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MONTHLY REPORTS, PROGRAM CO-ORDINATION BRANCH
NOV., DEC. 1945

7.

~~AO~~ Ex. Com.

Please see Programme Coordination Branch Monthly Report at 1-5. Another intensely complicated effort.

[illegible] 21/12. [illegible] 19/12.

8.

A/V.P. Econ Sec.

Could I have a summary of this report which I can introduce ~~into the AC~~ monthly report omitting the personalities and giving a real account of A.C. activity in the Branch.

M S [illegible] 21/xii/45

9

Office of Executive Commissioner

1) Opposite is a copy, revised to exclude personalities, of the Abridged Report of the P.C. Br., from which it is understood the AC Monthly Report is prepared. Original of this abridged report was forwarded to your Office on 17 Dec 45.

2) Excuse delay in answering your minute. Some of the [illegible]

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M [illegible] 21/1/46

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2) Excuse delay in answering your minute. Some of the "intensely complicated efforts" in which we are engaged got ahead of this somehow!

[illegible]

Econ. Sec.
7 Jan 46

10.

I think the attached (requested in min. 8) is a little late in the day - November monthly report is now being typed; & as para 1 of 9 says - original ~~was~~ has already been forwarded

[illegible]

44.

EC/ Programme Coordination Branch monthly report for December is at 13.

Seen by Ex Com

BS 16/1

13

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HEADQUARTERS ALLIED COMMISSION
APO 394
Program Coordination Branch

Monthly Report

December, 1945

The activities of the Program Coordination Branch during the month of December were wholly devoted to the compilation of the Total Italian Import Requirement Program for 1946 (for the internal market) and from that "ceiling" drawing up a recommendation, agreed to by the Italian Government, for the best distribution into commodities of a presumed UNRRA allocation of $ 450,000,000 (freight included) to meet the essential requirements of the Italian people.

To this end, a meeting was held on the 5th December in the Acting Vice-President's office (Economic Section) with representatives of the Italian Government at which it was clearly stated (and all previous misunderstandings on this point were eliminated) that AC did not intend to question the import requirement plan for 1946 presented by the Italian Government which allowed a margin for the export of certain quantities of imported materials after processing, nor would AC attempt to reconciliate such a program with the total import requirement program drawn up by AC with a view to establishing the reasonable requirements for the internal market. The agreement of the Italian Government was, however, necessary to the recommendation which was being prepared by AC for the utilization of the presumed UNRRA allocation.

Agreement having been obtained on such points at the meeting, the Italian Government designated the Interministerial Committee for Reconstruction as the organization intended to collaborate with AC in drawing up the UNRRA program.

It is extremely gratifying to lay stress on the active and constant cooperation shown by the Interministerial Committee for Reconstruction and the spirit of ready and willing understanding which underlined the daily and even hourly contacts

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It is extremely gratifying to lay stress on the active and constant cooperation shown by the Interministerial Committee for Reconstruction and the spirit of ready and willing understanding which underlined the daily and even hourly contacts of that organization with AC : such cooperation and understanding were even accentuated with the solution of the Government crisis and after the subsequent reorganization of that Committee under the presidency of the President of the Council of Ministers. Thanks to this attitude, it was not difficult, after only a very short delay, to reach full agreement on all major and minor points both of principle and of detail.

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Ex. Com. Dist - JAN 16 1946

1 - Ex. Com.
6 - P.R.B
1 - Mil. Attache, Am Emb.
1 - French Rep, A.C.

See M. 14

As a result of such intensive cooperation, letters were addressed on the 21st December 1945 by the President of the Interministerial Committee for Reconstruction to AC and UNRRA Italian Mission submitting a recommended plan for the 1946 UNRRA distribution of supplies to Italy.

This recommended program was embodied in a book entitled "Italian Import Requirements 1946" compiled and published by AC, the first copies of which were distributed on December 23rd, 1945. 116

Such documents were forwarded to Washington as enclosures to MOC Airgram 131, 24th December 1945.

In order to meet a deadline, advance information on the total 1946 requirements and recommended UNRRA contribution was cabled to Washington with MOC 421, 22nd December 1945.

P. W. TOOBY
Lt. Col. R. A.
Program Coordination Branch

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PROGRAM COORDINATION BRANCH
Abridged Monthly Report
November, 1945

The Program Coordination Branch was established under Executive Order 77 of 1 November and is a staff branch of the Supply Group.

