

ACC

10000/100/982

31pp.

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

10000/100/982

FINANCE, FILE NO. 310
OCT. 1943 - JAN. 1944

31pp.

1908

SECRET

peninsular base section
SIGNAL MESSAGE CENTER

29 JANUARY 1944

SECRET

310

ROUTINE

FATIMA REPEATED CG PBS TO FARGO FOR HAMLYN

NONE

SINGED CINC

281232A

281858A

44058

FHMGS

HEADQUARTERS
29 JAN 1944
AMG.

TROOPERS STATE DO NOT ANTICIPATE MAKING SPECIAL PROVISION ITALIAN REFUGIES IN SWITZERLAND. REFERENCE YOUR 2173 OF 26 JANUARY. NOT POSSIBLE MAKE EXCEPTION FOR JUNG OR ANY OTHER ITALIAN. SPEED SENT GRAFFTEY-SMITH LETTER EXPLAINING POSITION.

PBS DIST

ACTION AMG HQ
INFO G-2
SECY
CG

AGC DIST

ACTION ECON SEC(2)
INFO COL SPOFFORD (2)

11572

SECRET

4454

SECRET

Col. Spofford
2137

PENINSULA BASE SECTION
SIGNAL MESSAGE CENTER

310

31 JANUARY 1944

SECRET

PRIORITY

CG PHS FOR AGG/AMG FOR MILLER

NONE

FATIMA HEAR SIGNED MACFARLANE

31120A

311835A

2237

NONE

File

CS

HEADQUARTERS
1 FEB 1944
AMG.

ALL FINANCE PERSONNEL ARRIVE CAPODIUMINO ENROUTE SALERNO TUESDAY AFTERNOON. JUNG
DESIRES MEETING WITH KOENIG FRIDAY.

FEB DIST

ACTION AND HQ
INFO SBY
CG

AGG DIST

(ACTION) AGG SEC
(INFO) COL SPOFFORD
EX OP/RS

11997

SECRET

4453

pa 310

CONFIDENTIAL *COL SPOFFORD*
N-4257 RMD 1919

CONFIDENTIAL PRIORITY TELEGRAM

RECEIVED AT

FBS SIGNAL MESSAGE CENTER *file*

28 JANUARY 1944

CONFIDENTIAL

PRIORITY

TO...ACTION.....CG FBS FOR FARGO ATTN SPOFFORD

INFO.....NONE

FROM.....SEARS FOR POLETTI

DATE TIME SGD.....281405A

DATE TIME RECD.....281748A

REFERENCE NR.....S-6425

CITE.....RPS-13

HEADQUARTERS
29 JAN 1944
AMG.

LETTER GUARDIA FINANZA FOR SICILY DATED 8 JANUARY IS SUBJECT.
REQUEST THAT 100 MEN WITH EQUIPMENT REPORT TO PALERMO LEGION
GUARDIA DE FINANZA

FBS DISTRIBUTION:

ACTION...AMG HQ

INFO.....SEC

C.G.

AMG DISTRIBUTION:

ACTION...ECON SEC (3)

INFO.....COL SPOFFORD (2)

*Told Capt
to act*

-11528-
CONFIDENTIAL

ET
4452

Ph^{ps}
310

CONFIDENTIAL
EQUALS BRITISH CONFIDENTIAL

1144

CONFIDENTIAL
NR - 1175.

(Info) DC of S (O. 121)

ADDRESSED FOR ACTION TO : FARGO FOR HARLYN
INFORMATION TO : PATINE FROM VOLBY SIGNED
FROM : JOYON
IN REPLY REFER TO : NR-1175

TIME : 1433
TIME SENT : 21510A
TIME RECD : 290800A
PRECEDENCE: PRIORITY

We have received a communication from the Prefect of Catesarc which seems to indicate that payment of allowances to families of soldiers has been suspended in that Province. You may wish to communicate with MAGADANAN and ascertain true state of matter.

DISTRIBUTION:
ACC (ACTION)
OO

*Dist: Lee This (Action)
Jin
File*

CONFIDENTIAL
EQUALS BRITISH CONFIDENTIAL

*601 105
4451*

SECRET

1441

RS. AT PEN. BASE SECT.

21 JANUARY 1944

Handwritten: C/INT-O-DCCAO(2)

SECRET

PRIORITY

FREEDOM FOR MGS, CG PBS FOR PENCOR FOR ACC/AMG, FILPOT FOR AMG
NONE

FATIMA REAR SIGNED MACFARLANE

211645A

212117A

2067

NONE

HEADQUARTERS
22 JAN 1944
AMG.

ALL PAYMENTS TO ITALIAN ARMED FORCES EXCEPT SARDINIA SHOULD BE MADE BY JUNG TO AFFORD CENTRALIZED CONTROL OF EXPENDITURES. DUPLICATION MENTIONED IN YOUR 20 JANUARY 40599 WOULD NOT OCCUR IF VAGLIA WERE PERMITTED TO BE HONORED. THIS PROCEDURE IN EFFECT IN REGION 1 STARTING WITH PAYMENT OF 31 JANUARY. VAGLIA SHOULD BE USED TO AVOID NECESSITY OF TRANSPORTING CURRENCY; TO ABSORB CURRENCY DEPOSITED IN BANKS; AND TO AVOID UNNECESSARY INCREASE IN CURRENCY IN CIRCULATION ON .

SECRET

4450

SECRET

1479

RE. AT PER. BASE SECT. SIG. MES. CENT. 23 JAN. 44

SECRET *PA F* PRIORITY

FATIMA REAR REPEATED FARGO REPEATED FLEPOT FOR AMG *(2)*

NONE

CINC

221500A

230315A

41478

(DCCAO)
HEADQUARTERS
23 JAN 1944
AMG.

PHIBS (REFERENCE FATIMAS 2067 OF 21 JANUARY)

ITALIAN ARMED FORCES IN REGION 2 ORIGINAL PAID BY REGIONAL CHIEF OFFICER. PAYMENTS WERE TEMPORARILY SUSPENDED AND LATER RESUMED ON ORDERS FROM GENERAL MACSHERRY. PAYMENT OF 80,000,000 REQUESTED BY CORPS COMMANDER WAS EFFECTED. IN MEANTIME JUNG WITHOUT NOTIFYING REGION 2 HAD SENT 80,000,000 LIRE TO CORPS COMMANDER (12,000,000) IN VAGLIE AND (68,000,000 IN CASH). WHEN DUPLICATION ACCIDENTALLY DISCOVERED ALL PAYMENTS SUSPENDED ON SECURITY GROUNDS UNTIL MACALLE REMOVED. NOT THEREFORE CLEAR HOW REFUSAL TO MEET VAGLIE CAUSED DUPLICATION AS DUPLICATION ALREADY ACCOMPLISHED FACT. (2) AS JUNG SENT PHYSICAL CASH ONCE NOT REPEAT NOT KNOW IN REGION 2 IF HE WILL REPEAT THIS OPERATION. SUGGEST THAT IF ALL MILITARY EXPENDITURE NOW CONTROLLED BY YOU ONLY NECESSARY TELEGRAPH ADVICE TO BANCA D'ITALIA CATANZARO OF TOTAL EXPENCITURE APPROVED FOR CORPS FOR PARTICULAR MONTH AND NO REPEAT NO NEED SEND VAGLIE. NECESSARY NOTIFY REGION 2 AMOUNTS INVOLVED SO AS BANCA D'ITALIA CATANZARO CAN BE PUT IN FUNDS. (3) ABOVE SENT BY MACPADDEAN IN CAPACITY AS EX REGIONAL CHIEF FINANCE OFFICER.

