the mail in transit at the time of occupation should be withdrawn from such undelivered mail, impounded, listed and handed against receipt to the Senior Finance Officer in the area.

I should be grateful if you will pass this request to the branch concerned asking them to acknowledge receipt to this HQ.

AMGOT
141 Force
In the Field
23 June 45

THIS COPY ONLY TO BE SHOWN to duly
accredited unofficial researchers Order (sgd)
Sec/Army by TAG/ ----- date -----
411410

Colonel,
Chief Financial Officer.

3839

Copy to: Lt.Col. BARRETT, 12 Main Army
Major HAYES, 343 Force.

Declassified E.O. 12356 Section 3.3/NND No. 785015

SUBJECT:- Monies, Cheques etc in Transit to HORRIFIED

141P/5013/A

Chief Financial Adviser,
A.M.G.O.T.

2 In 43. 28 Jun 43
7804/2.

Receipt is acknowledged of your 141P/7804/2/CA dated
23 June 1943.

This copy only NOT BE SHOWN to duly
accredited unofficial researchers Order
date 2/11/43
Sec/Army by TAG/ 411410

John W. K...
Colonel,
D.A.G., 1st Force. 3821

TO SEE:
FINANCE app 1/7

BB

SECRET

MOST SECRET

141F/7804/2/CA

SUBJECT: Monies, Cheques etc. in Transit in HORNFIELD.

TO : 141 Force.

I am directed by the Chief Civil Affairs Officer to request you to arrange that all monies, cheques, money orders and other financial instruments found in the mail in transit at the time of occupation should be withdrawn from such undelivered mail, impounded, listed and handed against receipt to the Senior Finance Officer in the area.

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SECRET

141 Force
In the Field
23 June 1945

THIS COPY ONLY MAY BE SHOWN TO
accredited unofficial researchers under
Sec/Army by TAG/----- date -----

411410

Copy to: Lt. Col. BARNETT, 12 Main Army.
Major HAYES, 141 Force.

aps.
Colonel,
Chief Financial Officer.

PA 23/6/45

Full

382

File

14

SECRET

P.5.

1. I have seen second draft of paper on Finance and Fiscal matters in MEMORANDUM and would like to take a copy back with me.

2. I have not yet seen the paper on banking, especially on Bank of Italy, so I don't quite know what is involved, but I see considerable difficulties in borrowing from anyone. I don't see in any reasonable term any possibility of B. of I. attracting enough deposits from any source except from the carrying overers by means of a "special deposit" to provide loans. Nor do I think that loans could be contracted by municipalities etc. to provide a "contribution".

3. The only practical method seems to me to oblige the B. of I. to assume responsibility for the A.M. lire issue and then borrow from the B. of I. leaving that institution with the issue liability and the public with the new notes. But I cannot imagine any of the existing directors of the B. of I. agreeing to this somewhat ingenious proposal.

4. There is, however, one variant which might be acceptable and that is for the B. of I. to resume its old issue privilege and issue its own notes which might even replace the Italian Metropolitan Lire issue. The cover for the issue would consist of Allied Special Treasury Bills which would not be negotiable except by special consent and these would under the Peace Treaty or Armistice terms become a liability of the Italian Government.

5. A new note issue by the B. of I. with this sort of cover would probably be well received by a population which, to judge by reports from Italy, is already pretty apprehensive of the Metropolitan currency. The intention to settle the L.G. with the liability for the bills under the Peace Treaty need not of course be disclosed at this stage.

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6th Dec, 1945.

P/H. 9/1/382-

File
13
SECRET

P.5.

See ~~copy~~ minute on finance in HORRIFIED:

1.

I propose to have two budgets in HORRIFIED -

- (a) The Italian administration budget including all revenue collected, all Italian salaries and recurrent works, and
- (b) An AMGOT budget, with no revenue (except military court fees and fines, proceeds of sale of goods) and the expenditure on salaries and maintenance of Allied personnel, non-recurrent special works etc.

2. either -

(a) will show a deficit. This deficit will be met

(i) by grants in aid from (b), or

(ii) by borrowing from B. of S.

Course (ii) puts the liability (or could arrange to put the liability) for the borrowing on to the surviving Italian administration and its budget (a), and so fine leave the B. of S. with a debt towards the country in which it operates.

6th May, 1943.

382

C O P Y.

F.5/K.T.(E)/E.M.2.(F.5).

11A C.
23rd April, 1943.

Dear Rowe-Dutton,

While I have no doubt that you and the Bank of England have had some thoughts on the matter, a recent conversation with Gunston leads me to ask what action you think we should take as regards sterling notes we may find in Europe.

We shall make every endeavour to change any such notes in the possession of troops into whatever currency we decide to use before troops land. It is almost inevitable, however, for operational and other reasons, that some small number will land without having had the exchange effected. So long, therefore, as the amounts in the possession of any individual soldier are small, I should propose to allow Paymasters to exchange on the Continent. We should, however, give them definite instructions that if there were any indication, such as the presentation of a large amount, that the sterling notes has been acquired on the Continent, full particulars of the case should be referred home before the exchange were effected. We could then consider the matter and decide what to do in the particular case and whether any further general instructions were necessary.

Consider where found in custody of a bank, how to exchange
I am not clear how we should get to know of sterling notes held by civilians, but if any were brought to light I think the first step, both in enemy and liberated territory, would be to impound them. In enemy territory I think that would be the end of the matter, but in liberated territory it would, I think, be necessary to consider each case on its merits and decide whether we should not give value in local currency for them. It would be particularly difficult, for instance, to refuse exchange for a peasant who produced sterling notes from the proverbial stocking. Whether we confiscate or exchange, I assume that you would require us not to return them to the person who had presented them. Whatever we do as regards the civilian population, our action would, I assume, have to be covered by a proclamation.

A somewhat similar problem arises in regard to dollar notes and any other foreign currency which we may find, but in degree

E. Rowe-Dutton, Esq., C.M.G.,
Treasury, S.W.1.

P/A
23/5
this/
382

- 2 -

this problem is likely to be so small that I am inclined to leave it until a case arises.

Would you please be good enough to let me know the Treasury views on these matters. Perhaps you would like us to have a meeting?

I am sending a copy of this letter to Bolton so that he may let us have the Bank's comments.

Yours sincerely,

(Signed) C.E. KEY.

COPY

12.

IMMEDIATE.

CIPHER MESSAGE
IN

FOLIO NO.: 2100
2 JUNE 43.

BIGOT HUSKY
MOST SECRET

FROM: TROOPERS
TO:) FORCE 141.
ORIG NO: 85692

TOO 1250
TOR

BIGOT HUSKY. PERSONAL FOR MILLER FROM SPEED.

1. Expect secure authority continuance of NORTH AFRICAN RATE Colonial allowance in HORRIFIED and also MALTA as from date of operation. Further instructions will be issued soon. HORRIFIED will be declared Field Allowance Area.
2. To avoid inflation HORRIFIED we are considering desirability of reducing still further amount Officers Field Advances and limiting weekly drawing of ORs and forbidding arrear withdrawals abroad. NO rpt NO advantage in doing so if in fact drawings and field advances already lower than any reasonable limit we could fix.
3. Telegraph urgently views and whether consider similar action MALTA desirable.
4. If agreed some limitation desirable you will presumably discuss with Americans.
5. If your views in favour limitation am prepared press in WASHINGTON but my preliminary view is that for purpose of HORRIFIED itself limitation may NOT rpt NOT be necessary.
6. Include REMUELL F A and D P I C discussions.

SMC DISTRIBUTION: PA to MGA 2 ACTION.
(Personal)

SMC 1200B/2
TT 2215B/2 JH

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accredited unofficial researchers Order
Sec/Army by TAG/ ----- date -----
411410

1/6/43 3825

C O P Y.

Treasury Chambers,
Great George Street,
London, S.W.1.

28th April, 1943.

SECRET.

Dear Key,

In reply to your letter of 23rd April asking what action you should take as regards any sterling notes you may find in Europe, we feel that in the first place at least, you should take in any notes which might be presented to the Paymaster, whether by individual soldiers or even by civilians and exchange them at whatever the fixed par rate may be for local currency or E.M.A. We do not think this could be of any benefit to the enemy on the wrong side of our lines and we feel it would create an unfortunate impression if we refuse to accept such notes in either case. I do not think we could possibly impound them from civilians, since their possession could hardly be regarded as an offence and it cannot be urged that we particularly need them for the prosecution of the war.

✓
certainly an
offence against
Italian law

This is, of course, an immediate rather than a long-term view and I agree that we should instruct Paymasters to refer home, if there were indications of large amounts being offered. Also, we should like to reconsider in the case of Allied territories, since our action there would certainly have to be discussed with the Allied Governments. I think we should leave dollar notes to be an American responsibility and refuse to do anything about them.

I am sending a copy of this to Bolton.

Yours sincerely,

(Signed) E. ROWE-DUTTON.

C.E. Key, Esq.

382

COPY.

F.5/A.T.(E)/B.M.67.