One of the most important functions of this branch is to give editorial assistance to the Italian Government in preparing and presenting its plans for rehabilitation of the Italian economy and its statements of consequent import requirements. On the basis of FAN 487, the "Program of Essential Italian Imports 1945" was produced. This program was divided into Category A (sent to AFHQ in March for screening) and Category B (taken to Washington by the Executive Director, Economic Section, accompanied by an Italian technical mission) and comprised mostly finished goods rather than raw materials. As a result of the fall of the North, whose industries were left practically intact, a new plan of importation had to be drawn up, in cooperation with the Central Economic Commission of Committee of National Liberation for North Italy. The Central Economic Commission produced the "Piano Di Massima Per Le Importationi Industriali Dell'Anno 1946" which was presented to the Inter-Ministerial Committee for Reconstruction and in November they in turn produced the "Piano di Importationi per l'Anno 1946" covering the total requirements of the Nation in 1946, the purpose of which was to restore the economy to as nearly normal as possible within the year. A translation of the first

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see M9.10 PA 8/1

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on the basis of the "Program of Essential Italian Imports 1945" and drafts of the Central Economic Commission plans, FEA in Washington also produced a program of imports to Italy for 1946 which was used at the Third UNRRA Council Meeting in London as a basis for UNRRA's taking over responsibility for maintaining the supply line to Italy for 1946. On the basis of this program it was determined that about $450 million were essential for UNRRA to carry out its responsibility. The Washington FEA expert responsible for the FEA program of imports for Italy 1946 came to Italy and produced the first Allied Commission revision of the FEA plan after discussing it with industrial technicians of AC. He took this revision to Milan and discussed it further with the Comitati, following which the second Allied Commission revision of the program was produced in November 30th. In its present revised form the program is a statement of total requirements broken down by major commodity groups and by months of loading. Superimposed on the program, item by item and month by month, are figures showing how UNRRA should spend 450 million dollars. It is hoped that by mid-December two things will be accomplished : first, a final Allied Commission program of Italian import requirements in 1946 and second, a statement by AC, in agreement with the UNRRA Italian Mission and the Italian Government of how 450 million dollars should best be used. In order not to interrupt the pipeline of supplies after December 31st, it was agreed that if the balance of the first one percent (550 million dollars) was voted by the US to UNRRA, UNRRA would it was determined that about \$450 million were essential for UNRRA to carry out its responsibility. The Washington FEA expert responsible for the FEA program of imports for Italy 1946 came to Italy and produced the first Allied Commission revision of the FEA plan after discussing it with industrial technicians of AC. He took this revision to Milan and discussed it further with the Comitati, following which the second Allied Commission revision of the program was produced in November 30th. In its present revised form the program is a statement of total requirements broken down by major commodity groups and by months of loading. Superimposed on the program, item by item and month by month, are figures showing how UNRRA should spend 450 million dollars. It is hoped that by mid-December two things will be accomplished : first, a final Allied Commission program of Italian import requirements in 1946 and second, a statement by AC, in agreement with the UNRRA Italian Mission and the Italian Government of how 450 million dollars should best be used. In order not to interrupt the pipeline of supplies after December 31st, it was agreed that if the balance of the first one percent (550 million dollars) was voted by the US to UNRRA, UNRRA would set aside 61¼ million dollars of sum to finance the loading of January supplies to Italy but that (since the acceptance by UNRRA of the responsibility for the 1946 Italian Supply program depends entirely on the vote of the 2nd one percent) the supplies purchased with the 61¼ million dollars should not actually be shipped until this 2nd one percent is voted. The January loading program was therefore worked up in relation to the 1946 AC/UNRRA program and forwarded to Washington and London, in MOC 383.

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HEADQUARTERS ALLIED COMMISSION
Program Coordination Branch
APO 394

REPORT FOR THE MONTH OF NOVEMBER, 1945

DIST - EC

1 - EC
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1 - Mil Attaché Am Embassy
1 - Fr Rep AC

REPORT FOR THE MONTH OF NOVEMBER, 1945

DIST - EC

1 - EC
6 - PR Br.
1 - Mil attaché Am Embassy
1 - Fr Rep A.C

115.

FREDK. W. TOOBY
Lt. Colonel, R. A.

see M 7-8, 9.10

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P A R T I.

