

Declassified E.O. 12356 Section 3.3/NND No. 785017

ACC

10000/109/866

Declassified E.O. 12356 Section 3.3/NND No. 785017

10000/109/866

PAYMENTS IN ITALIAN TERRITORY
AUG. - DEC. 1944

Declassified E.O. 12356 Section 3.3/NND No. 785017

16.

CSSO: for C&S to see folio 15 for information JCR 22/12

Col.

To see 15 778/23/12

22/12

3072

Los

14 See 6. I will then pass

to Finance S/C
 Summary Ser.
 Report Sect.

13/10

8.

Acting Chief Commissioner.

1. The other day you (rightly) criticised the action of a staff officer on my staff who interposed comment and recommendation between a DCOB and myself.
2. In this case you, as Deputy President, have informed the President of the Commission at the latter's highest powered council of the reactions of the Prime Minister of Italy, and you added your recommendation to avoid disaster.
3. It seems to me quite wrong that a Staff Section should interpose counter recommendations once the matter has reached the highest level. I think this question of principle should be cleared at the highest level.

MSL

Brigadier,
 Chief of Staff.

16.Oct.44.

Director, Finance Co. 12

3073

With you at Council early on 11
 Col has seen and wants for views.

W. J. Smith 13/10
 C.S.

13

(13) C.O.S.

(12)

Acting Chief Commissioner.

8.

1. The other day you (rightly) criticised the action of a staff officer on my staff who interposed comment and recommendation between a DCOG and myself.
2. In this case you, as Deputy President, have informed the President of the Commission at the latter's highest powered council of the reactions of the Prime Minister of Italy, and you added your recommendation to avoid disaster.
3. It seems to me quite wrong that a Staff Section should interpose counter recommendations once the matter has reached the highest level. I think this question of principle should be cleared at the highest level.

MSL

Brigadier,
Chief of Staff.

16.Oct.44.

3073

12

Director, Finance &c.

With 42 M consulted early on 11

Col has seen and wants your views.

W. Davis

13

(13) C.O.S.

No objection to the signal as now drafted. They now cite our political objections in 5 & 6 and leave the door open for decision under 7. It should be mentioned that G-5's handling of this matter throughout has been comparable with the Italian Government's behaviour on the recent wage proposals. ACC were not consulted prior to the issue of the original document (AD Memo. 31-) and all our most cogent arguments, except the reactions of the Italian P.M., have been disregarded. ~~Throughout there has been a strong bias against us~~

~~AD~~

AD
AD

14 out.

14

Joint Director,
Finance Sub-Commission.

Col

To see 9-11, 12 & 13.

Finis

14/10 18/10

785017

HEADQUARTERS
ALLIED COMMISSION
FINANCE SUB-COMMISSION
A.P.O. 394.

13076/P.

20 December 1944.

21 DEC 1944

SUBJECT: Payment for Goods and Services.

TO : (1) Chief Commissioner.
(2) Chief of Staff. ✓
(3) D.C.O.S., Economic Section.

1. Over the telephone yesterday evening Commander Southard said that word had been received from the G.C.S. that the United States Government had signified their approval to the institution of a lira account in Italy. It was added that no action should be taken until London had expressed their views on the matter.

2. Yesterday morning Mr. Hosworthy informed me that the British Embassy in Rome had received the following cable from the Foreign Office:-

"Please telegraph your views on the question of Italian Government being required to set up a lira account to facilitate procurement of requirements of Allied Forces (MAT 353 October 12th). We incline to the view that the Italian Government should be required to do this after but not before official publication of detailed proposals for implementation of Allied policy in Italy now under discussion in Washington".

3. It is not clear from the second sentence of the cable whether the detailed proposals are in general or specific terms.

4. I sketched the background to Mr. Hosworthy, gave him a copy of MAT 353 of 12 October, and said that the position remains as stated namely, that the attitude of the Italian Government is undoubtedly unchanged in its reluctance to assume an additional budgetary charge of about lit. 18 billion per annum.