Action—AMG HQ.

Recon Div. (2)

Info —F. O.

DCCAO (2)

Seoy

C. G.

FBS-DIST

SECRET

4449
A.G. - MISC. - DIST.

RESTRICTED

INFO - DCCAO(2)

1419

PENINSULAR BASE SECTION
SIGNAL MESSAGE CENTER

21 JANUARY 1944

310

RESTRICTED

ROUTINE

CG PIB FOR CHIEF OF AMFA ALLIED GENERAL COMMISSION NAPLES

NONE

AMFA BARI OFFICE

NFT

211440A

NONE

NONE

YO

YOUR AUTHORITY REQUESTED TO MAKE ADVANCE TWO HUNDRED MILLION LIRE THROUGH
BANCA D ITALIA BARI FOR SERVICING DEBIT ITALIAN GOVERNMENT.

ACT - ECON DIR(2)

4448

5427

RESTRICTED

PA F
30

Info D.C. of S. Office
SECRET 830

PENINSULAR BASE SECTION
SIGNAL MESSAGE CENTER

12 JANUARY 1944

SECRET PRIORITY

PRIORITY

FREEDOM FOR MGS (TO PENCE FOR ACC/ AMG FOR HAMLYN)

NO NE

FATIMA FOR FOLEY SIGNED JOYCE

11816A

120150A

1937

NONE

SUGGEST IN FAM 76, WE HAVE BEEN DISCUSSING WITH ITALIAN TREASURY FOR SOME TIME THE DESIRABILITY AND NECESSITY OF HAVING ITS CURRENCY PRODUCED BY PRIVATE BANK NOTE COMPANIES UNDER U S TREASURY SUPERVISION. WE HAVE JUST OBTAINED COLONEL JUNG'S COOPERATION AND AGREEMENT TO PROCEED. DETAILS AS TO PLATED, DESIGN, QUANTITY AND DENOMINATIONS ARE NOW AVAILABLE. AS QUESTION IS BOTH PRESSING AND COMPLICATED AND INVOLVES CONSIDERABLE DISCRETION DIRECT NEGOTIATION IS NECESSARY IF PROMPT AND EFFECTIVE ACTION IS TO BE SECURED. COLONEL BOLEY IS OF THE OPINION HE SHOULD GO TO WASHINGTON AT AN EARLY DATE TO DISCUSS THIS AND OTHER FINANCIAL QUESTIONS. IF YOU ARE IN ACCORD, PLEASE MAKE NECESSARY ARRANGEMENTS AND ADVISE.

[Handwritten signature]

Orig to Econ. Div
4447

SECRET
9006

Info. DC 4/5 (OSI) 1121

RA. K 310

RESTRICTED

RE. AT PEN. BASE SECTION SIG. AREA CENT. 16 JANUARY 1944

RESTRICTED

ROUTINE

CG PBS FOR FARGO ATTENTION HADLYN FOR MILLER

NONE

SBARS FOR POLETTI

151720A

160001A

9 5873

RFD 9

HEADQUARTERS
16 JAN 1944
AMG.

ARRIVING BARI BY AIR VINCENZO TESTA 1400 HOURS 17 JANUARY.
REFER TO FOLEY'S MESSAGE 1826. HAVE WIRED FOLEY.

*Orig. Econ Div (2)
Ext. Offs.
G-1*

[Handwritten signature]

RESTRICTED

4446

00

00 785015 (9-2)

ALLIED FORCE HEADQUARTERS
Military Government Section

JCH/CF/JJr

RM

18

28 November 1943.

MGS-386.2

SUBJECT: Draft Circular on Billeting in Italian Territory.

TO : Headquarters, AMG - ACC (Attention Chief Financial Officer and Chief Legal Officer), 15th Army Group for AMG (Attention Chief Financial Officer and Chief Legal Officer).

1. Inclosed are two copies of a draft AFHQ Circular which has just been prepared by the Director of Hirings (British) and circulated to interested staff sections at this Headquarters for their approval or suggested amendments. The Director in his covering note points out that "It is based on A.F.H.Q. Circular No. 12, sect IX, and L of C Standing Orders 141 - 149 but is drawn to take into account the fact that under the Armistice terms the Italian Government are to furnish all services required by the Allied Forces with the result that it will be their responsibility to pay billetors".

2. Early comment on the draft is requested for consideration at this Headquarters.

J. C. Holmes

J. C. HOLMES
Brigadier General, G.S.C.
Chief, Military Government Section

Incls:
As above.

4445 18

541.

U.S. RESTRICTED
(Qualia British Restricted)

ALLIED FORCE HEADQUARTERS

AFD 512

November 1943

CIRCULAR)

NUMBER)

BILLETING IN ITALIAN TERRITORY.

1. The Allied Forces are entitled to resort to billeting in Italian territory. Billeting is the process by which military personnel is provided with lodging or shelter by requiring a community to furnish this. It is distinct from the requisitioning of buildings, in that it enables the inhabitants to remain in occupation and to provide the lodging or shelter out of the space ordinarily occupied by the household.

2. Application for Billets.

a. On arrival in a town or village the G.C. unit will apply in writing giving the number of officers, other ranks, etc., requiring billets, to the British Town Major, U.S. Billeting Officer, Civil Affairs Officer or Podesta (Mayor), who will give particulars of the billets available, and, where necessary, issue billeting orders (biglietto d'alloggio) to the billetors.

b. In those exceptional cases where, owing to troops arriving at night or for some other reason, it is impossible to follow the above procedure before taking temporary accommodation, the G.C. unit will advise the appropriate officer referred to above at the earliest possible moment and regularize the position.

3. Selection of Billets.

a. Troops will not be billeted in places of worship, convents, or buildings classified as historical monuments, or on women living alone.

b. Unless absolutely unavoidable, troops should not be billeted in town halls or buildings used for trade, industry or agriculture. When the use of such buildings cannot be avoided, arrangements will be made to prevent interference with the civil administration or undertaking, and for the safe custody of documents and chattels.

4. Additional Accommodation.

Although normally the requisitioning procedure should be followed to obtain additional premises, provided below, G.C. units may in exceptional circumstances obtain accommodation for the following in the manner prescribed above :-

- a. an officer's mess or an office;
- b. a non-commissioned officer's mess;
- c. a dining-room, recreation-room, or workshop;
- d. a kitchen, cookhouse, storeroom, dispensary, drying room or wash bathroom.