Col. G. H. G. 17/5/67 3
MOST SECRET

1.

D.F.(a):

We should like to get clear several points regarding the financing and accounting for civil expenditure in territories which we may occupy in the future. Certain broad general principles have already been agreed at any rate tentatively with the Treasury as the result of correspondence between P.U.S.(F) and Mr. Gilbert, which initiated the financial planning for A.T.(E) (see enclosures 3A. to 23A. in F.5/A.T.(E)/E.M.6 attached). It is now, we think, necessary to be more precise.

I. Liberated Territory.

It is agreed that in liberated territory we should encourage the existing local administrations to continue to function and to finance themselves as far as possible in the usual way, but it is recognised that as they will be cut off from the central government at any rate for a time, some special steps will have to be taken to provide ready money. We propose, in the first instance, to encourage them to try and obtain such ready money by loans from banks and only in the last resort do we contemplate H.M.G. providing the necessary funds. Even so, it will almost certainly be necessary for H.M.G. to provide finance in every territory we occupy. It is most unlikely that the local administrations will be able to obtain all the necessary funds either from the usual sources or by loans from banks even to meet the normal day to day expenditure. In addition to such expenditure there will be the extraordinary repair, etc., services which the C.C.A.O. will deem necessary. So far as possible these services should be carried out by and therefore financed through the local administrations, but we imagine there will be a considerable number of services which will have to be done by the C.C.A.O.'s staff direct, at any rate in the initial stages. We therefore contemplate two types of expenditure by the C.F.A.O. -

- (1) Indirect expenditure through the local administrations, i.e., financing budget deficits of central and local authorities.
- (2) Direct expenditure by the C.C.A.O.'s staff.

For some considerable time it will not be possible to produce any sort of budget for the liberated territory as

Note by P.U.S.(F).

We would do so via Bank credits.

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- (2) Direct expenditure by the C.C.A.O.'s staff.

For some considerable time it will not be possible to produce any sort of budget for the liberated territory as a whole, although municipal budgets may be possible. This is especially the case because with the success of the operation the extent of the territory will constantly be increasing. In the early stages, therefore, the authority for expenditure will be -

- (a) (i) The directive given to the Force as part of the plans
- (ii) Policy subsequently approved from home.
- (b) The Commander-in-Chief's powers to meet urgent local expenditure, even of a civil character, without prior reference to this office.

It is quite evident that we shall be able to exercise only the very broadest general check on expenditure by local administrations and it is for decision to what extent we shall require the C.F.A.O. to account to us.

Clearly/

Note by P.U.S. (F).

Cash account.

Presumably they want →

Clearly he will have to render the usual accounts for all direct expenditure incurred by the C.F.A.O.'s staff ((2) above); but in regard to indirect expenditure ((1) above) shall we require him to account merely for the sums he has advanced to the local administrations, or for the whole of the local administrations expenditure? If only the former shall we be content with a receipt for cash signed by an appropriate official of the local administration, or shall we require some account from that official as to how the cash has been expended?

The argument for requiring the local administration to account to us for the whole of their expenditure whenever we finance a deficit is that unless we know how they have expended the money available from their own resources, we cannot be sure that sums we have had to provide are the minimum necessary. Further, it would be impossible to render separate accounts for the deficits we had financed unless the sums we provided were advanced and used solely for specific services.

We accordingly come to the conclusion that while we need not seriously concern ourselves with local administrations expenses so long as no funds are required from us, whenever funds have been advanced by us we should require the local administration to render fairly frequent returns of the course of receipts and expenditure (on the lines of the pre-war forecasts of Army expenditure) and let us see their accounts as soon as they are compiled. The C.F.A.O.'s account to the War Office would then contain merely the receipts for advances and the details of direct cash expenditure ((2) above). Such an account would be sufficient as the basis of any recovery it may be decided to make later from a National Government.

Do you agree, please? If so, we will put to the Treasury semi-officially and ask them to confirm.

Lt.-Colonel Gunston has made the point that the local administrations will want to know on whose behalf they are continuing to act and has suggested that they must be told that they are acting for the C.-in-C. and that at the outset all cash, etc., held by tax collectors and other officials must be put in protective custody and released only when satisfactory arrangements have been made to ensure the proper control of expenditure and collection of taxes, etc. He fears that unless we do this there will be a good deal of speculation and many other malpractices. We agree that there is a distinct risk of this, but as the policy is to encourage local administrations to carry on their daily business and disturb local administration as little as possible, and as, in fact, we shall have insufficient staff to carry out the thorough control envisaged

Note by P.U.S. (F).

* i.e., through C.F.A.

Note by P.U.S. (F).

This is a negation of "X" above.

Note by F.U.S. (F).

C.F.A. and his Staff must do what they can and with

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II. Enemy Territory.

332

In occupied enemy territory in Europe the circumstances will be different. In either Germany or the mainland of Italy we must endeavour from the outset to make receipts from taxation, etc., meet all expenditure at least of civil administration, if necessary by imposing additional taxes. How far this is possible in an island like Sicily it is difficult to say, but our object must be the same.

While, therefore, we shall have to rely to a very large extent on local officials continuing, on behalf of the military administration, to do their normal duties and such additional tasks as we impose on them, accounts of all

expenditure/

Note by P.U.S.(F).
X i.e., through C.F.A.

Note by P.U.S.(F).

This is a negation of
"X" above.

Note by P.U.S.(F).

C.F.A. and his Staff must do what they can and withhold further advances, if they see cause.

No. 10. presumably by a contribution - as may not under that land imposed additional taxes. What about propaganda itself?

If we find many of the funds from the above be in a form

330

Note by P.U.S.(F).

and his staff must be in proportion.

between it is not 46 in all (including specialists) of which 14 Accountants

expenditure and receipts will have to be rendered to the C.F.A.O. and he will have to exercise the most stringent control possible in the circumstances. The accounts so rendered will probably finally be merged in the C.F.A.O.'s general account to the War Office which will thus cover both indirect expenditure ((1) above) and direct expenditure ((2) above). If you agree we will also put this proposal to the Treasury.

F.5.
10th April, 1943.
(Signed) C.E. KEY.

2.

P.U.S.(F).

You may be interested to see this, which elaborates to some extent the broad outline you originally sent to Mr. Gilbert. I agree generally with F.5.'s ideas. As regards "X", there may be cases where the local administration ceases to function effectively or is "quiescent" and has to be replaced by another and in these cases the C.C.A.O. and the C.F.A.O. would have to do what was possible with the staff and resources available to ensure proper control and minimise loss in the interim period. But I agree that where a co-operating local administration is functioning, we shall in general have to let them carry on, subject to our seeing their accounts, etc., without attempting to apply a strict control, which would require a much larger staff than the C.F.A.O. will have at his disposal. We should, of course, try to secure that the local authorities' normal audit machinery continues to function.

20.4.43.
(Signed) T.J. CASH. D.F.(a).

3.

382

See my marginal notes on Mr. Key's minute. On the general accounting point it is clear that our control over civil expenditure in an enemy country must be closer and more precise than in a friendly country, and that C.F.A.O. in the former case must have a much larger controlling staff. Subject to that I am inclined to say that the difference in accounting method will be of degree

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383

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I should like this accounting question discussed with Mr. Harby as a preliminary.

(Initialed) E.E.B.S.

21/4.

Declassified E.O. 12356 Section 3.3/NND No. 785015

OUTGOING MESSAGE
ALLIED FORCE HEADQUARTERS

ORIGIN, TED BY : AFRIC 114 FORCE
AUTHENTICATION LT COL

SECURITY-CLASSIFICATION :

SECURITY

THIS SPACE
FOR SIGNAL
USE ONLY

(ACTION
(ADDRESSES TROOPERS
TO
(INFORMATION
(ADDRESSES

FROM : FOURTE ALGIERS

REF. NO : CA/087

DATE
TIME MAY 162100A

PRECEDENCE :
ROUTINE

FOR F5 . REF QUESTIONNAIRE SENT NOTON 30 MARCH . PRIOR ISSUE COMPLETE ZONE HANDBOOK
GRATEFUL RECEIVE ANY PARTICULARS WHEN AVAILABLE

THIS COPY ONLY MAY BE LOANED TO
accredited unofficial researchers under
Sec/Army by RAG/ _____ date _____

11410

3819

Declassified E.O. 12356 Section 3.3/NND No. 785015

ARMY 141 FORCE

DISCLOSURE NOT RECENT

LT. COL.

MEMORANDUM FOR CIVIL AFFAIRS

8A

HEADQUARTERS
DATE :
N: <u>1804/2</u>
FORCE 141

FOR THE ALIENS

CA/035

MAY 161730A

ROUTINE

FOR C.P.A. X GRATEFUL COPIES VIA THOSE THOSE X A X C.P.A. REPORTS X
B X BIRTHDAY BIRTHDAY ESTIMATES X C X BIRTHDAY INSURANCE SURVEY X D X
FINANCIAL NOTES PREPARED SCHOOL.