A. S. Snapper

Colonel,
Joint Director,
FINANCE SUB-COMMISSION.

3069

23/12

785017

^{ALBON}
^{COA}
~~CONFIDENTIAL~~

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

C.O.S. Sect 11
580

14 October 1944
16 OCT Recd

CONFIDENTIAL

FILE: G-5/121.4

SUBJECT: Payment for Supplies, Services and Facilities in Italy.

TO : Headquarters, Allied Control Commission, APO 394.
(Attention: Acting Chief Commissioner).

1. There is forwarded herewith copy of MAT 353, dated 12 October 1944, dispatched to the Combined Civil Affairs Committee in accordance with the instructions of the Supreme Allied Commander as recorded in the minutes of the 28th meeting of the Political Committee held on 11 October 1944.



Charles M. Spofford
CHARLES M. SPOFFORD
Brigadier General, G.S.C.
Assistant Chief of Staff, G-5

1 Encl.
As above.

3068

CONFIDENTIAL

785017

CONFIDENTIAL

IN TO
MESSAGE CENTER

OUTGOING MESSAGE

PRIORITY

TO FOR ACTION: AGWAR FOR COS FOR COAC

FOR INFO : CENTRAL DISTRICT UK BASE SECTION (LONDON)
FOR BRITISH CHIEFS OF STAFF AND HQ COMZONE
MAIN (BEOUSA)

REF NO : PX 37798

SIGNED : WILSON CITE: PEGEG

This is MAT 353.

Payment for supplies, services and facilities in ITALY is subject.

1. Since December 1943 Allied local procurement of supplies, services, and facilities in ITALY has been governed by an Administrative Memorandum of this Headquarters (number 95 of 1943) premised on the obligation of Italian Government under Armistice Terms to make available such resources or services as the UNITED NATIONS may require. Consequently general policy was to avoid payment by Allies except in combat zones or for minor day to day procurement.

2. This policy of non-payment has been subject to numerous exceptions due to serious short-comings of Italian Government procurement services and to difficulties arranging Italian Government firms for firms supplying services, goods, or facilities to Allies and needing cash to maintain operations.

3. To meet this situation, Administrative Memorandum 95 modified 1 August by Administrative Memorandum 31 of 1944 which directs the ACC to require Italian Government:

(A) To improve procurement services
(B) To set up a lira account to enable Allied Forces to make cash payments for supplies, services, and facilities where recourse to Italian Procurement Agencies is impracticable. General policy of

NO OCT 3021

-1-

CONFIDENTIAL

COPY No.

2

785017

REF NO THIS MESSAGE: EX 3/796, 12 Oct 44

(cont'd)

Compartment wherever possible is preserved.

4. Advantage of live account, which could operate comparably to franc account in NORTH AFRICA, is that payment would be made out of funds provided by Italian Government thus reducing expenditure borne by Allied Forces from ARA which are charged to Armed Forces Appropriations WASHINGTON and LONDON. Also would facilitate payments to local enterprises because reluctance on Allied side to pay and long delays on Italian Government part in arranging direct reimbursement. Also live account may operate (as old franc account in NORTH AFRICA) to encourage Italian Government to improve government services to Allied Forces.

Letting
to be known
to be known
to be known

5. From protracted discussions AGC and this Headquarters the following political objections to establishment of this type of live account have emerged:

(A) That it would reveal to Italian Government quantity and value of Allied procurement, supplies, services, and facilities in ITALY;

(B) By rendering visible the present invisible deficit that is currently accruing to the Italian Government, it would focus attention on the obligations generally of the Italian Government under the Armistice.

6. Terms of Administrative Memorandum number 31 were presented informally on 9 October to Prime Minister BONOMI and Minister of Treasury. Prime Minister stated that political effect of proposed live account would be "disastrous". BONOMI fears adverse public reaction to any step by Government to assume direct and open responsibility for Allied payments in ITALY, since implication could be that his Government had abandoned efforts to secure modification of financial clause of Armistice. Also fears effect on public confidence of additional deficit financing in amount involved, which would be equivalent in effect of billion and a half lire per month.

