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ACC

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(VOL. I)

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HEADQUARTERS
ALLIED MILITARY GOVERNMENT
APO 394

AMG/319.1

SUBJECT: Monthly Report for November 1943 of AMG Administration (AMG HQ)

TO : Military Government Section, AFHQ
General Officer Commanding-in-Chief, HQ 15th Army Group

(1) Herewith is the report on AMG administration for the month of November 1943. The report covers Region I, where Allied Military Government was in its fifth month, and Region II, and includes the activities of the Subcommissions of A.C.C. which, pending the turnover of territory to the Italian Government, are serving as the staff of AMG HQ for Regions I and II.

HQ AMG

Administration

(2) During the month the administrative organization referred to at the beginning of the October report was completed. HQ AMG, Palermo, reorganized into Subcommissions, supervised and controlled military government in Regions I and II while AMG 15th Army Group was responsible for military government in Region III and the forward areas in the rear of the 5th and 8th Armies. The four lower provinces of Apulia remained the only territory under the control of the Italian Government and was, therefore, the only territory in which A.C.C. functioned as the Control Commission.

(3) Early in November Major General Kenyon A. Joyce arrived to assume the position of Deputy President of the Allied Control Commission. Brigadier General McSherry remained Chief of HQ AMG, Palermo, and Major General Lord Rennell as Chief of AMG 15th Army Group.

(4) Contacts were maintained with the 9 provinces of Region I both by means of personal visits by members of various Subcommissions and by the receipt of regular reports from the provincial staffs. Communications with Region II left a great deal to be desired but a number of personal visits were made and during the first week in November Lt. Col. McCaffrey, R.C.A.O., visited Palermo. The R.C.A.O. conferred with all sections of HQ AMG on the problems of the Region. By the end of the month the personnel of Region II consisted of 88 officers and 78 OR/EM.

(5) During the month definite orders were received detaching the Province of Salerno from Region III and attaching it to Region II.

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Finance

(6) The full monthly report of the Finance Subcommission is attached and marked Appendix A. The following paragraphs summarize some of the more important points.

(7) Extensive negotiations were carried on with Lt. Col. Guido Jung, the Italian Under-Secretary of Finance with the following results:

- (a) Arrangements were made to import as rapidly as possible stocks of tobacco paper so as to increase revenue returns from the tobacco monopoly.
- (b) Arrangements were worked out for the payment by the Italian Government of the December 15, 1943 maturity of Italian Government bonds

throughout the non-German occupied parts of Italy. Up to three hundred million L.M. lire were advanced by AMFA to the Italian Government and the Bank of Italy for this purpose. This was the first of a series of steps to strengthen the credit position of the Italian Government so as to enable it in the near future to issue Government Bonds and thus finance its expenditures and to absorb surplus purchasing power.

(c) Negotiations were begun for the Italian Government to print its own currency which it would use in lieu of L.M. lire.

(d) A preliminary examination has been made of the general budgetary deficit of the Italian Government for the month of December, including the needs of its armed forces. A request by the Badoglio Government for an advance of a billion lire is being carefully scrutinized.

(e) Col. Jung agreed with the AMG point of view that, in order to curb inflationary tendencies, sales and other transfers of land should be subject to control.

(8) A great deal of further study was given to the problem of inflation and in particular to the problems of wage increases. Wage increases are to be resisted and only to be approved as part of a stabilization and adjustment program. The necessary instructions were given to enable the Finance Subcommittee to prepare a weekly index of the cost of living. (See paragraph III of report of Finance Subcommittee - Appendix A.) Steps were taken to enable the Bank of Italy to reopen in Sicily as a central bank at an early date.