ORGANIZATION AND PERSONNEL

The Program Coordination Branch was created under Executive Order No. 77 of 1 November 1945, effective that date. It is a staff branch of the Supply Group formed on that date within the Economic Section. The staff of the branch was drawn from a small group of people who had for some time previously been engaged (either directly or assisting the Italian Government agencies) in preparation of programs of importation of essential supplies to Italy. The work of the Branch is directed by Lt. Col. F. W. Tooby in addition to his other duties as Director of Commerce (Foreign Trade) Sub-Commission. The executive head of the Branch is Dr. F. Consolo who, having worked with Lt. Col. Tooby in Milan in the development of the Italian Government's program studies, has a very thorough grounding in the subject.

P A R T II.

DEVELOPMENT OF THE ITALIAN GOVERNMENT'S IMPORT PROGRAMS

An important part of the responsibility of the Program Coordination Branch is the editorial assistance given to the Italian Government in preparing and presenting its plans for rehabilitation of the Italian economy and its statements of consequent import requirements.

The present phase of this work is part of the continued development of the Allied policy first expressed in Mr. Harold McMillan's "New Deal for Italy" paper which was followed by FAN 487, the new directive which in February 1945 placed on Allied Commission the responsibility for obtaining from the Italian Government these statements of the country's urgent import requirements.

The first result of this directive was the production of the "First Aid Plan" (or to give it its official title, "Program of Essential Italian Imports 1945"). The First Aid Plan was divided into two parts, Category A, that part which was to be financed as a joint military commitment, and Category B, that part which the Italian Government was to finance mainly from the "troop-pay" dollar fund. The Category A part of the program was sent in March of 1945 to AFHQ for screening, and the Category B portion was taken to Washington by a mission from Allied Commission headed by Mr. Harlan Cleveland, which took along with it an Italian technical mission headed by Ing. Sacerdoti.

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The outstanding characteristic of the First Aid Plan was that it was mainly a list of finished goods, plant and machinery, and practically no raw materials. This was true because at the time the plan was prepared, the Germans were still in occupation of the whole industrial North and it was impossible to foresee how long that position would be held, or to what extent the industries of the North might be destroyed in

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the process of dislodging the Germans from the area.

Before much work could be developed on the plan, either in AFHQ or in Washington, the war came suddenly to an end in Italy, leaving the country's industrial capacity over 90% intact. A change in the import plan became essential. Immediately on the fall of Milan, therefore, Lt. Col. Tooby, accompanied by Professor Saraceno of the Ministry of Industry and Commerce went North to prepare a new plan based upon the new conditions.

It was known that during the period of German occupation and Italian Fascist Republican Government in the North, the National Committee of Liberation for Northern Italy (CLNAI) had set up a clandestine Central Economic Commission in Milan which was charged with the responsibility of preventing economic chaos so far as possible during the period of transition from German control to Allied Military Government control. The Italian Government in Rome, realizing that the Central Economic Commission was the body best equipped to carry out a survey of the remaining industrial potential, called on them to prepare, under the direction of Prof. Saraceno and Lt. Col. Tooby, a plan of importation which would take into account the needs of Central and Southern Italy as expressed in the First Aid Plan, and the capacity of the North to meet the nation's total need in the industrial field.

After much research, screening, and correction, the Central Economic Commission finally came out, in October 1945, with "Piano Di Massima Per Le Importazi ni Industriali Dell'Anno 1946". This document was presented to the Inter-Ministerial Committee for Reconstruction, which, in its turn, produced in November 1945 its "Piano di Importazioni per l'Anno 1946," which covered Food, Agriculture, Public Works, Transport, Post and Telegraphs, as well as Industry, and states, as a final summary, the total import requirements for the year 1946.

This statement of requirements, and the plan behind it, is not related to any limitation of finance or austerity standards imposed from without; its frankly stated objective is to restore the country's economy to as near normality as possible within the year. An approximate evaluation of the total requirements as stated amounts to $1,200,000,000 expressed in American seaboard prices.

A translation of the "Piano di Massima per le Importazioni Industriali Dell'Anno 1946", and that part of the "Piano di Importazioni per l'Anno 1946" which deals with Industry has been prepared in the Program Coordination Branch and (after a mighty effort in editing, stencil cutting, printing, and assembling, organized by Miss Anne Neglia) was published in Allied Commission early in November as a 275-page document entitled "Italy's Industrial Import Requirements for 1946." This docu-

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PART III.