7. This Headquarters considers established live account desirable from financial policy and technical viewpoint. But action is being delayed pending advice from you as to whether political objections outweigh advantages.

NO OUT 3021

-2-

785017

CONFIDENTIAL

REF NO THIS MESSAGE: **AFHQ** 12 October, 1944 (cont'd)

OUTGOING MESSAGE

ORIGINATOR : G-5

AUTH: CHARLES M SPOFFORD,
BRIG GEN

INFORMATION: SGS
CAC
MR WACHILLAN
US POLAD
IS & PS
DPIC
FIN/ADV
PISC/DIR
C-4
C-4(B)
QM
Q(MAINT)
CINC MSD
USN
C/S NATO
HAAF
HQ CZ
**
AG RECORDS

COORDINATED WITH: BRITISH
RESIDENT MINISTER
US POLAD

3067

NO OUT 3021

12 Oct 44

1642A

REF NO PX 37798

y/H/J

-3-

CONFIDENTIAL

COPY No.

THE MAKING OF AN EXACT COPY OF THIS MESSAGE IS FORBIDDEN

SECRET

ALLIED FORCE HEADQUARTERS

PC(44) 120

10 October 1944

SECRET R 318

COPY NO. 48

POLITICAL COMMITTEE

PAYMENT FOR GOODS AND SERVICES IN
ITALIAN TERRITORY

13 OCT Recd

Note by Assistant Chief of Staff, G-5

1. In accordance with the instructions on page 5 of the Minutes of the Political Committee, 4 October 1944, the attached draft cable was prepared to ascertain the views of the Combined Civil Affairs Committee and was forwarded on 6 October to the British Resident Minister and to the U. S. Political Adviser for concurrence.

2. On 9 October the Acting Chief Commissioner of the A.C.C. advised (ACC-352) that Prime Minister Bonomi stated to him that the political effect of the proposed lira account would be "disastrous". The Acting Chief Commissioner, estimating that the drawings against the lira account would be not less than one milliard lira monthly, recommends that implementation of Administrative Memorandum No. 31 be deferred.

3. G-5 has, in view of the above message from the Acting Chief Commissioner, proposed to the British Resident Minister and the U. S. Political Adviser that the draft cable to the CCAC be appropriately modified to indicate the opinion of Prime Minister Bonomi to the proposed lira account.

4. G-5 is of the opinion that notwithstanding the unfavorable reaction of the Italian Prime Minister, the proposal of a lira account should be presented to the CCAC as planned. Admitting the possibility that adverse short-run political disadvantages might develop were expenditures to be revealed, sight must not be lost of the longer-run disadvantages of continued concealment of the level of Allied expenditure. Continuation of the present policy invites speculation and rumor and unfavorable comparison with the German indemnity (which was always made known to the Italians), which would not exist if the facts were disclosed. Moreover, in view of the likelihood that Allied expenditures in Italy will increasingly take forms more distinctly related to the war against Germany, such as repairs and actual production of equipment and supplies for use in other theaters, there is an added reason for not long postponing the financing of this Italian aid on a

2. On 9 October the Political Committee, 4 October 1944, the attached draft cable was prepared to ascertain the views of the Combined Civil Affairs Committee and was forwarded on 6 October to the British Resident Minister and to the U. S. Political Adviser for concurrence.

2. On 9 October the Acting Chief Commissioner of the A.C.C. advised (ACC-352) that Prime Minister Bonomi stated to him that the political effect of the proposed lira account would be "disastrous". The Acting Chief Commissioner, estimating that the drawings against the lira account would be not less than one milliard lira monthly, recommends that implementation of Administrative Memorandum No. 31 be deferred.

3. G-5 has, in view of the above message from the Acting Chief Commissioner, proposed to the British Resident Minister and the U. S. Political Adviser that the draft cable to the CCAC be appropriately modified to indicate the opposition of Prime Minister Bonomi to the proposed lira account.