(9) At the beginning of the month, in accordance with decisions reached on 3 October 1943, a Headquarters unit of AMFA was established, for the purpose of determining the policy of the organization. Current operations remained in the hands of the branch offices at Palermo and Naples. Headquarters, consisting of three officers and one enlisted man, was a part of and located with HQ Finance Subcommittee. The first branch outside Palermo had been established at Naples on October 22. On 5 November an officer was sent to Bari for the purpose of opening a branch office of AMFA there. This was followed on 14 November by the dispatch of another officer to Sassari, where the fourth branch office was organized. Under arrangements with 15th Army Group, AMFA will operate throughout Italy, regardless of the particular Allied authorities who are responsible for a given area. Each branch is being provided with necessary supplies of L.M. lire notes.

(10) At a meeting with representatives of Region VI, it was agreed that the Allied Commission should purchase from the Carlo Sard, the company owning the Sardinian coal mines, all coal for export from the island at the same prices as obtained for sales within the island. As these prices are well below cost of production, it was agreed that AMFA should finance the mines to enable them to continue production, and that advances for this purpose should be treated as advances to the Italian State. The nature and extent of the control to be exercised over the expenditure of the mines were discussed. It was agreed that the subsequent disposal of exported coal and the price and method of payment were to be settled between the Quartermaster of AFHQ, AMFA and the Finance and Industry and Commerce Subcommittees.

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(11) As regards revenue, the situation in Sicily is set out on pages 4 and 5 of the Finance Subcommittee's report. From July to October the figures show a steady rise but they are very small and on this basis considerable time must elapse before collections reach normal budget estimates.

Legal

(12) During the month Proclamation No. 14 was drafted and amendments were made to Proclamation No. 6. Arrangements were made for the distribution on the Italian mainland of Proclamations Nos. 1 - 13 inclusive and General Orders Nos. 1 and 2.

(13) A number of conferences were held between the Legal Subcommittee and the other Subcommittees with respect to legislation of the Italian Government which was thought necessary for the proposed restoration of territory.

(14) In November most of the routine work with respect to Italian Courts was transferred to the C.L.O.s offices, Regions I and II, the Italian Court Section generally confining itself to supervising the activities of the Regions insofar as the Italian courts and judicial personnel were concerned.

Other Matters

(15) During the month the various Subcommissions were engaged in internal organization and research and in making contact with their field personnel and their opposite numbers in the Italian Government. Frequent visits were paid by members of Subcommissions with the Regions.

(16) An officer was in Sardinia and Corsica throughout the entire month making a survey of available timber supplies on the islands, with special reference to pit props for use in Sardinia. Arrangement with the French authorities have secured this supply. Plans were made for a survey of timber resources and saw mills in Region II and part of Region III.

(17) As the result of negotiations with the Allied Naval Forces the ban on night fishing was revised during the month and by the end of the month a daily average of ten tons of fish was brought into Palermo by its local fleet of twenty-eight fishing boats which had heretofore been idle. The price of fish dropped from 100 lire to 45 lire per kilo. As regards the rest of the island, a uniform set of regulations concerning fishing and a licensing system was, with the approval of the Allied Navies, established throughout Sicily. Following a survey of the fishing industry in Sicily, requisitions have been submitted for fishing gear and other supplies needed to obtain a maximum fish harvest.

(18) A meeting was arranged on November 8 between the advisors on Monuments and Fine Arts and Prof. Zuckerman of the Special Mission of the N.A.A.F. He was supplied with a list of fifty cities of Italy, in order of priority, which the Monuments and Fine Arts Subcommission considered should be spared from aerial bombardment, if military considerations allow. He was also supplied with plans of these and other cities showing the sites of the principal monuments therein.

(19) Arrangements were made by the Industry and Commerce Subcommission for a monthly shipment of 22,600 tons of coal from U.K. to various parts in Region I, earmarked as follows: 9,000 tons for the railways, 7,000 tons for electric generating plants, 5,500 tons for local industry and 1,100 tons for military use. During the month HQ Region I was engaged in preparing plans for taking over from I.B.S. and 16.1 District the handling of all imported coal. It is proposed that users will draw their coal from dumps under Region I control and that a civilian agency will distribute the coal throughout Sicily. It is also proposed that military personnel using military trucks will handle the unloading and delivery to the dumps for as long as the ports remain under military control. Coal shipments to the mainland of Italy were specific at the rate of 54,000 tons a month from U.K. It is believed that many former users of imported coal will be able, with technical advice, to use Sardinian coal.