5457

a. On arrival in a town or village the C.S. unit will apply in writing giving the number of officers, other ranks, etc., requiring billets, to the British Town Major, U.S. Billeting Officer, Civil Affairs Officer or Podesta (Mayor), who will give particulars of the billets available, and, where necessary, issue billeting orders (biglietto d'alloggio) to the billetees.

b. In those exceptional cases where, owing to troops arriving at night or for some other reason, it is impossible to follow the above procedure before taking temporary accommodation, the C.S. unit will advise the appropriate officer referred to above at the earliest possible moment and regularise the position.

3. Selection of Billets.

a. Troops will not be billeted in places of worship, convents, or buildings classified as historical monuments, or on houses living alone.

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- a. an officer's mess or an office;
- b. a non-commissioned officer's mess;
- c. a dining-room, recreation-room, or workshop;
- d. a kitchen, cookhouse, storeroom, dispensary, drying room or unit bathroom.

5. Payment for Billets.

a. No payment for billets will be made by the unit.

b. In order that payment to the billetees can be effected by the Podesta or other appropriate Italian authority at the end of every 14 days or on departure of the unit the C.S. will give to the Podesta a statement in the following form:-

Name of Billetee.	Address of Billetee.	Period		Number of	
		From	To	Officers	Other Ranks
					Notified List

6. Electric Light, Heating and Water

a. Where available the Billetes is entitled to bathing and washing facilities and to electric light and heating.
b. U.C. units will impress on all ranks that fuel to produce electricity and gas, and to pump water, has to be brought from overseas at great risk. The U.C. unit will ensure that the strictest economy is exercised and will take severe disciplinary action against anyone guilty of wastage.

7. Disciplines in Billets

a. U.C. units will remind troops about to be billeted that they are entering the homes of the inhabitants, and are to conduct themselves in the way they would wish billetes in their own homes to behave.
b. An officer will be detailed to make frequent inspections of billets and remedy any cause for complaint.

c. Fire and P.A.S. precautions will be maintained. U.C. units will take severe disciplinary action against anyone found guilty of making illicit and surreptitious connections to an electric wiring system as not only is this a fault of electricity, but it constitutes a grave danger to life and to the safety of the lighting system in the whole locality.

8. Hygiene in Billets

Billets will be kept scrupulously clean and steps will be taken to ensure proper ventilation, disinfection and sanitation. Each man should be allowed 45 sq. ft. of accommodation.

9. Voluntary Organizations

Personnel and vehicles of voluntary organizations authorized to accompany the force, such as the Red Cross, may be billeted in the same manner as those of the army.
a. U.C. units will take disciplinary action against anyone guilty of causing avoidable damage in billets.

b. Billetes should make their claims in respect of such damage to the commanding officer and provided the commanding officer is satisfied that the damage was caused by the troops, he will give to the Poetsa a certificate setting out details of the damage to caused. Settlement will be made by the appropriate Italian authority.

23
ALLIED MILITARY GOVERNMENT
SICILY REGION HEADQUARTERS

File: RFD/151

3 January 1944

Subject: Submission of copies of
Financial Division Report
for October.

To : Colonel C.M. Spofford
DCCAO
AMG Headquarters

Through: R.C.A.O.

1. In compliance with your telegraphic request I submit herewith 12 copies of the Report on the activities of the Financial Division (AMG), during October 1943 as submitted to the CCAO.

R.B. Menapace
R.B. MENAPACE
Lt. Colonel
R.C.F.O.

cc:
Sicily Region Hq. (2)
File 151 (1)
File 108 (1)

4443

SECRET

Subject: Report on the activities of the Financial Division During October 1943

To : The C.C.A.O.

18 November 43

INTRODUCTION:

1. During October the Financial Division made further progress toward the re-establishing of the normal functioning of the financial machinery of the Sicily area. Measures have been adopted to make increasingly effective the control of governmental expenditures. The banks have been restored to unrestricted operations. The Postal Savings Section of the Post Office has been reopened. Social Insurance Institutions have been put in a position to carry on their benefit payments. A number of other unsettled problems have been studied. Obviously, the full restoration of the economic and financial life of the area must await developments on a broader scale. For example, improvement of conditions in agriculture, industry and mining will depend on the resumption of exportation and importation, and the attainment of normal banking activities will have to await improvement in these fields as well as the resumption of service on the Italian government debt.

2. Coordination between the Financial Division at Headquarters and the Finance officers in the field have been increased. On October 26, the Provincial Finance Officers were called to a meeting at headquarters, at which the new plans for expenditure control were explained, and revenue, banking, insurance, postal and accounting matters were reported upon and reviewed.

3. It is the aim of the Division to put as many of the financial functions as possible in the hands of the proper Italian officials, retaining in AG officers the control and supervision prescribed in the AGOT plan.

4. At the close of the month the Division consisted of 46 officers in Sicily, of whom one was the Deputy Chief Finance Officer; 11 were in the Revenue, Banking, Insurance and Postal Sections, 7 were in AIFA, 13 were in the Accounting Section, and 15 were in the Provinces. Former officers of the Division assigned to other areas as of the end of the month were as follows: 7 in Region II; 2 in Region III and 2 in AGOT, 15th Army Headquarters. During the month 4 officers were sent from Cisi Ozca to AIFA, Palermo, for training.

5. By Headquarters AG Order 210.3, issued on the 26th of October, 1943, Region I (Sicily) was set up and 20 officers of the Financial Division were assigned to it to constitute the Financial Division of Region I.

PUBLIC FINANCES:

6. Improvement has continued in the collection of revenues. Reports by Finance Officers indicated that the inflow of taxes in the various provinces increased to a range of from 20% of normal in Messina Province to 80% in Ragusa Province. In Agrigento communal taxes were covering expenditures, and no further advances were being made to communes in the province. The low rate of collections

The Postal Savings Section of the Post Office has been reopened. Social Insurance Institutions have been put in a position to carry on their benefit payments. A number of other unsettled problems have been studied. Obviously, the full restoration of the economic and financial life of the area must await developments on a broader scale. For example, improvement of conditions in agriculture, industry and mining will depend on the resumption of exportation and importation, and the attainment of normal banking activities will have to await improvement in these fields as well as the resumption of service on the Italian government debt.

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4442

7. Tighter control of expenditures has been the objective of new instructions issued on October 11, relating to communes and provinces. With effect from December 1, communes and provinces will be required to submit monthly budget estimates of needs filled out on forms supplied by the CRC, with readings of receipts and expenditures such as carried on their pre-occupation budgets. For comparison, the forms submitted will carry the actual receipts and expenditures for the corresponding month last year. Based on these monthly estimates, each commune will make its request for funds to cover its deficit, if any. The budgets and requests will be approved by the Prefect and the RC in the Province; then will be forwarded to the financial division at Headquarters for final approval. It is planned that funds will be disbursed to the Prefect to be paid by him to the communes, this conforming to the pre-occupation system, and at the same time simplifying the accounting. Under the scheme for controlling the expenditure of State bodies is being prepared. Under the proposed plan, all State bodies will make application for their needs. Their applications will be approved either by the Prefect or the Intendente in the Province, and will then be sent on to Headquarters for the approved application will be assembled and turned over to the Bank of Italy Royal Treasury Section with instructions that the items be paid. The Chief Inspector of the Bank of Italy will be located in Palermo and will serve as a central authority through whom to deal with the Bank of Italy. He will centralize for us the reports of all branches in Sicily, covering the state taxes deposited in them and assembling all information on which to base advance to the Bank of Italy, Royal Treasury Sections. Both plans will assure (1) that state revenues collected will be applied to meeting expenditures and (2) that requests will be centralized at Headquarters of the region where they can be checked and supervised. Because of the reduced personnel assigned to Regional military government, the employment of qualified Italian officials will be both necessary as well as helpful.