File

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381

Declassified E.O. 12356 Section 3.3/NND No. 785015

OUTGOING MESSAGE
ALLIED FORCE HEADQUARTERS

17A

ORIGINATED BY : ALLIED FORCE HQ

SECURITY-CLASSIFICATION :

CONFIDENTIAL

AUTHENTICATION : LT. COL. A. S. Maxwell

THIS SPACE
FOR SIGNAL
USE ONLY

(ACTION
(ADDRESSES
TO
(INFORMATION
(ADDRESSES

[Handwritten signature]

FROM : FORUM, ALLIED

REF. NO : 04/033

DATE MAY 02 1964
TIME

PRECEDENCE : IMPORTANT

FROM FREEDOM FROM FORUM X REFERENCE YOUR 75601 REMITT. WILL INVOICED VLSB
ON ARRIVAL

6A

Master message
Float
7804 ✓

THIS COPY ONLY MAY BE SHOWN TO ANY
ACCREDITED UNOFFICIAL RESEARCHERS ORDER
SEC/ARMY BY TAG/ _____ DATE _____

411410

[Handwritten notes: PA 3/15, 7/5, 9/13]

3817

SECRET

Equally British MOST SECRET

ADQUARTERS

7804 7804/2.6A

2 MAY 1948

FORCE 141

A F H Q
INCOMING MESSAGE

CLASS : MOST SECRET-BIGOT HUSKY REF: 75601 F 5

PREC : ROUTINE

FROM : TROOPERS

TO : FORTUNE ALGIERS, (FREEDOM PASS) (FOR RENNELL)

BIGOT

3816

1. Americans in WASHINGTON referring to page 27 SHOFFORD'S TMHAN (plan)?? have raised question establishment Allied Bank as supplementary part administration HUSKYLAND. They suggest it will be responsible for handling transactions of Finance Officer, act as repository funds collected by Government Institutions and in general as financial agency for occupying forces. It might also lend funds corporations and municipalities and generally get local economy going. Americans await our views. All they have been told up to present is that we should see strongest objection to bank being used as bank of issue.

2. In DO letter sent by air 24 April have given our views, suggestions, but we still prefer our own idea of working through most important bank in localit making it draw a line on its own liabilities and starting up again under contr. Should expect other banks to pool their resources and work through controlled local bank. Should also propose that advances to essential businesses should be made through this bank under regulations made by CCAO. Cable views earliest.

ACTION: 5 Force 141

BIGOT

SECRET

Equally British MOST SECRET E

LRC/rdd

REC'D: 020302A

75601 F 5

This copy only MAY BE SHOWN to duly
accredited unofficial researchers Order
Sec/Army by TAG/ date

411410

AFHQ

Incoming Message

From: Troopers Date: April 151955B 70540 F 5
 REcd: 160149A Prec: Routine Class: Most Secret

Bigot

"Edited Literal Text"

For Fortune
 To Freedom RPTD Force 545 (Mid-east Pass)

Force 545 GP (1) A/33379 10 April addressed you repeated here.

1st. Currency (A) Matter still under discussion with Washington. Strong indications eventual arrangements will be Americans use yellow dollar seal dollars as spearhead currency; British local currency and BMA notes both American and British switching to special new currency denominated in lire when circumstances permit. Instructions will be sent later as to use of BMA and lire by British paymasters.

(b) Such small denomination local currency as has not been destroyed will almost inevitably have to be used to some extent as small change though we are preparing 6-penny BMA notes and could send out some 12-sided 3-penny pieces and pence.

(c) Rennell should indicate amount lire to be taken by each Force. He should take over stock of BMA notes from First Army. We will send supply BMA with divisions from UK.

(d) Civil Affairs should maintain cash reserves and issue in bulk to DPIG for Army.

(e) Confirmed.

2nd. Requisitioning

(a) Subject your agreement will arrange printing UK.

(b) Propose forms other than for divisions ex UK sent you for distribution N. Africa and Mid-east.

3rd. Allowances. Noted. General question under consideration. Hope send decision within next fortnight.

Action: 5 Force 1.1

HFK Tca

April 151955B

70540 F 5

(b) Such small denomination local currency as has not been destroyed will almost inevitably have to be used to some extent as small change though we are preparing 6-penny BIA notes and could send out some 12-sided 3-penny pieces and pence.

(c) Rennell should indicate amount lire to be taken by each Force. He should take over stock of BIA notes from First Army. We will send supply BIA with divisions from UK.

(d) Civil Affairs should maintain cash reserves and issue in bulk to DPIC for Army.

(e) Confirmed.

2nd. Requisitioning

(a) Subject your agreement will arrange printing UK.

(b) Propose forms other than for divisions ex UK sent you for distribution N. Africa and Mideast.

3rd. Allowances. Noted. General question under consideration. Hope send decision within next fortnight.

Action: 5 Force 141

HFK Tca

April 151955B

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Glenn B FA. (Bij. Develop).

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accredited unofficial researchers Order	date
Sec/Army by TAG/	411410

P.A. 24/4

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AFHQ

Incoming Message

From: Force 545 Date: April 101705C Ref. No: GP(1) A/33379
 Recd: 110820A Prec: Priority Class: Most Secret

Bigot Husky
 To Freedom for Fortune
 RPTD Troopers

"Edited Literal Text"

Request information on following points regarding Pay Services.

1. Currency.

- (a) Whether special currency common to U.S. and British forces to be used.
- (b) Will local currency be used for small change?
- (c) Confirm Troopers will supply bulk sum required despatched Middle East with proportion distributed Diva in North African and UK.
- (d) Will Civil Affairs maintain cash reserves or draw on Pay Services when set up in HERRIFIED?
- (e) Confirm all services Dominion and Allied forces other than U.S. will draw on British Army Base Cashier.

2. Requisitioning.

- (a) Assume requisition forms to be printed in UK for security reasons but if intention is to print in Middle East early advice required.
- (b) Confirm supply and distribution as for currency.

3. Allowances. DP in C Middle East recommends institution of Combined Overseas Allowance for all ranks to be continuous from date of embarkation in respect of Middle East or North Africa troops and from date of arrival overseas for troops from UK. Appreciate some of these points can not yet be decided but grateful all available information

Action: 5 Force 141

- (b) Will local currency be used for small change?
- (c) Confirm Troopers will supply bulk and required despatched Middle East with proportion distributed Diva in North African and UK.
- (d) Will Civil Affairs maintain cash reserves or draw on Pay Services when set up in HORRIFIED?
- (e) Confirm all services Dominion and Allied forces other than U.S. will draw on British Army Base Cashier.
2. Requisitioning.
- (a) Assume requisition forms to be printed in UK for security reasons but if intention is to print in Middle East early advice required.
- (b) Confirm supply and distribution as for currency.

3. Allowances. DF in C Middle East recommends institution of Combined Overseas Allowance for all ranks to be continuous from date of embarkation in respect of Middle East or North Africa troops and from date of arrival overseas for troops from UK. Appreciate some of these points can not yet be decided but grateful all available information

Action: 5 Force 141

HFK tea

April 101705G Ref. No. GP(1)A/33379

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accredited unofficial researchers Order
Sec/Army by TAC/ ----- data-10-----
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SECRETCOPY of letter From Major J.S. Lithiby to
G.H. Tansley, Esq.

(3A)

31st March, 1943.

Dear Tansley,

The latest available figures for the note circulation in enemy and enemy-occupied countries in Europe are as follows:-

	(Millions)	Date
Norway	Kr 1,900 ^x	October, 1942.
Finland	F.Mk. 9,617	December, 1942.
Denmark.	Kr. 939	31.1.43.
Holland	Fl. 3,103	8.2.43.
Belgium	B.Fcs. 68,855	14.1.43.
France	Fcs. 384,732	14.1.43.
Germany (Reichsbank)	RM. 23,057	23.2.43.
do (Rentenbank)	RM. 1,307	31.12.42.
Poland (General Government)	Zlotys. 2,430	20. 3.42.
Czechoslovakia (Bohemia and Moravia)	Crowns. 13,800	7. 2.43.
Czechoslovakia (Slovakia)	Crowns. 2,741	31.12.42.
Hungary.	Pengo. 2,837	23. 2.43.
Roumania.	Lei. 107,714 ^x	31.10.42.
Yugoslavia. (Serbia and Croatia)	Dinars 25,000 ^x	May 1942.
Bulgaria.	Leva 18,550	23.11.42.
Greece.	Drachmae 300,000 ^x	1.12.42.
Italy.	Lit. 60,000 ^x	December, 1942. ✕ -

x Estimate.

✕ National Bank issue. State notes (to an unknown amount) are also in circulation.

NOTE.

No figures are available of the circulation in Reichcommissariats of Ostland and Ukraine.

Yours sincerely,

(Signed) J.S. Lithiby.

G.H. Tansley Esq.,

301

MOST SECRET

Amended in Home Office
against

The War Office,
LONDON. S.W. 1.

IA

30th March, 1943.

Dear Noton,

Here is an approximate schedule of the information we require. It may need amendment later, but will I think give you an idea of the stuff we should like you to prepare.