4. G-5 is of the opinion that notwithstanding the unfavorable reaction of the Italian Prime Minister, the proposal of a lira account should be presented to the CCAC as planned. Admitting the possibility that adverse short-run political disadvantages might develop were A-3045 expenditures to be revealed, sight must not be lost of the longer-run disadvantages of continued concealment of the level of Allied expenditure. Continuation of the present policy invites speculation and rumor and unfavorable comparison with the German indemnity (which was always made known to the Italians), which would not exist if the facts were disclosed. Moreover, in view of the likelihood that Allied expenditures in Italy will increasingly take forms more distantly related to the war against Germany, such as repairs and actual production of equipment and supplies for use in other theaters, there is an added reason for not long postponing the financing of this Italian aid on a more regular basis.

(Intd) C. H. S.

Incl: Draft Cable

/DISTRIBUTION

SECRET

Copy passed to A/C for A. J. E.

SECRET

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

785017

DISTRIBUTION

Supreme Allied Commander
Deputy Supreme Allied Commander
Commander-in-Chief, Mediterranean
Air Commander-in-Chief, Mediterranean
COMNAVSTA
Chief of Staff
Chief Administrative Officer
Deputy Chief of Staff
U.S. Political Adviser
British Resident Minister
Chief, PWB
Secretary, General Staff
G-1 (A)
G-1 (B)
G-2
G-3
G-3 Special Operations
G-4 (A)
G-4 (B)
G-5
Secretary, IS & PS
Liaison Section
DPIC
Financial Adviser (B)
Fiscal Director (US)
Allied Control Commission
Spares

K 318

COPY NO.

1
2
3-4
5-11
12-13
14
15
16
17-19
20-22
23
24
25
26
27-28
29-30
31
32
33
34-35
36-38
39
40-41
42-43
44-45
46-47
48-52

3062

785017

15
16
17-19
20-22
23
24
25
26
27-28
29-30
31
32
33
34-35
36-38
39
40-41
42-43
44-45
46-47
48-52

3061

SECRET

Deputy Chief of Staff
U.S. Political Adviser
British Resident Minister
Chief, PWB
Secretary, General Staff
G-1 (A)
G-1 (B)
G-2
G-3
G-3 Special Operations
G-4 (A)
G-4 (B)
G-5
Secretary, IS & PS
Liaison Section
DPIC
Financial Adviser (B)
Fiscal Director (US)
Allied Control Commission
Spares

SECRET

SECRET

4

Y 318
CONFIDENTIAL
PRIORITY

TO: AGWAR FOR CCS FOR CCAC, REPEATED FOR INFORMATION TO
BRITISH CHIEFS OF STAFF.

FROM: SIGNED WILSON, CITE FCCAO.

THIS IS WHAT _____.

Payment for supplies, services, and facilities in Italy
is subject.

1. Since December 1943 Allied local procurement of
supplies, services, and facilities in Italy has been governed
by an Administrative Memorandum of this Headquarters (Number
95 of 1943) premised on the obligation of Italian Government
under Armistice Terms to facilitate Allied war effort. Con-
sequently general policy was to avoid payment by Allies except
in combat zones or for minor day to day procurement.

2. This policy of nonpayment has been subject to numer-
ous exceptions due to serious shortcomings of Italian Govern-
ment procurement services, and to difficulties arranging
Italian Government financing for firms supplying services,
goods, or facilities to Allies and needing cash to maintain
operations.

3. To meet this situation, Administrative Memorandum 95
modified 1 August by Administrative Memorandum 31 of 1944
which directs the A.C.C. to require Italian Government (a)
to improve procurement services and (b) to set up a lira ac-
count to enable Allied Forces to make cash payments for supplies,
services, and facilities where recourse to Italian procure-

is subject.