(20) The question of labor employment exchanges was the subject of investigation and study by the Labor Subcommission. A plan designed

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(20) The question of labor employment exchanges was the subject of investigation and study by the Labor Subcommittee which prepared a plan designed to make labor exchanges of greater use to employers and employees.

Administration

REGION I (Sicily)

(21) Region I was activated on 24 October 1943. The following paragraphs, therefore, cover the period from that date until 30 November 1943.

(22) Regional headquarters was established at the Palazzo Bordonaro in Palermo. The inevitable problem confronting all AMG officers - that of controlling and restricting the number of civilians coming with problems that should more properly be handled at the lower organizational levels - was met by stationing an Italian-speaking enlisted man inside the main entrance on the ground floor, to interview and route all civilians seeking admittance. It was ⁵³⁸that while certain civilian contacts were still necessary and desirable, the vast majority

of the personal problems should be diverted to the communal, or provincial offices or to some specific Italian agency. This is a matter of detail but it is one illustration of the constant effort to educate the people in the necessity of solving their own problems through their own agencies, the latter particularly in view of the possibility of the administration being turned over to the Italian Government in the near future.

(23) In order that the reconstruction of existing Italian organizations, the establishment of new agencies, and the implementation of existing orders and regulations be handled on the same basis in every province, it was decided to hold bi-monthly conferences with the Prefects (every other Tuesday) and with the S.C.A.Os (every other Wednesday), the conferences to be held at each provincial capital in turn. In this manner, the R.C.A.O. and the Division Chiefs were enabled to discuss in detail existing problems and future plans, and to obtain the reactions and suggestions of the responsible Italian officials as well as those of the S.C.A.Os.

(24) The gradual shifting of responsibility from the Allied Military Government to Italian officials and organizations had been developing on the provincial and communal levels for some time. Attention of the new Regional headquarters was, therefore, directed towards the problem of establishing a regional, or Island-wide, level of Italian administration, with the dual purpose of transferring some of the responsibility to the people themselves and simplifying the problems of any Italian Government which might take over at a later date.

Political

(25) During the month there was an increase in the pace of the awakening of political thought and the alignment of the politically articulate elements into parties or groups. The AMG ban on political activity continued in effect, which prohibited the holding of meetings, publication of newspapers and open political activity on a broad scale. However, the various loosely formed groups which, in some cases, had their roots in underground organizations of the Fascist period, continued the process of formulation of their programs through private political discussions. There were several cases of manifestos being published by the parties, all of which were disavowed by the leaders of the political groups with whom AMG maintained informal contacts.

(26) This political activity was confined to the larger centers. In these the articulate groups were drawn from the small middle and upper classes, particularly among intellectuals, professional men and a handful of pre-Fascist professors and intellectuals. To this may be added a certain amount of natural and spontaneous activity of leftist tendencies among elements of the working classes.

(27) The following are the various political groups or parties which, up to the end of November, had been formed in Sicily. It must be borne in mind that these groups could in no sense rightfully claim to be representative of any considerable body of the population and that none of the leaders had any mandate from even their own immediate following to represent themselves as such.

(a) Christian Democratic Party: The old Popular Party founded by Sturza

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- (a) Christian Democratic Party: The old Popular Party founded by Sturza had great strength before Fascism. The party has strong, if not open, support from Catholic Action (L'azione Cattolica). Has organized groups in various parts of the island.
- (b) Action Party: Follows organization of that name founded on mainland in 1942. In Sicily it has a rather vague program drawn from socialist and liberal ideas; it has few supporters and exists principally in the Palermo area.
- (c) Liberal Reconstruction Party: An outgrowth of the old Liberal Party with a republican program. Consists of a group of personalities without any following. More in the nature of a political club.