I have not yet had time to get out the requirements of the general handbook, but hope to do so presently, and to send Brigadier Sachs my comments on the two general handbooks already issued. I

I am sending copies of the schedules to Brigadier Sachs and Lt. Colonel Sanderson.

Yours sincerely,

(Signed):-

C.H. Noton Esq.,
Lansdowne House,

MEMO REPORT

The Economic Information contained in the Zone Handbook should be oriented

chiefly towards answering the following questions:-

- (1) to what extent is the Zone self supporting, agriculturally and industrially, pre war and now.
- (2) what are its vital import needs,
- (3) what is the nature and outlet for its surplus production.

On the financial side similarly information should be compiled so as to determine as far as the evidence permits, the balance of payments of the Zone, e.g., (a) surplus or deficiency of exports over imports, (b) Dissection of long and short term capital movements, (c) balance of Government revenues and expenditure. Does this Zone consume more or less than the revenue raised in it? This will involve the consideration of the financial assistance obtained from the Central Government. (In this connection it would be desirable to include the local revenues balance of the State Railway System, e.g., in Sicily, Sardinia etc., if any figures are obtainable, as well as social welfare and educational services).

Besides general agriculture production for the Zone as a whole, figures should be given to show the area devoted to each crop in each major territorial division of the zone, e.g., France the Department, Italy the Province. Details should also be given of (a) the prevailing systems of land tenure in each area, (b) the approximate dates of sowing, harvesting, etc. (c) sources and quantities of seed and fertilizers, (d) the methods by which each crop is normally financed, e.g., co-operative credits, produce mortgages, bills etc., etc.

Similarly in the case of industry in addition to the general figures we need as complete a census as can be obtained of the capacity and output of individual

3617

short term capital movements, (c) balance of Government revenues and expenditures.

Does this zone consume more or less than the revenues raised in it? This will involve the consideration of the financial assistance obtained from the Central Government. (In this connection it would be desirable to include the local revenue balance of the State Railway System, e.g., in Sicily, Sardinia etc., if any figures are obtainable, as well as social welfare and educational services).

Besides General agriculture production for the zone as a whole, figures should be given to show the area devoted to each crop in each major territorial division of the zone, e.g., France the Department, Italy the Province. Details should also be given of (a) the prevailing systems of land tenure in each area, (b) the approximate dates of sowing, harvesting, etc. (c) sources and quantities of seed and fertilizers, (d) the methods by which each crop is normally financed, e.g., co-operative credits, produce mortgages, bills etc., etc.

Similarly in the case of industry in addition to the general figures we need as complete a census as can be obtained of the capacity and output of industrial plants and factories, their raw material requirements, the number of persons employed and the approximate size of the weekly wages bill.

ADMINISTRATION

(A) Central Government.

In addition to the location of the Prefecture in the various provinces (or their equivalents) the handbook should give the location of the various sub-offices of the various departments of State, e.g., Treasury, Ministry of Food (or its equivalent), Education etc., etc., as well as parastatal institutions such as Government and Municipal savings bank (in Italy the various State Corporations etc.,) with names when possible of their executive heads, and weekly wages bills.

(B) Local Government.

(B) Local Government.(1) Province.

- (a) Brief description of different services, public utilities, undertakings etc, administered by each with special reference to any inter-provincial or joint undertakings shared with communes,
- (b) numbers of municipal employees divided into principal categories for each province, and weekly wages bill if possible.

(2) Communes above ten thousand inhabitants

Description of different services, public utility etc, undertakings with numbers where possible of municipal employees for each. Rates of Rodota or Madra etc. wages bill.

FINANCE.(A) Central Government.

- (1) Total revenues of Zone showing separately yield of principal taxes or groups of taxes.
- (2) Total expenditure on national services in Zone if obtainable.

(B) Local Government.

Summaries of Provincial budgets showing principal expenditure headings, and receipts distinguishing revenue derived from:-

- (1) Local taxes (state rates of taxation and yields of principal taxes) 387
- (2) Grants in aid from Central Government - stating where indicated appropriations for special services,
- (3) Income from properties,
- (4) Income from industrial undertakings.

Similar summaries of Municipal budget of each commune above 20,000 inhabitants. The

MEMORANDUM(A) Central Government

(1) Total revenues of Zone showing separately yield of principal taxes or groups of taxes.

(2) Total expenditure on national services in Zone if obtainable.

(B) Local Government

Summaries of Provincial budgets showing principal expenditure headings, and receipts distinguishing revenues derived from:-

(1) Local taxes (state rates of taxation and yields of principal taxes)

(2) Grants in aid from Central Government - stating where indicated appropriations for special services.

(3) Income from properties.

(4) Income from industrial undertakings.

Similar summaries of Municipal budget of each commune above 20,000 inhabitants. The figures should also contain statements of the indebtedness of provinces and municipal bodies, the chief loan issues.

(C) Location of Branch Offices of:-

(a) Bank of Italy.

(b) Private Banks. How are their branches organized territorially? It would be useful to have information as to the cubic contents of structures accommodation of various banks.

(c) State or Municipal Savings Banks (deposit figures where possible).

(d) Insurance companies.

(e) Co-operative societies. What is their scope and what are their resources?

(f) Legislative organization location and scope of local branches.

Regulatory information required.Local Machinery1. Assessment of Taxes.

By what officers are taxes assessed? What is the machinery of appeal? Date of Assessment? (Direct or indirect taxes.) What is the procedure for indirect taxes? What is the yield of the principal taxes (provincial figures for Italy, Departmental for France.)

2. Collection of Taxes.

What is the local machinery for tax collection, who are the Collecting Officers and how are they controlled? What do they do with the proceeds? Where and when are funds accumulated and what is the system of transmission to central Treasury? Are funds remitted to and transferred from a central fund or do local Treasuries (? Provincial) use the funds they have collected for local payments and only remit unspent balances? What are the normal dates of revenue collection for the various taxes? What officers are responsible for disbursement central and local of Government funds and what is the procedure? What is the procedure for short term financing pending collecting of revenues? Treasury Bills, of what date and how issued? Or advances?

(A) How does the central Treasury finance each Government Department and how does the local Treasurer provide the various Departments of the Municipal administration with cash. How are Government employees' salaries and wages paid - weekly or monthly, by cheque or in cash? With pensions?

3. What is the procedure outlined above? (1 and 2) in the case of local taxes? The fixed rates of local taxation? Are taxes laid down in the budget of the nation as in France? How are grants in aid of local authorities, services and

Are funds remitted to and transferred from a central fund or do local treasuries (Provincial) use the funds they have collected for local payments and only remit unspent balances? What are the normal dates of revenue collection for the various taxes? What officers are responsible for disbursement central and local of Government funds and what is the procedure? What is the procedure for short term financing pending collecting of revenues? Treasury bills, of what date and how issued? Or advances?

(4) How does the central Treasury finance each Government department and how does the local Treasurer provide the various departments of the Municipal administration with cash. How are Government employees' salaries and wages paid - weekly or monthly, by cheque or in cash? Ditto pensions?

1. What is the procedure outlined above? (1 and 2) in the case of local taxes? What are the rates of local taxation? Are taxes laid down in the budget of the nation as in France? How are grants in aid of local authorities, provinces and communes paid and disbursed? Where are the banking accounts of local authorities kept. What are the methods of short term financing, do municipalities raise bills if so of what dates? Or alternatively, do they work on overdrafts etc.?

(B) Currency and Finance.

1. What local currency reserves are there and where situated? Who prints the notes and manufactures the paper for them? Where ^{are} the mints situated?
2. What cash reserves do the chief banks keep locally?
3. What are the chief specialised banking institutions, national or municipal co-operative credit, savings banks, agricultural credit or mortgage banks? What are their deposits and investment regulations? What cash reserves do they keep centrally and locally?

FOR INFORMATION ONLY
Financial Powers.

16 Final Passes (1B)

(See Over.)

AIR MAIL.

16/34.1363 (F.1.)

THE AIR OFFICE,
LONDON, S.W.1.

S. E. R. E. T.

10th June, 1942.

Sir,

1. I am commanded by the Army Council to refer to Despatch No. 37 dated 3rd January, 1942, from the Controller of Finance and Accounts, East African Commission, with which was included his detailed estimate of expenditure in the Occupied Territory Administration of Eritrea for the year ending 30th June, 1942.

2. Covering approval of the estimate generally has already been called to you in War Office telegram No. 93817 of 9/6. It is understood that you expect shortly to be in a position to give an estimate of the outcome of the actual expenditure for the year.

3. I am to ask that you will be good enough to furnish the Department with your report on the following matters which were stated in Despatch No. 37 to be under further investigation.

- (a) The employment of Italian Officials by the Administration.
- (b) Medical expenditure.

(Your report on (c) The Distribution and scale of relief has now been received).

I am also to ask for information on the following:-

- (a) The Railway Budget.
- (c) The Estimate of Revenue.

4. In addition, the Department has the following detailed observations on the estimate on which an early reply is desired, and it is requested that your estimates for 1942/43 may be reviewed where necessary in the light of these comments.