1. Since December 1943 Allied local procurement of supplies, services, and facilities in Italy has been governed by an Administrative Memorandum of this Headquarters (Number 95 of 1943) premised on the obligation of Italian Government under Armistice Terms to facilitate Allied war effort. Consequently general policy was to avoid payment by Allies except in combat zones or for minor day to day procurement.

2. This policy of nonpayment has been subject to numerous exceptions due to serious shortcomings of Italian Government procurement services, and to difficulties arranging Italian Government financing for firm supplying services, goods, or facilities to Allies and needing cash to maintain operations.

3. To meet this situation, Administrative Memorandum 95 modified 1 August by Administrative Memorandum 31 of 1944 which directs the A.C.C. to require Italian Government (a) to improve procurement services and (b) to set up a lira account to enable Allied Forces to make cash payments for supplies, services, and facilities where recourse to Italian procurement agencies is impracticable. General policy of nonpayment wherever feasible is preserved.

4. Advantage of lira account, which would operate comparably to franc account in North Africa) is that payment could be made out of funds provided by Italian Government thus reducing expenditure funds drawn by Allied Forces from

SECRET

Declassified E.O. 12356 Section 3.3/NND No. 785017

3

K 318
AFA which are charged to Armed Forces appropriations Washington and London. Also would facilitate payments to local enterprises serving Allied Forces which under present conditions are going unpaid because reluctance on Allied side to pay and long delays on Italian Government part in arranging direct reimbursement. Also feel lira account may operate (as did franc account in North Africa) to encourage Italian Government to improve procurement services to Allied Forces.

5. From protracted discussions ACC and this Headquarters the following political objections to establishment at this time of lira account have emerged:

- (a) That it would reveal to Italian Government quantity and value of Allied procurement, supplies, services, and facilities in Italy; and
 - (b) By rendering visible the present invisible deficit that is currently accruing to the Italian Government, it would focus attention on the obligations generally of the Italian Government under the armistice.
6. This Headquarters considers establishment lira account desirable from financial policy and technical viewpoint, and is discussing it informally with Italian Government. But action is being delayed pending advice from you as to whether political objections override advantages.

3062

account in North Africa) to encourage Italian Government to improve procurement services to Allied Forces.

5. From protracted discussions ACC and this Headquarters the following political objections to establishment at this time of lira account have emerged:

(a) That it would reveal to Italian Government quantity and value of Allied procurement, supplies, services, and facilities in Italy; and

(b) By rendering visible the present invisible deficit that is currently accruing to the Italian Government, it would focus attention on the obligations generally of the Italian Government under the armistice.

6. This Headquarters considers establishment lira account desirable from financial policy and technical viewpoint, and is discussing it informally with Italian Government. But action is being delayed pending advice from you as to whether political objections override advantages.

3062

785017

SECRET

2

AFHQ

ACC

S-352

9 OCT

SECRET

PRIORITY

ACTING CHIEF COMM.

SECRET PD CONFIRMING ADVICE TO GENERAL SPOTFORD CMA AFTER FULL PRESENTATION OF THE
 PROCUREMENT AND FINANCIAL PROVISIONS OF ~~THE~~ ^{AFHQ ADMIN} MEMORANDUM THIRTYONE, TO PRIME
 MINISTER BONOMI AND TREASURY MINISTER BOLERY CMA BONOMI STATED THAT POLITICAL
 EFFECT OF THE PROPOSED LIRA ACCOUNT CMA WHICH IT IS NOW ESTIMATED WOULD BE NOT
 LESS THAN ONE BILLION LIRA MONTHLY CMA WOULD BE QUOTE DISASTROUS END QUOTE PD
 PAREN TO AFHQ FOR SACRED CMA UNITED STATES POLITICAL ADVISER AND BRITISH RESIDENT
 MINISTER FROM ACC FROM STONE PERSONAL PAREN SINCE HE CONSIDERED THE EFFECT ON
 HIS GOVERNMENT WOULD BE EVEN MORE GRAVE THAN I HAD ANTICIPATED I MUST RENEW
 MY RECOMMENDATIONS THAT IMPLEMENTATION OF ~~THE~~ ^{AFHQ ADMIN} MEMORANDUM THIRTYONE BE
 DEFERRED