(d) The Labor Front: This is a coalition of parties which have loosely united for the purpose of promulgating a general labor program in Italy. The coalition at the moment consists of the following three parties:

- (i) Social Republican Party - based on the old party of Mazzini and Garibaldi; republican and anti-monarchical, having a mediocre following in Palermo, Enna and Caltanissetta.
- (ii) Socialist Party - the old party of Matteotti which exists in same strength throughout Sicily and is strong in Palermo, Trapani, Catania and Caltanissetta.
- (iii) Communist Party - was well organized clandestinely so that it was able in 1943 to hold in secret a General assembly in Caltanissetta. Leadership is drawn from elements which would in other regions probably be found in the socialist party.

(e) Separatists: This is a movement rather than a party whose support is drawn mainly from the large land owners and their entourage. The group was very active during the early days of the occupation but was discouraged by AMG officers who made it clear that political action would not be countenanced. It enjoys the greatest strength in Palermo and Trapani. Said to have an interest in the reorganization of the Mafia.

(28) During the month representatives of all the above groups except the Separatists called on AMG officers in Palermo who again warned them that circulation of handbills and unauthorized publications and posting of manifestos could not be tolerated. They were called upon to cooperate and agreed to do so but requested that a greater measure of freedom be given for political activity. The attitude and influence of the political leaders was in fact helpful during the month at a time when unrest by reason of the food situation was causing concern to AMG officials.

Public Safety and Law Enforcement

(29) The Regional Public Safety Division came into being at a time when the crime rate and general civil disturbances were on the increase and when the morale of the civil police agencies was at a low ebb as a result of insufficient wages, a rising cost of living, loss of prestige resulting from military occupation and interference with civil police functions, and other attendant circumstances.

(30) One of the basic problems - that of insufficient salaries - was partially solved by General Order No. 14 which granted the adjustment upward of all wages of State employees and, so far as the ordinary rank and file of the police organizations was concerned, had the effect of a 70% increase. Even this, however, considering the actual economic conditions existing in the Island, could not be said to produce a wage scale that was really commensurate with the conditions of employment and the duties rendered, or expected to be rendered, by the police.

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(31) The question of increasing the bread ration of the police forces was considered but it was felt that this would probably aggravate the existing discontent, cause prejudice against the police, and bring on pressure from other sources for similar special consideration. Hence the police continued only to draw the same allowance as all other citizens.

(32) Other general conditions affecting the efficiency of the police were the lack of materials - cloth, leather, etc. - for the replacement of worn-out uniforms and equipment, and lack of mobility, since most means of transportation and, more important, the control over spare parts and tires, were in the hands of the military or of AMG. In order to alleviate the situation the following measures were adopted:

(a) A request was sent through channels to AFHQ for a supply of cloth that could be made into uniforms.

- (b) Members of the Carabinieri, Pubblica Sicurezza and Guardia di Finanza were given priority on the purchasing of any remaining boots or other equipment from the "Unione Militare," through the Property Controller.
- (c) Provincial Supply Officers were requested to make available any local stocks of leather for the repair or manufacture of shoes for the police.
- (d) Requisitioning of private motorcycles, cars and trucks for the use of the Carabinieri was ordered.
- (33) In accordance with the directive of the R.C.A.O., measures were taken to establish or reestablish a regional level of command over various organizations within the civil administration. In the public safety field the responsibility for coordinating and controlling all organizations on the island was placed on Doctor Vittorio Modica who by Order No. 21 was appointed Regional Director of Public Safety.

(34) During the month the establishment of the law enforcement agencies in Sicily was as follows:

- (a) Carabinieri: The 6th Brigade, comprising 2 legions, with headquarters in Palermo and Messina, had a total strength of 9,198. During the month the emergency superior command which had been established immediately prior to the occupation under General Sannino was eliminated and the command reverted to General Brunca, Commander of the 6th Brigade.
- (b) Agenti di Pubblica Sicurezza: The strength of this organization in the island was 2,157. As the central agency of public security under the Minister of Interior this organization had become greatly infiltrated by Fascists in the higher ranks of Questore and the like. Considerable reorganization was therefore necessary so as to ensure that in each province there was a reliable and effective Questore.
- (c) Guardia di Finanza: This organization, operating under central control from Palermo, had a total strength of 2,105. The importance of its functions showed a gradual increase as the normal functions of government became reestablished and tax collections and revenue systems redeveloped. Personnel were also employed in connection with the black market.