(i) Non-effective benefits. No provision has been made in this respect. Are there any existing liabilities in the way of on gratia payments to civilian staffs, etc?

(ii) On what basis is the cost of treatment of civilians in military hospitals charged?

(iii) The figure of £10,000 given in respect of cost of clothing and accoutrements of the prison staff appears unreasonably large, particularly in comparison with the figure of £46,000 for similar expenditure on police, in view of the relative strengths of these

3. I am to ask that you will be good enough to furnish the Department with your report on the following matters which were stated in Despatch No. 37 to be under further investigation.

- (a) The employment of Italian Officials by the Administration.
- (b) Medical expenditure.

(Your report on (c) The distribution and scale of relief has now been received).

I am also to ask for information on the following:-

- (d) The Railway Budget.
- (e) The Estimate of Revenue.

4. In addition, the Department has the following detailed observations on the estimate on which an early reply is desired, and it is requested that your estimates for 1942/43 may be reviewed where necessary in the light of these comments.

- (i) Non-effective benefits. No provision has been made in this respect. Are there any existing liabilities in the way of ex gratia payments to civilian staffs, etc?
- (ii) On what basis is the cost of treatment of civilians in military hospitals charged?
- (iii) The figure of £10,000 given in respect of cost of clothing and accoutrements of the prison staff appears unreasonably large, particularly in comparison with the figure of £16,000 for similar expenditure on police, in view of the relative strengths of these establishments and further details should be given. Can the actual expenditure now be stated?
- (iv) Has any provision been included for the repair of war damage, in connection with public works? 3347
- (v) In view of the fact that an expenditure of £25,000 has been authorised on housing Italian civilians displaced by Middle East base personnel (Item IV.7) the necessity for the additional provision of £4,000 on privately owned premises (Item IV.4(c)) is not understood, and further information is requested.
- (vi) Item IV.9 - Unforeseen expenditure Public Works £25,000. Marginal items of this nature should not be included in future. In this connection please see Para. 5 below. The actual expenditure incurred in 1941/42 against this item should be reported.

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(vii) The rates used in calculating the personal emoluments of British officers are not understood. It would be convenient if a statement could be included in the remarks column showing the total cost, including rations, accommodation etc., of the British Officer and Other ranks personnel in future.

5. Financial Powers.

It is proposed that in future when the estimates have been submitted and approved, which should normally be in advance of or at the beginning of the financial year, your financial powers in the occupied territory of Eritrea should be generally limited by these estimates, and that your powers of incurring expenditure in excess of the estimate provision should be regulated by Colonial procedure on the lines discussed with Sir Philip Mitchell. You will therefore, in future, be required to obtain prior War Office sanction for expenditure on any subhead (a) for which there is no provision in the approved estimates, or (b) in excess of the provision for that subhead in the approved estimates, provided that prior sanction will not be required for such excesses within a limit of -

- (A) £1,000 on any single subhead, or
- (B) An aggregate of £5,000 on all subheads of expenditure.

In this connection I am to refer to Paragraphs 2(ii) (a) and (b) of Colonial Office Miscellaneous Circular No. 450A dated July, 1941, and to say that the terms of this circular should be regarded as applicable generally in the case of the Occupied Territory of Eritrea except in so far as they refer to expenditure met from savings.

Your powers of expenditure in Cyrenaica and any other territories which may fall to be administered by you will, in due course, be similarly defined.

I am,
Sir,
Your obedient servant,
(Sgtl.) G. V. LAMBERT.

Commander-in-Chief, Middle East Command.

Copy to: C.F.A.

4. What are the principal insurance institutions? (a) National Governmental, (b) Municipal (if any), (c) private? What are their proven incomes? How are their investment policies determined? (e.g. compulsory investments in Government bonds etc.) What reserve for currency do they maintain locally?
5. What is the local expenditure of the Fascist Party, i.e., militia, etc. etc., and whence is it derived? To what extent is local party expenditure subsidized from central funds?
6. What is the regional organization of the I.P., P.O., A., the L.R., I.I., I.P. How related to the Ente Fascista di Previdenza ed Assistenza per i dipendenti statali and the Ente Nazionale della Mutualita Fascista? In what proportion are the funds for insurance schemes provided (a) by employers, (b) employees (c) Government?
7. What special pension schemes are there for (a) Government servants (b) Municipal servants? What are the respective contributions of the beneficiary, the Government and the Municipality, and what is their total cost?
8. How is the hospital care financed? Give figures for contributions of local authorities, National Government, Credit Institution, Syndicates (Employers and workers), Subscriptions etc. What is the local organization?

servants? What are the respective contributions of the beneficiary, the Government and the municipality, and what is their total cost?

6. How is the program financed? Give figures for contributions of local authorities, National Government, Credit institutions, Syndicates (Employers and workers), Subscriptions etc. What is the local organization?

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FOR INFORMATION ONLY
Financial Powers.

Power
Finance
(See over) 11C

Tel. No.—Whitehall 9400

Any further communication on this subject should be addressed to:—

The Under-Secretary of State,
The War Office,
London, S.W.1,

and the following number quoted.



THE WAR OFFICE,

LONDON, S.W.1.

16/162/1364 (D.1.)

3rd June, 1942.

SECRET

Sir,

1. I am commanded by the Army Council to refer to Despatch No.39 Reference 265/51 dated 6th January, 1942, from the Controller of Finance and Accounts, East Africa Command, with which was included his detailed estimate of expenditure and revenue in the Occupied Territory Administration of Scandinavia, for the year ending 30th June, 1942.

2. General approval of the estimates has already been cabled to you in W.O. telegram No.91860 of 30th May, 1942.

3. I am to ask that you will be good enough to furnish the Department with your report on the following matters which, as stated in Despatch No.39, are now under investigation:—

- (a) The employment of Italian officials by the administration.
- (b) The provision of rations in civil hospitals.
- (c) The cost of transport.

4. In addition, the Department has the following detailed observations on the estimate, on which an early reply is requested.

(i) Non-effective benefits. No provision has been made in this respect. Are there any existing liabilities in the way of ex gratia payments to civilian staffs, etc.?

(ii) /

General Officer Commanding-in-Chief,
East Africa Command.

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(ii) On what basis is the cost of treatment of civilians in military hospitals charged?

(iii) No provision has been made for expenditure on administration of the port of Dante.

(iv) Has any provision been included for the repair of war damage in connection with public works and the railway?

(v) Public Works. Reference para. 4 (f) of the despatch. The expenditure of £25,000 on general road improvement appears unduly high, but it is approved subject to confirmation that you consider it necessary.

(vi) Information is desired as to the scale of relief payments.

(vii) Information is requested as to the rates used in arriving at the figure of £77,287 in respect of the British personnel of O.T.A.

5. Financial Powers.

Now that the estimates have been submitted and approved, your financial powers in the Occupied Territory of Somalia are generally limited by these estimates and it is considered that your powers of incurring expenditure in excess of the estimate provision should be regulated by Colonial procedure on the lines discussed with Sir Philip Mitchell. It is proposed therefore that you should in future, be required to obtain prior War Office sanction for expenditure on any subhead (a) for which there is no provision in the approved estimates, or (b) in excess of the provision for that subhead in the approved estimates, provided that prior sanction will not be required for such excesses within a limit of (a) £1,000 on any single subhead, or (b) an aggregate of £5,000 on all subheads of expenditure.

In this connection I am to refer to Paras. 2 (ii) (a) and (b) of Colonial Office Miscellaneous Circular No. 460A dated July, 1941, and to say that the terms of this Circular should be regarded as applicable generally in the case of the Occupied Territory of Somalia except in so far as they refer to expenditure met from savings.

Your powers of expenditure in the former Protectorate of British Somaliland and in any other territories which may fall to be administered by you will in due course be similarly defined.

I am, Sir,
Your obedient Servant,

(SIGNED) G.W. LAMBERT

Tel. No. -

Instructions for ETHIOPIA - December 1941

any further communication on this subject should be addressed to:-
The Under-Secretary of State,
The War Office
(as opposite)
and the following number quoted.

FOR INFORMATION THE WAR OFFICE,

ONLY.



Financial Control

11

16/4broad/1226. (P.1.)

SECRET

31st December, 1941.

Sir,

1. With reference to paragraph 6 of War Office letter, number as above, of 25th November, 1941, I am commanded by the Army Council to convey to you supplementary instructions regarding the financial arrangements in respect of Ethiopia, drawn up in accordance with the recent decisions of His Majesty's Government in the United Kingdom as to the nature of the administration in Ethiopia and the responsibility of Departments for it.

2. These arrangements will apply during the transitional period, which will run from the date of the conclusion of the agreement with the Emperor to the date on which the approved programme of repatriation and evacuation of Italians from Ethiopia by the Occupied Territories Administration is completed and the British troops are withdrawn from the areas reserved under Article 3 and the British cantonments referred to in Article 7 of the Military Convention. Until the inception of this period the War Office will continue to accept full financial responsibility for the administration of Ethiopia; at the end of this period the financial responsibility of the War Office will cease entirely except in so far as any territory or subject remains (or becomes) reserved and is administered under the War Office.