8. The Revenue Section has had discussions with Army and Navy authorities leading to the resumption of control by the Italian Customs organization of ports released by Allied forces. The schedules of import duties in force under Italian law will be enforced. A question arose during the month with reference to flour, sugar, and petroleum in ports arranged by Civilian Supply Division for resale to the civilian population. It was ruled by the DCCAO that no duties are to be levied on AKGOT imports of this kind, even though intended for resale to the civilian population.

9. It was decided to commence the operations of the Lottery in Sicily about the middle of November, beginning in the Palermo area and extending it Island-wide as soon as conditions permit. The normal net profits of this activity were about 29 million lire a year in the region under Palermo jurisdiction.

10. Manufacture of tobacco products by the tobacco monopoly has begun on a small scale. Expansion of this activity will depend on supply of electric power and coal. Financing of the repair of the Catania factory is being considered.

11. With the removal of restrictions on banks and the lifting of the moratorium by General Order No. 10, October 12, the question of resumption of service on municipal debts raised. It was decided to make no change in the past policy of not authorizing the...

4441

the proposed plan, all State bodies will make application for the applications will be approved either by the Prefect or the Intendente in the Province, and will then be sent on to Headquarters here. The approved application will be assembled and turned over to the Bank of Italy Royal Treasury Section with instructions that the items be paid. The Chief Director of the Bank of Italy will be located in Palermo and will serve as a central authority through whom to deal with the Bank of Italy. He will centralize for us the reports of all branches in Sicily, covering the state taxes deposited in them and assembling all information on which to base the advance to the Bank of Italy, Royal Treasury Section. Both plans will assure (1) that state revenues collected will be applied to meeting expenditures and (2) that requests will be centralized at Headquarters of the region where they can be checked and supervised. Because of the reduced personnel assigned to Regional military government, the employment of qualified Italian officials will be both necessary as well as helpful.

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10. Manufacture of tobacco products by the tobacco monopoly has begun on a small scale. Expansion of this activity will depend on supply of electric power and coal. Financing of the repair of the Catania factory is being considered.

11. With the removal of restrictions on banks and the lifting of the moratorium by General Order No. 10, October 12, the question of resumption of service on municipal debts raised. It was decided to make no change in the past policy of not authorizing the resumption of such service. Pre-occupation with bills of commons, other than salaries, has been held in suspense, and because of the difficulties involved in considering long past due bills for supplies, rent, etc., of the commons, the policy of not advancing funds to commons for these purposes has been maintained. Only one exception has been made to this rule; the commons have been requested to settle their bills to the Societa Generale Elettrica for light and power, many of which were in arrears for long periods. This was done for the reason that the Electric Company is badly in need of funds, due to damage to its properties and the subtraction of its operations to military necessities. The question of financing current needs of this and other utility companies is a pressing one.

12. The broad problem of revising the tax rates now in force under Italian laws has been discussed, but it is considered that such revision must await consultation with Italian authorities on a higher level. The matter of raising salaries of government employees has been increasingly urgent, as petitions for such increases, to meet the high cost of living, have been flowing to Headquarters in larger and larger volume. This question had been entrusted to the Labor Division for study and report. A project for such raises was submitted by that Division at the end of October. The Financial Division, after discussing the question fully with the Labor Division, offered the warning that this is a step toward growing inflation, but agreed that circumstances demanded action to put through the raises proposed. It recommended that the Senior Officers of the Financial Sub-Commission who were about to arrive from Tiri Ouzou be given the opportunity to pass on the project. This recommendation was accepted.

BANKING

13. An important development during the month in the banking field was the issuance of Gen. Order No 10, effective Oct. 12. By this order the provisions of Proclamation No 5 closing banks and other financial institutions were rescinded, and such banks and institutions were permitted to resume their normal functions without any restrictions as to deposit withdrawals and other obligations to customers, except in the case of the Bank of Italy. The latter was permitted to engage only in (a) Royal Treasury operations, (b) transfers from free credit balances at the request of individuals or persons, (c) payment of its vaglia cambiari. The requirement that a representative of the AMG be present at the initial opening of safe deposit boxes and at the releasing of articles in safe custody was maintained. By the same Gen. Order, the moratorium established by Proclamation No 5 was terminated, except as to the Bank of Italy's obligations toward banks and other financial institutions and as to their obligations to the bank of Italy.

14. The banks are now restored to normal functioning, including the paying of their assegni circolari (circular checks) and vaglia cambiari (also a form of circular checks issued by Banco di Sicilia), but there still remains the question of resumption of service on the government debt, which constitutes large portion of the assets of all banks. The credits made available to the banks by AMFA will continue outstanding. Not only was no increase in these credit lines necessary, but on the contrary the use of AMFA credit is only a small percentage of the total available. Of total credits of 1,706,000,000 Lire, the banks were using at the end of the month only 380,000,000 Lire. Following the publication of Gen. Order No 10, the CFI and AMFA jointly sent to all the banks a letter amending the existing credit agreements by eliminating the previous requirement that cash loaned by AMFA must be used only for payment of withdrawals by depositors; the same letter admonished the banks that in their loaning operations they must exercise caution and avoid speculative loans. The banks are required to furnish to the CFI end-of-the-month balance sheets.

15. The blocked account section, under the EFI, maintains records of blocked accounts and on justifiable grounds issues licenses, either Special or General, the former permitting specific withdrawals, the latter free operation

BANKING

13. An important development during the month in the banking field was the issuance of Gen. Order No 10, effective Oct. 12. By this order the provisions of Proclamation No 5 closing banks and other financial institutions were rescinded, and such banks and institutions were permitted to resume their normal functions without any restrictions as to deposit withdrawals and other obligations to customers, except in the case of the Bank of Italy. The latter was permitted to engage only in (a) Royal Treasury operations, (b) transfers from free credit balances at the request of individuals or persons, (c) payment of its vaglia cambiari. The requirement that a representative of the AMG be present at the initial opening of safe deposit boxes and at the releasing of articles in safe custody was maintained. By the same Gen. Order, the moratorium established by Proclamation No 5 was terminated, except as to the Bank of Italy's obligations toward banks and other financial institutions and as to their obligations to the Bank of Italy.