AUTHENTICATED:

ELLERY W. STONE
 Commodore, USNR
 Acting Chief Commissioner

Just Made 10 Oct 44

3061

3062

SECRET

c/A

785017

CONFIDENTIAL

Allied Force Headquarters
APO 512

ADMINISTRATIVE MEMORANDUM)

1 August 1944

NUMBER

31)

PAYMENTS IN ITALIAN TERRITORY

1. The following policies as to the procurement of supplies, facilities and services in Italian territory are hereby prescribed, and the provisions of Administrative Memorandum Number 95, 1943, are modified accordingly.

2. Italian Services of Requisition.

a. The Allied Control Commission will cause to be set up within the Ministry of Finance of the Italian Government an agency, to consist of a Chief Agent and as many sub-agents as may be necessary, to accept and fill such requisitions for supplies, facilities and services, locally obtainable, as may be passed to it by the Allied Forces. This agency will obtain the supplies, facilities and services required by such means and methods as the Italian Government may provide.

b. The sub-agents will be located at convenient points where they can readily cooperate with the Allied Forces,

3. Lira Account.

a. The Allied Control Commission will require the Italian Government to advance from time to time to a designated officer of the Allied Control Commission specified sums of lire to be used by the various components of the Allied Forces to enable them to make cash payment as specified below. This fund will be known as the Lira Account.

b. Cash Payments from the Lira Account may be made in the following cases :

1. For items and services which it is impracticable to procure through the Italian Services of requisition, or which cannot be procured speedily enough.

2. For procurement in the combat zone, where payment in cash is necessary to obtain supplies, facilities and services.

3. For small day-to-day purchases, the nature of which makes requisitioning impractical.

4. For all payments to local civilian employees.

c. In every case the Allied procuring agent concerned will require an approved requisition or authority from the appropriate service prior to making a purchase or payment.

3063

CONFIDENTIAL

785017

CONFIDENTIAL

1A

d. Vouchers for payments charged to the Lira Account are to be turned over periodically to the Italian Government through the officer of the Allied Control Commission controlling the Account.

4. Real Estate and Claims.

a. The methods for procurement and payment described above will not be employed in obtaining the use of real estate or in paying claims. The real estate sections and hirings officers of the respective Forces shall continue to acquire buildings, land, and all other types of real estate, including accommodation and furnishings thereof, through the Italian Government Comando Genio Militare.

b. Claims will be processed by the various claims sections and passed to the Italian Government for payment under the system now in operation.

5. Certain Payments Not to be Made.

Payments should not be made for the following :

a. Durable goods which are not in continuous, current production, or which the owner either will be unable to replace locally or will not need to replace at present. These include such articles as vehicles, heavy plant and machinery, constructional materials, structural steel, railway plant, stock piles and the like, not forming part of current out put of an operating plant.

b. Services which are normally performed by the State or local authorities, such as repairs to roads and bridges, removal of refuse, etc.

c. Goods taken over from or owned by and services performed by the State or local authorities, or by State-owned or para-statal concerns.

6. When the arrangements contemplated in paragraphs 2 and 3 above have been effected by the Allied Control Commission, detailed instructions will be issued by the Commanding General, NATOUSA, for U.S. Army Forces, by the Commander, U.S. Naval Forces in Northwest African Waters, and by the British Navy, Army, and RAF commanders, for their respective services. Such instructions will follow generally the plan outlined in Administrative Memorandum Number 13, Headquarters NATOUSA, 4 November 1943, for U.S. forces, and the corresponding instructions which were issued in North Africa for the British Forces.

By command of General WILSON :

H.V. ROBERTS, ³⁰⁵⁹
Colonel, AGC
Adjutant General.

DISTRIBUTION :

" C "

2 2 5 9 |