After the conclusion of the agreement, the War Office will not be responsible in any way for Italians who are allowed to remain for the maintenance of essential services in any part of Ethiopia which does not remain or become a reserved area.

3. During the transitional period expenditure on the administration of Ethiopia will be in three categories -

- (a) Expenditure on reserved areas and subjects;
- (b) Expenditure from the annual subsidy to the Emperor of Ethiopia, which will amount to 24½ millions in the first year following the conclusion of the agreement; and
- (c) Expenditure from the "Floating Credit" of £1,000,000 to the Emperor of Ethiopia, which is not related to any specific period.

2. These arrangements will apply during the transitional period, which will run from the date of the conclusion of the agreement with the Emperor to the date on which the approved programme of repatriation and evacuation of Italians from Ethiopia by the Occupied Territories Administration is completed and the British troops are withdrawn from the areas reserved under Article 3 and the British cantonments referred to in Article 7 of the Military Convention. Until the inception of this period the War Office will continue to accept full financial responsibility for the administration of Ethiopia; at the end of this period the financial responsibility of the War Office will cease entirely except in so far as any territory or subject remains (or becomes) reserved and is administered under the War Office.

After the conclusion of the agreement, the War Office will not be responsible in any way for Italians who are allowed to remain for the maintenance of essential services in any part of Ethiopia which does not remain or become a reserved area.

3. During the transitional period expenditure on the administration of Ethiopia will be in three categories -

- (a) Expenditure on reserved areas and subjects;
 - (b) Expenditure from the annual subsidy to the Emperor of Ethiopia, which will amount to £4½ millions in the first year following the conclusion of the agreement; and
 - (c) Expenditure from the "Floating Credit" of £1,000,000 to the Emperor of Ethiopia, which is not related to any specific period.
4. (a) Expenditure on reserved areas and subjects.

This includes expenditure on the maintenance and evacuation of the Italians in Ethiopia, and such other expenditure as may be decided as the result of the negotiations with the Emperor referred to in the Schedule to the Military Convention. You will telegraph as early as possible a list of the subjects which from a financial point of view it is proposed should be dealt with on this basis. The list of geographical areas is being agreed separately. The War Office will continue to be responsible for this expenditure which will be controlled and accounted for by you in accordance with the instructions in War Office letters, number as above, of 17th March and 25th November, 1941.

/s/
1A 2A

Brigadier Lord Rennell of Rodd,
Controller of Finance and Accounts,
Political Headquarters,
East Africa Command,
Nairobi.

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- 2 -

5. (b) Expenditure from the annual subsidy to the Emperor.

This comprises expenditure incurred to meet the normal requirements of the Ethiopian administration, including the Ethiopian Army but not including the Military Mission, during the transitional period referred to. The Foreign Office, through His Majesty's Minister in Ethiopia, will be entirely responsible for the expenditure of the subsidy which will fall on Foreign Office Votes. You will have no responsibility for controlling or accounting for it. Your responsibility will be limited to issuing funds to His Majesty's Minister on his request and to obtaining receipts therefor.

6. (c) Expenditure from the "Floating Credit".

This credit is intended primarily to meet non-recurrent and unpredictable requirements over and above the normal requirements referred to in paragraph 5 above. It will be used for two purposes :-

- (i) to enable supplementary grants to be made to the Emperor of Ethiopia;
- (ii) on services maintained directly by the military authorities as may be necessary.

7. His Majesty's Minister at Addis Ababa will probably find it necessary to ask, particularly in the initial stages, that certain functions which have hitherto been performed by the Occupied Territories Administration or other military authorities should continue to be so performed pending the development of the Ethiopian Administration up to the stage where it can take over all functions or until the British troops are withdrawn from the areas reserved under article 3 and the British contingents referred to in Article 7 of the Military Convention. (see paragraph 2 above), whichever is the earlier. In so far as these services are necessary for the benefit of the Italian civilians (for whom the War Department is responsible) as well as for the Ethiopians, they will be maintained as long as the Italians are there; the actual charges may, if convenient, be taken against Occupied Territories Administration funds but an appropriate recovery will be made from His Majesty's Minister to cover the full cost on such basis as you may determine in consultation with him. Amounts so recovered will be credited to Occupied Territories Administration Appropriations-in-Aid. In so far as any services are purely for the benefit of the Ethiopian administration the whole cost will be recovered from His Majesty's Minister, but such services will be terminated as soon as possible and without waiting for the expiry of the transitional period. You will ensure that claims are rendered to His Majesty's Minister promptly and that suitable advances are obtained where possible. The necessary funds will be made available either from the Ethiopian Budget (if provision for these services is included in that Budget -

in paragraph 5 above. It will be used for two purposes :-

- (i) to enable supplementary grants to be made to the Emperor of Ethiopia;
 - (ii) on services maintained directly by the military authorities as may be necessary.
7. His Majesty's Minister at Addis Ababa will probably find it necessary to ask, particularly in the initial stages, that certain functions which have hitherto been performed by the Occupied Territories Administration or other military authorities should continue to be so performed pending the development of the Ethiopian Administration up to the stage where it can take over all functions or until the British troops are withdrawn from the areas reserved under Article 5 and the British contingents referred to in Article 7 of the Military Convention (see paragraph 2 above), whichever is the earlier. In so far as these services are necessary for the benefit of the Italian civilians (for whom the War Department is responsible) as well as for the Ethiopians, they will be maintained as long as the Italians are there; the actual charges may, if convenient, be taken against Occupied Territories Administration funds but an appropriate recovery will be made from His Majesty's Minister to cover the full cost on such basis as you may determine in consultation with him. Amounts so recovered will be credited to Occupied Territories Administration Appropriations-in-aid. In so far as any services are purely for the benefit of the Ethiopian Administration the whole cost will be recovered from His Majesty's Minister, but such services will be terminated as soon as possible and without waiting for the expiry of the transitional period. You will ensure that claims are rendered to His Majesty's Minister promptly and that suitable advances are obtained where possible. The necessary funds will be made available either from the Ethiopian Budget (if provision for those services is included in that budget - see paragraph 5 above) or alternatively from the "Floating Credit". It is the latter category which is intended in paragraph 6 (ii) above. On all these matters you should communicate with His Majesty's Minister as soon as possible after his arrival with a view to reaching agreement with him as to the services to be maintained wholly or in part for the benefit of Ethiopia and as to the basis for financial adjustment.

8. In the case of expenditure from the "Floating Credit" under (i) of paragraph 6, your responsibility will be limited to issuing funds to His Majesty's Minister at his request and to obtaining his receipts therefor. As regards expenditure under (ii) of paragraph 6 you will be responsible for recovering from His Majesty's Minister the expenditure incurred by you at his request (paragraph 7). You will not account in detail to His Majesty's Minister to the Ethiopian authorities or to the Foreign Office for such expenditure; you will, however, include full details of such expenditure in your accounts and the charge will be balanced in your accounts by an appropriation-in-aid of the appropriate sum, being the amount recovered by you from His Majesty's Minister.

- 3 -

9. Method of payment of subsidy, etc.

The annual subsidy, etc., to the Emperor of Ethiopia will be credited to His Majesty's Minister's account with Barclays Bank, Addis Ababa, in instalments at his request. His Majesty's Minister will give you reasonable notice of the amounts to be credited from time to time. You will for this purpose draw on the Chief Paymaster, East Africa, who will charge Foreign Office Miscellaneous in his account.

10. Currency and Banking.

Any currency required in Ethiopia in addition to that put directly into circulation by the Army and Occupied Territories Administration should be issued by you through Barclays Bank, Addis Ababa. Payment should be made to your account in Nairobi by the bank at the current official rates of exchange, at present 4 Maria Theresa dollars = 1s. 10d. Similarly, any East African currency or U.T. dollars accumulated by Barclays Bank will be taken over by you at the same rates of exchange and adjustment effected through the same channels.

In carrying out Article IV (4) of the Agreement with the Emperor of Ethiopia, you will, until you receive instructions to the contrary, seek to secure the administration of the currencies in use in Ethiopia and banking policy on existing lines; the Deputy Controller of Banking in Ethiopia will remain as heretofore wholly under your orders. You will receive His Majesty's Minister's full support in carrying out these duties.

11. Economic Matters.

You will continue to report to the War Office on economic matters and developments in Ethiopia by despatch or telegram in so far as reserved areas and subjects are concerned and on any general matters which may affect them. On such general matters you will send a copy of your report to His Majesty's Minister.

12. Civil Supplies.

The supply of civil needs in Ethiopia, other than those of the Italian population and except in so far as these are directly involved with those of the Ethiopian population, will cease to be the responsibility of Occupied Territories Administration.

any currency required in Ethiopia in addition to that put directly into circulation by the Army and Occupied Territories Administration should be issued by you through Barclays Bank, Addis Ababa. Repayment should be made to your account in Nairobi by the bank at the current official rates of exchange, at present 1 British Therian dollar = 1s. 10d. Similarly, any East African currency or I.T. dollars accumulated by Barclays Bank will be taken over by you at the same rates of exchange and adjustment effected through the same channels.