14. The banks are now restored to normal functioning, including the paying of their assegni circolari (circular checks) and vaglia cambiari (also a form of circular checks issued by Banco di Sicilia), but there still remains the question of resumption of service on the government debt, which constitutes a large portion of the assets of all banks. The credits made available to the banks by AIRI still continue outstanding. Not only was no increase in these credit lines necessary, but on the contrary the use of AMFA credit is only a small percentage of the total available. Of total credits of 1,700,000,000 Lire, the banks were using at the end of the month only 380,000,000 Lire. Following the publication of Gen. Order No 10, the CFI and AMFA jointly sent to all the banks a letter amending the existing credit agreements by eliminating the previous requirement that cash loaned by AMFA must be used only for payment of withdrawals by depositors; the same letter admonished the banks that in their loaning operations they must exercise caution and avoid speculative loans. The banks are required to furnish to the CFI end-of-the-month balance sheets.

15. The Blocked account section, under the EPI, maintains records of blocked accounts and on justifiable grounds issues licenses, either Special or General, the former permitting specific withdrawals, the latter free operation of the account. It is proposed that blocked accounts of institutions which have been abolished be transferred to the Property Custodian Division. Instructions are being prepared by which each Provincial FO will be given jurisdiction over the blocked accounts located in the province, with authority to issue unblocking licenses where warranted, thus decentralizing the system and permitting quicker action where this is desirable.

16. Reopening of the Postal Savings Sections of the Post Offices was accomplished shortly after the restrictions were lifted in Palermo from the banks. Depositors are permitted to withdraw from their accounts without limitations. Credit facilities up to a maximum of 200,000,000 Lire were established **4440**

by A.M. for the use of the Postal Savings organization. The amount used at the end of October by the offices in Palermo city, was only 8,000,000 Lire. Reports indicate that deposits are coming into the offices in excess of withdrawals. The Current Accounts sections of the Post Offices are also authorized to open, and funds from the above mentioned credit are available, if needed, to make this possible. Suitable quarters are being sought in Palermo, as the main postal building is still occupied by the Armed Forces. The recommencing of postal money order operations will not long be delayed, after the censorship aspects have been covered.

SOCIAL INSURANCES.

17. In the Social Insurance branch of the CFI's section, marked progress was made during the month by the facilitating of the resumption of operations of the Istituto di Previdenza Sociale, the largest of the social insurance institutions. For the institution's island-wide organization, it was agreed that the amount of 86,899,000 Lire was needed to cover its requirements for payment of benefits for the three months ended September. These amounts were advanced to the Istituto by A.F.I. It is proposed that the monthly requirements will be similarly met, after adequate reports are submitted to us by the Chief Inspector of the Istituto. This organization has normally operated on a deficit basis, as previously explained.

18. The Istituto d'Assicurazioni Contro Gli Infortuni sul Lavoro has been able to resume its activities without any financial help from the Military Government. As previously indicated, this Istituto has absorbed the Cassa Infortuni Agricoli throughout the Island of Sicily.

19. Negotiations are well advanced for the amalgamation of the following four Cassa Mutue under the title of "Istituto per la Assistenza di Malattie ai Lavoratori": Cassa Regionale Malattie per gli Addetti al Commercio, Cassa Mutua Provinciale di Malattie per i Lavoratori dell'Agricoltura, Istituto di Assistenza per i Lavoratori delle Aziende di Credito, Cassa Mutua Malattie per i Lavoratori della Industria. As to the remaining institutions of a social insurance character, investigations and negotiations are proceeding.

20. In accordance with the request of the Major General Commanding No. 1 District, an officer of the Insurance Section attended a conference on October 21, called to consider the matter of workmen's compensation in relation to employees of the Services. Our officer reported to the conference on our arrangements with the Istituto d'Assicurazioni Contro gli Infortuni del Lavoro, by which AMGOT civilian employees (in the manual labor class) are considered as State employees and are covered by the same benefit arrangement which the State has established with the Istituto.

21. Istituto Nazionale delle Assicurazioni, by Italian law, handles an indemnity fund built up by contributions of employers, consisting of one-twelfth of the salaries paid to employees. This fund is used to pay termination-of-employment allowances to employees who are dismissed. In view of the social nature of this phase of the Istituto's operations, authority was granted to it to resume this activity.

17. In the Social Insurance branch of the CRI's section, marked progress was made during the month by the facilitating of the resumption of operations of the Istituto di Previdenza Sociale, the largest of the social insurance institutions. For the institution's island-wide organization, it was agreed that the amount of 86,899,000 Lire was needed to cover its requirements for payment of benefits for the three months ended September. These amounts were advanced to the Istituto by A.F.I. It is proposed that the monthly requirements will be similarly met, after adequate reports are submitted to us by the Chief Inspector of the Istituto. This organization has normally operated on a deficit basis, as previously explained.

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22. The abrogation of the moratorium permits private insurance companies to resume their normal functions. As previously reported, none of the companies represented in Sicily has its parent offices in occupied territory. Negotiations have been under way between insurance agencies and the local banks with a view to reaching a basis for enabling the agencies to undertake full operations. Obviously, it would be unethical for the agencies to accept premiums for general accidents, fire, theft and other policies without either the means of settling claims or proper provisos in this connection making clear to policy holders the possible delays in settling claims by the parent organizations. As regards life insurance, it is suggested that premiums be paid into the banks for account of the Companies concerned; the banks to be authorized to make payments in respect of maturing policies, annuities, pensions, etc., holding the policies as security. An early settlement of the private insurance problems is necessary.

A.M.F.A. AND CURRENCY.

23. AMFA's report for the period October 1 to 31, 1943, as sent through Military Govt. Section AFHQ to the Treasuries at Washington and London is summarized as follows.

24. The Statement of Assets and Liabilities of AMFA as at the close of business on Oct. 31, 1943, shows the following principal headings;

<u>Assets.</u>	(Expressed in thousands of Lire)
Current & Reserve cash & Current Accounts	1,045,359
Funds Held By Officers in the Field (including outside Sicily)	3,052,193
Balances with Banco di Sicilia as a partial provision against credits granted to Banks by AMFA.	1,112,872
Balances with Banco di Sicilia-Funds deposited by Banks with AMFA	372,675
A.M. Stamps (including delivered to Post-Off.)	86,714
Payments on acct. of Civilian Sup. Div. Advances to Italian Governmental bodies and others	5,490
Loans to Banks and Others	486,837
	381,530
<u>Payments on Account of Occupation Costs:</u>	
To United States Army	3,749,824
To United States Navy	70,466
To British Army	2,048,830
Total	5,869,120
Less net AMG revenue	4,740
	<u>5,864,380</u>
Total	<u>12,408,053</u>
<u>Liabilities.</u>	
New A.M. Lire Notes Received	11,757,784
New A.M. Stamps Received	86,714
Deposits by AMG Divisions	2,347
Funds obtained by Acctg. Officers in the Field	187,972
Deposits by Banks	372,675
Sales in Sicily of Supplies purchased Locally	61
Total	<u>12,408,053</u>

25. Total Assets and Liabilities of AMFA

Funds Held By Officers in the Field (including outside Sicily)	1,045,359
Balances with Banco di Sicilia as a partial provision against credits granted to Banks by AMFA	3,052,193
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New A.M. Stamps Received	66,714
Deposits by AMG Divisions	2,347
Funds obtained by Acctg. Officers in the Field	187,972
Deposits by Banks	372,675
Sales in Sicily of Supplies purchased Locally	51

Total	12,408,053
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25. Total Assets and Liabilities of Lire 12,408,053,254 compare with Lire 9,857,289,479 at the end of September. The increase of approximately Lire 2,550,000,000 is accounted for principally by:

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- (a) the receipt of 2,000 million lire in new A.M. Notes.
- (b) increased deposits by banks of 34.3 millions. (A number of banks have deposited sums in excess of their borrowings -- on these deposits AMFA pays them interest at the same rate as they pay on their borrowings; (in most cases 2% per annum).