DEVELOPMENT OF THE ALLIED COMMISSION/UNRRA PROGRAM OF 1946 IMPORTS

On the basis of the First Aid Plan, a good deal of original research, and drafts of the Central Economic Commission plan which were fed across the Atlantic, FEA in Washington has also developed a program of imports into Italy for 1946. This program had its first application when Mr. Will Clayton, Assistant Secretary of State, representing the United States, proposed at the Third UNRRA Council Meeting in London in August 1945 that UNRRA should take over the responsibility for maintaining the flow of essential supplies to Italy in 1946. It was on the basis of the FEA program that the probable UNRRA finance required to carry out such a project was set at $450,000,000 although the total of the FEA program, like the Italian Government program, came to around about the billion dollar mark.

When Mr. Cleveland returned to Allied Commission in October, he brought with him Mr. Bruno Luzzatto of the Italian Division of FEA, who had been the author of the FEA program. Mr. Luzzatto discussed his program with the industrial technicians of Allied Commission and produced the first Allied Commission revision of the plan on November 2nd, 1945. This revision he took with him to Milan and discussed it with the members of the Comitati which formed the sub-structure of the Central Economic Commission, and which had been responsible for the preparation of the Italian Government plan. The result of these discussions was the production on November 30, 1945 of the second Allied Commission revision of the program.

In its present revised form the program is a statement of total requirements broken down by major commodity groups and by months of loading. Superimposed on the program, item by item and month by month, are figures showing how UNRRA should spend $450,000,000 to make the best contribution to the total need.

This second revision has been widely circulated among the economic ministries of the Government, and among the sub-commissions and staff branches of the Economic Section. It is the Acting Vice President's hope that by mid-December it will be possible to accomplish two things: first, a final (Allied Commission) program of Italian import requirements in 1946 to meet the reasonable needs of the internal market and to give the maximum possible degree of employment; second, a statement by Allied Commission, in agreement with the UNRRA Italian Mission and the Italian Government, of how $450,000,000 should best be used in part satisfaction of the total Italian need for imports in 1946.

[illegible] per l'anno 1946",

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No attempt has been made to seek an absolute reconciliation of total requirement figures between Allied Commission and the Italian Government, partly because of the foregoing reason but mainly because of the practical difficulties of obtaining real agreement between the recipients and the donors on the degree of necessity.

PART IV.

JANUARY LOADING PROGRAM

Discussion of the 1946 programs had been so protracted that it became urgently necessary to provide the procurement agencies in Washington with a statement of the requirements for January loading if there was to be no break in the supply pipeline to Italy. However, the financing of supplies to Italy is secure only to the end of December loadings by the use of the one million dollar Lend-Lease funds which FEA is administering. Beyond that date, nothing is yet certain.

Since the Third UNRRA Council Meeting in August, it has been hoped that UNRRA will carry out the 450 million dollar program in 1946, but UNRRA cannot do this unless its member nations agree to subscribe the second one per cent of their national income to establish further UNRRA funds. Since the US is by far the largest contributor to UNRRA, the other nations are naturally waiting for a lead by the US as to whether this second one per cent shall be voted. In the US however, there has been some adverse criticism of UNRRA, and some doubt has been expressed as to whether, administratively and politically, UNRRA is the best choice of an organization to handle relief supplies, the overwhelming majority of which are both supplied from and financed by the US. These doubts have been expressed in the recent debates in Congress on the vote of 550 million dollars (balance of the first one percent, which the US has still to contribute to UNRRA to complete its original undertaking as a founder member) which, as of November 30th, had still not passed the House of Representatives and the Senate.

If the pipeline was not to be interrupted, it became imperative to put in bids for supplies and shipping space by the last week of November. Agreement was reached with UNRRA Headquarters in Washington that if and when the 550 million dollars was finally voted, UNRRA would set aside 61½ million dollars of this to finance the purchase of supplies to meet the January loading program, but that (since the acceptance by UNRRA of the responsibility for the 1946 Italian supply program depends entirely on the vote of the second one per cent), the supplies purchased with the 61½ million dollars should not actually be shipped to Italy until and unless [illegible]

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The January loading program was therefore worked up in relation to the 1946 Allied Commission/UNRRA program and forwarded to Washington and London, in MOC 383 on November 24th through both UNRRA and AC channels.

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Some difficulty was experienced in getting the Italian Government to agree to this program. Through some misunderstanding the Ministers had understood that 61½ million dollars were certainly available for Italy and, believing the 450 million dollars to be not too well assured, they wanted to spend the money they were sure of on the two absolute necessities, coal and wheat, and little else. It was not until they fully understood that only if there is a 450 million dollar UNRRA program for 1946 will there be a 61½ million dollar UNRRA program for January that the Ministers finally agreed the AC/UNRRA proposals.

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