In carrying out Article IV (d) of the Agreement with the Emperor of Ethiopia, you will, until you receive instructions to the contrary, seek to secure the administration of the currencies in use in Ethiopia and banking policy on existing lines; the Deputy Controller of Banking in Ethiopia will remain as heretofore wholly under your orders. You will receive His Majesty's Minister's full support in carrying out these duties.

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You will continue to report to the War Office on economic matters and developments in Ethiopia by despatch or telegram in so far as reserved areas and subjects are concerned and on any general matters which may affect them. On such general matters you will send a copy of your report to His Majesty's Minister.

12. Civil Supplies.

The supply of civil needs in Ethiopia, other than those of the Italian population and except in so far as these are directly involved with those of the Ethiopian population, will cease to be the responsibility of Occupied Territories Administration.

13. As soon as the transitional period is over you will withdraw all your staff from Ethiopia and you will render a report to this office giving your proposals for the re-organization of your staff in view of the diminution of your responsibilities and bearing in mind the need for replacing superfluous staff to administrations elsewhere.

You should in the meantime give all the assistance within your power to His Majesty's Minister in training such financial staff as the Foreign Office or the Emperor may appoint to carry on the financial administration in Ethiopia.

I am, Sir,
Your obedient servant,

(Sigs.) F.J. GRIGG.

A memorandum to Pennele's instructions - (1E)
Nov. 1941.

Tel. No. - Whitehall 9400

Any further communication on this subject should be addressed to:-
The Under-Secretary of State,
The War Office,
London, S.W.1.
and the following number quoted.



THE WAR OFFICE,

LONDON, S.W.1.

16/Abrord/1226 (3.1.)

25th November, 1941.

Sir,

I am commanded by the Army Council to inform you that the following modifications are hereby made to the letter of 17th March, 1941, numbered as above, regarding your appointment and duties as Controller of Finance and Accounts in certain Occupied Territories in Africa.

2. Paragraph 1 should read:

"You have been appointed Financial Officer for British Somaliland and Italian East Africa as long and insofar as they are occupied and administered by British Forces. Your title will be Controller of Finance and Accounts, O.F.A., East Africa".

3. Paragraph 2 should read:

"For reasons of policy the administration of these territories will be a military one, and will be under the direction of the General Officer Commanding-in-Chief, East Africa, under whom officers will be appointed to carry on the administration".

4. Paragraph 3. The first two sentences should read:

"Owing to the fact that this is a military administration, the financial responsibility to Parliament will rest under the Secretary of State for War on the Permanent Under-Secretary of State for War (the Accounting Officer for the War Office), whose representative you will be. The normal channel of communication regarding Italian East Africa and British Somaliland on financial and economic matters will be as heretofore directly with the Permanent Under-Secretary of State for War by despatch or telegram to the War Office, but you will normally submit such communications as you make to the Chief Political Officer before despatch for any comments he may see fit to make. The Chief Political Officer will ensure that any communications which may affect G.H.Q. East Africa Command are brought to the attention of the Commander-in-Chief".

5. Paragraph 4.

"You have been appointed Financial Officer for British Somaliland and Italian East Africa so long and insofar as they are occupied and administered by British Forces. Your title will be Controller of Finance and Accounts, O.F.A., East Africa."

3. Paragraph 2 should read:

"For reasons of policy the administration of these territories will be a military one, and will be under the direction of the General Officer Commanding-in-Chief, East Africa, under whom officers will be appointed to carry on the administration".

4. Paragraph 3. The first two sentences should read:

"Owing to the fact that this is a military administration, the financial responsibility to Parliament will rest under the Secretary of State for War on the Permanent Under-Secretary of State for War (the Accounting Officer for the War Office) whose representative you will be. The normal channel of communication regarding Italian East Africa and British Somaliland on financial and economic matters will be as heretofore directly with the Permanent Under-Secretary of State for War by despatch or telegram to the War Office, but you will normally submit such communications as you make to the Chief Political Officer before despatch for any comments he may see fit to make. The Chief Political Officer will ensure that any communications which may affect O.F.A., East Africa, Command are brought to the attention of the Commander-in-Chief".

5. Paragraph 4.

As regards the first sentence of this paragraph it is understood that for local and practical reasons the Chief Political Officer has asked you, on personal grounds, to undertake certain administrative duties in the occupied territories. Administration in addition to the financial duties specifically described in these letters. Your financial duties and responsibilities will nevertheless remain paramount and will not be regarded as restricted by any such local and personal arrangements whether these are temporary or continuing.

6. Paragraph 6. The following sentence should be added:

"The position in regard to Ethiopia is of course special and the

general /

Brigadier Lord Remell of Rodd,
Controller of Finance and Accounts,
O.F.A.

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general administrative policy, and in consequence your financial responsibilities, will be governed by any decisions of His Majesty's Government as to the nature of the administration in Ethiopia and on which department the responsibility for carrying out the decisions rests."

7. Paragraph 7.

In the last sentence the words "Command Paymaster and Financial Adviser, East Africa" should be substituted for "Financial Adviser, the Middle East".

8. Paragraph 10.

"Financial Adviser, Middle East" should now read "Director of Military Audit, East African Command".

The provisions of this paragraph will also apply to the Royal Air Force, and the required statement should be agreed with the local financial representative of the Air Ministry.*

9. Paragraph 15.

"Commander-in-Chief Middle East" should now read "General Officer Commanding-in-Chief, East Africa".

10. The words "Occupied Territories Administration" should be substituted throughout for "Occupied Enemy Territory Administration".

11. A copy of this letter and of the letter dated 17th March, 1941, are being sent to the General Officer Commanding-in-Chief, East Africa, for the information of himself and the Chief Political Officer.

I am, Sir,
Your obedient servant,

(Signed) P.J. CRIGGS.

* The local financial representative of the Air Ministry referred to in Paragraph 8 is the Deputy Financial Adviser and Chief Auditor, Air Forces in East Africa.

forces, and the required statement should be agreed with the local financial representative of the Air Ministry.

9. Paragraph 13.

"Commander-in-Chief Middle East" should now read "General Officer Commanding-in-Chief, East Africa".

10. The words "Occupied Territories Administration" should be substituted throughout for "Occupied Enemy Territory Administration".

11. A copy of this letter and of the letter dated 17th March, 1941, are being sent to the General Officer Commanding-in-Chief, East Africa, for the information of himself and the Chief Political Officer.

I am,
Sir,
Your obedient Servant,

(Signed) P.J. GRIGG.

The local financial representative of the Air Ministry referred to in Paragraph 8 is the Deputy Financial Adviser and Chief Auditor, Air Forces in East Africa.

785015

COPY

Liaison Instructions, E.A. & M.E.

THE WAR OFFICE, **IF**
WHITEHALL, S.W.1.

16/Abd./1220 (F.1). Cyrenaica

24th December, 1941

Dec. 1941.

SECRET

Sir,

I am commanded by the Army Council to inform you that, consequent upon recent developments in North Africa, the Occupied Territory Administration, Cyrenaica, has been re-established and Lieutenant-Colonel G. K. Logie has been appointed Acting Controller of Finance and Accounts in this Administration.

The Council are anxious that the general policy in administering the Occupied Territory of Cyrenaica should, so far as possible, be carried out on the same lines as are being followed in the Occupied Territories in East Africa. The following paragraph has therefore been included in Lieutenant Colonel Logie's instructions:-

"You should maintain liaison with the Controller of Finance and Accounts, Occupied Territories Administration, Nairobi, and he is being instructed to keep you informed generally of action taken in the Occupied Territories in East Africa. This arrangement will not be understood in any way to diminish the direct responsibility of the Commander-in-Chief, Middle East, or his authorised representative, and yourself to the War Office which will be consulted on all matters of principle or importance falling outside such powers as may from time to time be delegated."

I am to request that you will be good enough to arrange for liaison with Lieutenant-Colonel Logie accordingly.

I am,
Sir,

Your obedient Servant,

(Sgd.) P.J.GRIGG.

Brigadier Lord Rennell of Rodd,
Controller of Finance and Accounts,
Political Headquarters,
East Africa Command,
NAIROBI.

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Original instructions to Penrose - March 1941.
(Cyrenaica, West Phase, and I.E.A.) 10

Tel. No. - 9400

Any further communication on this subject should be addressed to:-
The Under-Secretary of State,
The War Office,
London, S.W.1,
and the following number quoted.

FOR INFORMATION ONLY.

THE WAR OFFICE,
LONDON, S.W.1.



16/Abd./1226.(F.1.)

17th March, 1941.