(c) funds obtained from banks and others by Acctg. Officers in the field, approx. 188 millions. The great bulk of these have been re-paid, and the repayments will be reflected in AMFA's balance sheet as soon as the Chief Accountant has finished examining the accounts rendered by Accounting Officers in the field.

26. Comparison with the Statement of September 30 shows the following:

(a) Additional transfers to AMG officers in the field amounting to approx. 2,000 millions. Of this increase 1,430 millions were paid to AMG officers on the mainland of Italy, while 400 millions went to the Allied Mission in Sardinia.

(b) No further purchases of supplies for export to the United States are reflected in the October accounts.

(c) Advances to governmental bodies and others increased from approx. 47 million to approx. 487 millions. Those to State institutions increased 216 millions, as follows:

To State Railways	20 millions
To Post Office Savings Service	8 "
To Social Insurance Institutions	87 "
To "ammassi" for purchase of grain	77 "
To Hospitals	6 "
Salaries of School teachers, Carabinieri, P.O. officials, etc.	18 "

(d) Advances to Provinces amounted to 125 millions, and to Communes 86 millions.

(e) Loans to banks increased from 124 millions to 380 millions. The balance of AMFA's commitments under its credit agreements with these banks amounts to 1,362 millions, against which is carried a reserve of 1,112 millions with Banco di Sicilia. It was decided during October that in view of the fact that after allowing for sums deposited in the No 4 acct., the banks had availed themselves of only about 5% of the total commitments it was no longer necessary for AMFA to maintain a 100% cash provision in Banco di Sicilia. Consequently 250 millions were withdrawn from AMFA's No 2 and No 3 accounts in Banco di Sicilia for use in other directions.

(f) Disbursements to the Armed Forces in October were as follows:

United States Army	318,528,000
United States Navy	24,560,000
British Army	801,150,000

(g) AMG Expenses - AMFA's net expenditure was 104,406 lire; however none of the interest earned by AMFA has yet been carried to account. The other Divisions showed an excess of revenue over expenditure of 4,843,886 lire

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(g) ALG Expenses - ALFA's net expenditure was 104,406 lire; however none of the interest earned by ALFA has yet been carried to account. The other Divisions showed an excess of revenue over expenditure of 4,843,886 lire

27. Currency movements in October were:

Cash on hand and in banks (incl. mutilated) as at Sept. 30	2,205,005,133
New AL lire Notes received	1,985,600,000
<hr/>	
Total available during Oct.	4,190,605,133
Cash on hand and in banks (incl. mutilated) as at October 31	1,045,359,354
Total disbursement during October	3,145,245,779

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28. Holdings of Yellow Seal dollars and B.M.A. currency increased from \$79,425 and £1572/6/- on Sept. 30 to \$545,977 and £41,946/3/- on Oct. 31.

29. The total amount of A.M. Lire outstanding as of Oct. 31 was 10,785,843,771.

30. As mentioned in preceding sections of this report, AIFA played an important part in the arrangements made with the banks on the occasion of the issuance of Gen. Order No 10 and the permitting of unrestricted withdrawals by the banks, in the reopening of the Postal Savings services to which AIFA has made an initial advance of 8 millions to the Palermo offices, in the reopening of the Social Insurance Institutes, etc.

31. A branch of AIFA for Region 3 was established at Naples on Oct. 22, which has already provided a sum of 600 million to enable the banks in that Region to open. Steps are being taken to open a branch in Region 2; meanwhile AIFA has already provided 577 million lire including two sums of 100 million each, deposited with the Bank of Italy branches at Cosenza and Potenza for use in that Region.

32. During October four officers were attached to AIFA for training.

ACCOUNTS.

33. After examining and classifying 126 Reports of Receipts and Disbursements received from accounting officers in the field, the Chief Accountant's Section summarized and recorded on AIFA's books all of their receipts and expenditures up to August 31, 1943, which could reasonably be identified, thereby reducing the large balance carried in suspense under the caption "Funds Held by AMG Officers in the Field". As at Aug. 31, a net amount of Lire 609,784,510 was shown by AIFA to be accounted for by officers in the field and a further sum of Lire 187,972,215 had been obtained by these officers from banks, Army Paymasters and others, giving a total of Lire 797,756,725 to be accounted for. The latter amount was ascertained to have been applied as follows:

In thousands of Lire.

(a) Advances to Italian State and State Institutions	98,137
Advances to Provinces	125,095
" to Communes	86,273
	<u>309,505</u>
(b) Advances = others	12,580
(c) Loans = others	1,503
(d) Payments, less receipts, for account of Econ. & Sup. Div.	81
(e) AMGOT revenue, less expenditure	6,240
(f) Balance, representing cash in transit and in the hands of officers in the field (including Lire 21,200,000 to be accounted for by Regions 2 and 3)	<u>480,328</u>

31. A branch of A.F.A. for Region 2 was established at Naples on Oct. 21, 1943, which has already provided a sum of 600 million to enable the banks in that Region to open. Steps are being taken to open a branch in Region 2; meanwhile A.F.A. has already provided 577 million lire including two sums of 100 million each, deposited with the Bank of Italy branches at Cosenza and Potenza for use in that Region.

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(d) Payments, less receipts, for account of Econ. & Sup. Div.	81
(e) AMGOT revenue, less expenditure	6,240
(f) Balance, representing cash in transit and in the hands of officers in the field (including Lire 21,200,000 to be accounted for by Regions 2 and 3)	<u>480,328</u>
	<u>797,757</u>

34. With regard to AMGOT Revenue, less Expenditure, the amount of Lire 6,240,000 shown above - item (e) - was increased by a net amount of Lire 145,742 received by A.F.A. direct, giving a net total of Lire 6,385,948. Revenue amounted to Lire 7,549,956 and expenditure to Lire 1,164,008.

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35. Officers from the Chief Accountant's staff continued during the month the practice of visiting accounting officers in the field and assisting them in the preparation of their monthly reports, as well as clearing up doubtful points of previous reports. The examination of the September reports is well in hand and it is hoped that most of the items will be placed on A.F.A.'s books and on the Chief Accountant's early in November.

36. Since the procedure outlined in the directive of Sept. 6 entitled "Provisional Accounting Organization" was adopted, considerable improvement in the preparation of Reports of Receipts and Disbursements has resulted. With the introduction as from Dec. 1 of the new scheme of dealing at Headquarters with advances to provinces and communes, it will be possible to reflect in AIFA's accounts under the proper heads most of the expenditure now being carried in suspense for an average of six weeks and thus produce a more up-to-date picture. Similar advantages will result as regards state accounts when the scheme pertaining to them goes into effect later on.

37. Reports by the inspecting accountants indicate a need for field safes for custody of funds of officers in the field. Since a supply of these is not available, a strong wooden box has been designed, with internally secured fittings, and ten of these have been ordered from the U.S. Army stores. More will be ordered if these prove satisfactory.

38. A suitable system of dual control over AIFA's reserve of A.M. Lire Notes and stamps has been installed.

39. Accounting directives and instructions have been issued during the month as follows:

(a) For inclusion in the "AICOF Accounting Manual"

- (i) Vouchers used by Sub-Accountants, Imprest Holders and Collectors of Revenues;
- (ii) Heads and Sub-Heads for Classification of Receipts and Disbursements;
- (iii) Observations and Queries.

(b) Preparation of Budgets by and Control and Payment of Advances to Provinces and Communes (in collaboration with the C.R.O.).

(c) Accounting for Fees charged for Permits to use Motor Vehicles.

(d) Accounting Instructions - Pay of British Other Banks.

40. Numerous conferences during the month have been held with the participation of the Chief Accountant involving questions of accounting policy and principle. The most important of these have been the handling of Post Exchange funds, accounting procedure for the Controller of Property, procedure for dealing with the funds advanced in Region 2 to the Bank of Italy for state and other expenditures, cables to Washington regarding AIFA's accounts, and those of the Civilian Sup. Div., the procedure for ascertaining what subsidiaries and proposed new procedure pertaining thereto, etc.

41. The Acting Chief Accountant in Region 2 has reported that Sub-Accountants have been visited and instructed in the preparation of their accounting records in that Region. Copies of all directives and sections for accounting manuals with specimen instructions have been dispatched to that Region.

42. An Accounting Officer has been transferred to Region 3 to supervise the

4435

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42. An Accounting Officer has been transferred to Region 3 to supervise the accounting of the Economic & Supply Div. there.

43. Three officers arriving from Tizi Ouzou joined the Accounting Section during the month.

POSTAL

44. The development of postal delivery intercommunication services has been pushed forward considerably, but with varied success. In Palermo province practically all the post-offices are handling the mails, deliveries being by AMGOT courier, train, bus, horse cart and on foot. In four of the other provinces deliveries

are proceeding satisfactorily. In the remaining four provinces the development is not yet satisfactory, due apparently to the negligence on the part of the senior officials of the Post Offices. Steps are being taken to replace them.

45. Mail contact has now been established with Lipari, Lampedusa, Linosa, Pantelleria and Ustica and stamps are on sale on those Islands.

46. Some 60 sacks of prisoner-of-war mail have been sent forward during the month and 70 received. The latter included a large amount of correspondence for Italy, which has been held.

47. A good deal of mail is apparently reaching Sicily irregularly. The Postal Section, which has no control over this situation, is taking the matter up with the proper authorities.

48. Stamps of all denominations from 15 c. to 10 Lire are being put on sale, the larger denominations in response to requests from collectors. The question of increasing postal rates is being considered, and the matter awaits decision.

49. Inquiries have been made with regard to introducing mail service between Sicily and the Mainland. Inquiries have been received from AFHQ regarding the possibility of delivering prisoner-of-war mail and ordinary mails for Italy and Sardinia. Decision is awaited from the, since Security and Censorship considerations are involved. The B.M.A. Tripolitania and the Director of Army Postal Service L.E.F. have also inquired regarding the possibility of mail deliveries concerning their jurisdictions.

50. As mentioned in the section on Banking, the Postal Savings section of the Post Office has been authorized to resume operations. The accounting system of the Post Office is being overhauled. Money-order operations have not yet been authorized, though in error some provinces have resumed such activities. These have been ordered stopped until the Island-wide activity can be resumed.

51. The extremely small staff (two officers) in the Postal Section has been able to make very substantial progress by the able collaboration of the Chief Inspector of the Postal and Telegraph organization in Palermo, but proper control on the part of AMG calls for additional staff. Nor has the matter of adequate transportation been solved as yet.

4436

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F. B. Menapace
R. B. MENAPACE
Lt. Colonel
D. C. F. O.

80 00
HEADQUARTERS
ALLIED MILITARY GOVERNMENT
APO 394

File

2 January 1944

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SUBJECT: Finance Report up to November

TO : A.F.H.Q., M.G.S.

1. Enclosed herewith are three copies of the Report of the AMGOT Finance Division covering the entire period of its existence up to and including October.

2. It is requested that one of these copies be forwarded to the War Office in London and another to the War Department in Washington.

1 Enclosed Copy
CHARLES M. SPOTTORD
✓ Col., G.S.C.
D.C.C.A.O., A.M.G., HQ.

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310

(SECRET URGENT)

P.A.

HEADQUARTERS
ALLIED MILITARY GOVERNMENT
APO 512

23 Nov. 1943

SUBJECT: Attached Telegram (Secret)
TO : Chiefs of Sub-Commissions listed below

Mc

1. A conference , under the chairmanship of Brig. Hamlyn, will be held in the Conference Room HQ AMG. (8 Via Bari) at 1430 hrs. Wednesday, 24 Nov. 1943.
2. Your attendance is desired. In the absence from station of the Chief Deputy or other Senior Officer will attend.
3. Agenda Attached Telegram.
4. Please acknowledge on slip at foot.

By Command of Brig. Gen. McSHERRY:

for [Signature] Major G2
C. M. SPOFFORD
Col. G.S.C.

DISTRIBUTION:

- Chiefs of Finance
- Labor
- Public Safety
- Industry & Commerce
- Interior
- Public Health
- Public Works & Utilities
- Legal
- Lt Col Densmore (Communications Section)
- Administrative Director
- D/C of S (O & S I) ✓

SECRET

937

P A R A P H R A S E

IBS 4063
NR 1094

FOR : Fargo for Hamlyn

SUBJECT : Wage Increases for Governmental Employees.

1. Dr. Jung says that plans to order wage increase for governmental employees in Badoglio Provinces as soon as possible, using same percentages as contained in AMG Wage Order.

2. However, in our discussions with him two points have arisen which require immediate clarifications: (a) Jung's draft order makes wage increase applicable to all Military and Naval personnel as well as civil employees: (b) Jung's draft order abolishes two wage plans, the "indennita di Presenza" and the "Prmio di Operosita".

3. Regarding point (a), it is our understanding that AMG Order for Sicily did not apply to Italian Armed Forces. Jung states there is no basis for distinction between Carabinieri and Italian Army, Navy and Air Force and that any attempt to make such a distinction between Regions Two and Three and the four provinces will lead to serious difficulties. Jung's application of the order would more than double the cost of wage increase, but he insisted that it is absolutely necessary and inevitable

4. Regarding (b), the AMG order for Sicily, as issued, adds a percentage increase to base pay, plus all supplements, including Indennita di presenza. It is our understanding that "Presenza" is to be abolished in Sicily, now that the wage increase has been put into effect. Jung points out that unless this is done there will be a serious discrepancy between wage levels for corresponding classes of employees between Sicily on the one hand and Region Two and the four Provinces on the other, where "Presenza" is not now being paid.