Sir,

1. I am commanded by the Army Council to inform you that you have been appointed Financial Officer for the enemy territories occupied by the British Forces in Africa. Your title will be "Controller of Finance and accounts", Occupied Enemy Territories in Africa. *see 2A*
2. For reasons of policy the administration of these territories will be subordinate to military control and will be under the direction of the Commander-in-Chief, Middle East, under whom officers will be appointed to carry on the administration. *see 2A*
3. Owing to this subordination to military control, the financial responsibility to Parliament will rest under the Secretary of State for War on the Permanent Under Secretary of State for War (the Accounting Officer for the War Office) whose representative you will be. The normal channel of communication regarding Occupied Enemy Territory administration matters from the Middle East to the War Office, will be through the Commander-in-Chief or his representatives, but you will have the right of direct access on financial matters to the Permanent Under Secretary ~~should need arise~~. You should obtain the advice of the Army Financial Adviser, Middle East, regarding the use of this channel. *see 2A*
4. You will give the Chief Political Officer (representing the Commander-in-Chief) financial advice in connection with the administration of the territories, but such advice will not bind him nor relieve him of responsibility for any administrative action taken by him as the result of such advice. The advice of the Deputy Controllers of Finance and Accounts to the military Governors in the separate administrations will be given on the same basis and you should inform them accordingly. *see 2A*
5. You will in conjunction with the Chief Political Officer be responsible through the medium of the subordinate finance officers in the separate administrative areas, for securing the revenue, for the general financial control and administration and for the accounting in those areas. Financial matters connected with the troops will fall outside your province. *see 5.*
6. The general policy to be followed in the administration of the territories will be the same as that of the general policy to be followed in the administration of the territories.

territories will be subordinate to military control, under whom officers will be appointed to carry on the administration.

3. ~~Bring to this subordination to military control, the financial responsibility to Parliament will rest under the Secretary of State for War on the Permanent Under Secretary of State for War (the Accounting Officer for the War Office) whose representative you will be.~~ ^{see 2A} The normal channel of communication regarding Occupied Enemy Territory Administration matters from the Middle East to the War Office, will be through the Commander-in-Chief or his representatives, but you will have the right of direct access on financial matters to the Permanent Under Secretary ~~should need arise.~~ You should obtain the advice of the Army Financial Adviser, Middle East, regarding the use of this channel.

4. You will give the Chief Political Officer (representing the Commander-in-Chief) financial advice in connection with the administration of the territories, but such advice will not bind him nor relieve him of responsibility for any administrative action taken by him as the result of such advice. ^{see 2B} The advice of the Deputy Controllers of Finance and Accounts to the military Governors in the separate administrations will be given on the same basis and you should inform them accordingly. ^{para 5.}

5. You will in conjunction with the Chief Political Officer be responsible through the medium of the subordinate finance officers in the separate administrative areas, for securing the revenue, for the general financial control and administration and for the accounting in those areas. Financial matters connected with the troops will fall outside your province.

6. The general policy to be followed in the administration of occupied enemy territories will be in accordance with Chapter XIV of the Manual of Military Law, and such further instructions as the Army Council may, from time to time, issue. It is assumed that the military Governors will retain where possible the machinery of existing administrations and that this will include the collection of taxes, etc., due to the State and the methods of dealing with and accounting for the expenditure on ^{see 2A} administration.

7. While it is necessary during such time as the administration is under military control to bring to account in the books of the War Office the net surplus or deficit on the various administrations it is nevertheless desired to keep the finances of the Occupied Territories distinct locally from the ordinary army accounts. Your account will not, therefore, be ^{see 2A} rendered like army accounts through the ~~Financial Adviser, the Middle East.~~ ^{Commander-in-Chief, Middle East.} ^{8/}

Col. the Hon. F. J. R. Rodd.

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8. You should consider and work out with the Chief Political Officer an accounting system which will show (1) the whole of the receipts of each administration from all sources - cash, supplies and stores, including cash, stores and services obtained from any source and (2) how these are disposed of. The system should be such that while it will enable a budget for future requirements to be drawn up it will also lend itself to show at any time the financial position of any administration.

9. A report outlining the proposed scheme of financial administration including the proposed framework of the accounts should be rendered to this office as early as possible. Further reports regarding the working of the scheme and other important financial matters should be sent thereafter on 30th September and at six monthly intervals after that date.

10. There will be no financial adjustment between Army Funds on the one hand and the various Occupied Enemy Territory Administrations on the other for issues and services rendered by the one to the other, except that all agency cash payments will be the subject of adjustment (see paragraph 11 below). But it is necessary to know what is the cost of the various Occupied Enemy Territory Administrations both in cash and in kind. Records will be maintained of all issues and services rendered by Occupied Enemy Territory Administrations to the Army; similarly all issues and services rendered by the Army to the Occupied Enemy Territory Administrations should be noted by you. A statement agreed between you and the Army *Financial Adviser, Middle East*, should be sent to the War Office quarterly showing in the case of each Occupied Enemy Territory Administration the value in sterling (including Departmental expenses and freight) of all issues and services made to that Administration from Army sources and the value of any reciprocal issues and services rendered by the Occupied Enemy Territory Administration to the Army.

11. The pay etc. of Occupied Enemy Territory Administration personnel, both military and civil, will form a charge against the Occupied Enemy Territory Administration concerned. As regards military personnel, (whose pay will continue to be issued under Army arrangements), the War Office will calculate what amounts in respect of pay and allowances of officers and other ranks should be added by the War Office (as additional debits against Occupied Enemy Territory Administrations) to the statements rendered under paragraph 10 above. For this purpose you should forward to the War Office each month, a list showing the numbers of all Army personnel by paid ranks serving in Headquarters Occupied Enemy Territory Administration and each of the various administrations separately.

Pay and allowances issued from Army sources to civil personnel, will be recovered from the funds of the Occupied Enemy Territory Administration concerned. Similarly, any other agency cash payments made by Army Paymasters on behalf of Occupied Enemy Territory Administrations, will be the subject of recovery from the administration concerned and vice versa.

Paragraph 11 below). But it is necessary to know what is the cost of various Occupied Enemy Territory Administrations both in cash and in kind. Records will be maintained of all issues and services rendered by Occupied Enemy Territory Administrations to the Army; similarly all issues and services rendered by the Army to the Occupied Enemy Territory Administrations should be noted by you. A statement agreed between you and the Army ~~Financial Adviser, Middle East~~, should be sent to the War Office quarterly showing in the case of each Occupied Enemy Territory Administration the value in sterling (including Departmental expenses and freight) of all issues and services made to that Administration from Army sources and the value of any reciprocal issues and services rendered by the Occupied Enemy Territory Administration to the Army.

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Pay and allowances issued from Army sources to civil personnel, will be recovered from the funds of the Occupied Enemy Territory Administration concerned. Similarly, any other agency cash payments made by Army Paymasters on behalf of Occupied Enemy Territory Administrations, will be the subject of recovery from the Administration concerned and vice versa.

12. Any funds which you or the Deputy Controllers of Finance and accounts require in addition to revenue, should be drawn from the Army Command Paymaster. Similarly, any surplus of revenue over expenditure should be handed over periodically to the Army Command Paymaster. The sums so issued or received by the Army Command Paymaster will be charged or credited to the administration concerned in the War Office books, and will be cleared on receipt of your accounts. You will not render any accounts to the Army Command Paymasters.

13. A monthly cash account should be produced for each administration, showing cash receipts brought to account from the various sources (e.g. judicial fines and fees, revenue and sums received from the Army Paymaster) and expenditure brought to account (e.g. payments to Administrative staff, on administration (ordinary and special services) and sums handed over to the Army Paymaster). As stated in paragraph 9, you should submit your proposals for the framework of the account, but no doubt that framework will provide

for/

-3-

for the credits and charges in this account to be classified according to the department of administrative service concerned, e.g. Law and Justice, Police, Agriculture, etc.

14. The monthly cash accounts of Headquarters Occupied Enemy Territory Administration and all separate administrations for which you are the financial officer will be collected by you, stated in sterling and set out in a comprehensive statement which you will certify and pass monthly in triplicate to the British Exchequer and Audit Department in Cairo. (The accounts should be converted into sterling at the official rates of exchange agreed with you from time to time). That Department will retain the triplicate copy and pass the original and duplicate to this office where the necessary postings in War Office books will be made.

15. Instructions will be issued, in due course, to the ^{general officer} ~~the~~ Commanding-in-Chief, ~~Middle East~~ ^{Force} regarding the extent of his financial powers in dealing with Occupied Enemy Territory Administration expenditure. Proposals involving expenditure beyond his powers, will be referred to the War Office for decision.

16. As regards currency, rates of exchange, and banking your attention is drawn to War Office telegram 53860 Cipher (F.4.) of 27th February, 1941, in which you are asked to consult the Council in advance unless immediate local action is imperative. The general policy on these matters will be notified to you from time to time by cable.

17. The details of your accounts will be subject to audit by the Exchequer and Audit Department in the Middle East with the head of which you should make contact at an early date and make arrangements to meet his requirements.

18. A copy of this letter is being sent to the Commander-in-Chief, Middle East, for the information of himself and the Chief Political officer.

I am,

Sir,

Your obedient Servant,

(Sgd.) P.J. GRIGG.

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