5. We urgently request your views on point 2 (a), as we have asked Jung to suspend action on order pending further word from us.

6. Please confirm our understanding that "Presenza" will be abolished in Sicily.

7. Jung's draft also abolished the "Prmio di Operosita". He holds that (portion undecipherable) as among individuals in the same salary class (undecipherable) that its inclusion is administratively impracticable.

If "Prmio di Operosita" is retained in Regions One and Two and eliminated in Badoglio's provinces, a differential will result.

8. Please discuss with other interested sub-commissions and let us have your views as soon as possible.

(From FATMA from FOLEY signed JOYCE repeated FILPOT FOR AMBOT for
GRAFFNEY SMITH for information)

4430
4431

sub P.A. Finance

CONFIDENTIAL
FOR THE BRITISH GOVERNMENT

HEADQUARTERS
25 NOV 1945
AMG

1310
1010
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(Ovst)
(Info)

TO : FREEDOM FOR MGS
FROM: FATINA

CONFIDENTIAL ROUTINE

185 1176
221007A
251004A

IN REPLY REFER TO: NR 1074 RELAX

It has been suggested here that information be obtained from Washington and London on Spain's experience in dealing with currency and inflation problem during the recent Civil War. The Spanish situation appears to be somewhat comparable to the situation now existing in Italy, that is, a country occupied by 2 belligerent forces, both issuing currency; commodities in short supply, and foreign trade virtually at a standstill. It is likely that OEW and MOW, who have been working on Spanish problem, have information in their files which could be quickly assembled. Please keep us informed as to progress made this connection.

(TO FREEDOM FOR MGS FOR SOUTHARD RPT9 TO FARGO FOR HEARS FOR AMG FOR HADLYN FOR INFORMATION FROM FATINA FROM POLNY SIGNED JOYCE)

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Orig to: Finance

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FOR THE BRITISH GOVERNMENT

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PA *Presence* DRAFT *S/O*

TO: FATIMA FOR POLLEY

Your cable 1084 dated *has arrived in a badly mutilated state.*

Replying to the questions as we understand them.

1. General Order No. 14 authorising temporary wage adjustments applies *only* to Region I and does not apply to Italian armed forces. It does not abolish the Indemnità di Presenza and the Premio di Operosità, but provides for a sliding scale percentage increase on the total of wages and indemnità in force on 31 October 1943.
 2. Yung's suggestion to make wage increase applicable to *all military and* naval personnel as well as civil employees appears to us to be in conflict with the fundamental object of the wage increase which was solely to enable the poor to obtain food and is only a temporary emergency measure to meet the food situation. *The military and naval personnel* receive full rations and therefore would not come under the Labour Sub-Commission formula. The Carabinieri have to buy the whole of their rations out of their wages so that there is a complete distinction in this respect between the Carabinieri and the Italian armed forces. *Further, law 796 dated 14 June 1940 specifically excludes Carabinieri from* wage increases then given to members of armed forces.
 3. Yung's plan to abolish the Indemnità di Presenza and the Premio di Operosità would in effect nullify benefits deriving from the wage increase since these two indemnità represent *a large* proportion of the *civil* Government employees present total salary.
- Please give us further particulars as to the stated non payment of Indemnità di Presenza in Regions II and the four Badoglio Provinces. When and why was it abolished.*
- Has it been considered whether the increase of pay to the Italian*

that should be decided primarily by the Commander in Chief

of the Allied armed forces and further even if it is not whether the

approval of the Allied Control Commission has not first to be obtained

before such an increase is given.

after consultation with the

has arrived at a body which

is a matter of the

Military Section

Replying to the questions as we understand them.

1. General Order No. 12 authorizing temporary wage adjustments applies

only to Region I and does not apply to Italian armed forces. It does not

abolish the Indemnità di Provveda and the Indemnità di Quotidianità, but provides

for a sliding scale percentage increase on the total of wages and indemnities

in force on 31 October 1945.

2. King's suggestion to make wage increases applicable to all military and

naval personnel as well as civil employees appears to us to be in conflict with

the fundamental object of the wage freeze which was solely to enable the poor

to obtain food and in only a temporary emergency measure to meet the food

shortage. The military and naval personnel receive full rations and therefore

would not come under the Labor-Sab-Consolidation Formula. The Government have

to pay the whole of their rations out of their wages so that there is a complete

distinction in this respect between the Carabinieri and the Italian armed forces.

Further law 790 dated 14 June 1940 specifically excludes Carabinieri from

wage increases then given to members of armed forces.

3. King's plan to abolish the Indemnità di Provveda and the Indemnità di

Quotidianità would in effect nullify benefits deriving from the wage freeze

since these two indemnities represent major proportion of the Government employees

present total salary.

4. Please give us further particulars as to the stated non payment of Indemnità

di Provveda in Regions II and the two Sardinia Provinces. When and why was

it abolished.

5. Has it been considered whether the increase of pay to the Italian

P. T. O.

*Confirmation memo
3/10/43
file*

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HEADQUARTERS
1055
18 NOV 1943
AMGOT

*FILE
Finney
11/18/43*

171030A NR-430 CONFIDENTIAL PRIORITY 189-3720
FROM: FILPOT FROM AMG FROM CTO 180800A
TO : SEARG FOR FARGO FOR HA LYM

Reference 935 of 14th November from FATIMA. Are you also considering payment of interest on Government Bonds in Occupied Territory? Considerable arbitrage in coupons from Region 2 into Apulia. Corollary would be to permit sales of Government short term bonds of which branches Banca d' Italia said to have supplies. In Bari sales exceed encashments. Para 17 of 303 of 1st June will require cancellation.

(TO SEARG FOR FARGO FOR HAMLY FROM FILPOT FROM AMG FROM CTO CITE
FA 219)

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Financial file

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18 NOV 1943
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174913A NR 231 CONFIDENTIAL PRIORITY

128-3723

FROM : DIRECTOR FROM AMG

1608104

TO : HEADS FOR RABDO

AMGOT Fifth Army receiving requests from CISE Mediterranean to provide for payment of civilians employed by Italian Navy. Funds could be channelled through pay services but represents indirect advance.

Region 2 report financial position list Italian Corps as separate. Decisive ruling urgently requested 23rd October still awaited.

(TO HEADS FOR V/NO) FOR HANDEL RPTD FREEDOM FOR HQ FROM DIRECTOR FROM AMG FROM CISE GIVE PA 220)

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AMGOT

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Ieso
(Cal Spafford)

160659A NR-1489 SECRET PRIORITY
FROM: WISSEBOWER
TO : TO PABLE RPTD FARGRO FOR CFO

180-3660
170815A

On Ex British Naval Authorities in Sardinia report Italian Government Naval Base at Maddalena lacks currency to pay labor for work essential to British Navy. We have advised them to refer Italians to you for consideration of emergency advance AM Lire. Advise Chief Financial Officer at Palermo of action taken by you and repeat to us.

(TO PABLE REPEATED FARGO FOR COP SIGNED WISSEBOWER CITE FARGO)

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*Action copy sent
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