(35) While the fundamental reasons for the continuation and growth of the black market were economic, every effort was made through police agencies to control and eliminate illegal traffic in basic commodities, primarily grain. Instructions were made effective in all provinces to ensure that available grain was channeled through legal sources. Road blocks were established at strategic points, confiscation raids were made by local law enforcement agencies in conjunction with AMG officers, and mills were checked to ensure that no unauthorized milling was being carried on.

(36) Through the provincial C.A.P.O.s, supervision over the 19 main prisons and the 70 smaller prisons in the island was maintained. Frequent inspections were made and on the whole it was found that the prison personnel were carrying out their duties efficiently, particularly after the authorization of the wage increase. At the end of the month there were approximately 7,000

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(37) Records showed an increase in crime, particularly of robbery with violence, during the period under consideration. In all serious cases arrests were made and severe sentences imposed. The characteristic Sicilian disregard for law and order, the fact that civilians could not legally carry firearms, and the psychological reactions to the occupation and the consequent breakdown of normal conditions have all contributed to the upsurge of crime.

(38) The crisis in the grain situation produced the inevitable disturbances, both as a result of the failure of the bread ration and of the reluctance of those in the grain producing areas to permit grain to be withdrawn for the needier provinces. All such disturbances were quickly quelled by the local Carabinieri in conjunction with Sindaci and AMG officers. In no cases were there

any evidence of definite subversive action, although it was to be expected that Fascist propagandists would seize on the opportunity of capitalizing on the apparent failure of AMG to provide food for the people.

Legal

(39) The following table shows the number of cases disposed of in Sicily during November. The total shows a small reduction as against the previous month.

Province	General Courts		Superior Courts		Summary Courts		Totals	
	G	NG	G	NG	G	NG	Nov 1 - Nov 30	July 12 - Nov 30
PALERMO	0	0	52	17	1213	317	1599	3666
CATANIA	0	0	32	11	412	44	499	1362
MESSINA	1	4	31	23	132	30	221	320
AGRIGENTO	2	0	77	9	473	34	595	1733
TRAPANI	0	0	18	3	132	12	165	650
SIRACUSA	6	2	1	0	183	21	213	575
RAGUSA	0	0	14	2	3	0	19	206
CALTANISSETTA	0	0	10	2	16	0	28	127
ENNA	0	0	6	0	9	0	15	27
TOTALS	9	6	241	67	2573	458	3354	8665

The following statement shows the type of offences dealt with.

PROVINCE	Convictions 1 Nov. 1943 to 30 Nov. 1943						Totals
	Black Market	Thefts, & Poss. of Military Property	Curfew	Poss. of fire arms	Wire cut-ting	All others	
PALERMO	528	329	521	102	0	119	1599
CATANIA	91	209	124	29	1	43	499
MESSINA	26	64	64	6	2	59	221
AGRIGENTO	192	115	147	61	0	80	595
TRAPANI	24	25	79	31	0	6	165

	General Courts		Superior Courts		Summary Courts		Totals	
	G	NG	G	NG	G	NG	Nov 1 - July 12- Nov 30	Nov 30
PALERMO	0	0	52	17	1213	317	1599	3666
CATANIA	0	0	32	11	412	44	499	1362
MESSINA	1	4	31	23	132	30	221	320
AGRIGENTO	2	0	77	9	473	34	595	1733
TRAPANI	0	0	18	3	132	12	165	650
SIRACUSA	6	2	1	0	183	21	213	575
RAGUSA	0	0	14	2	3	0	19	206
CALTANISSETTA	0	0	10	2	16	0	28	127
ENNA	0	0	6	0	9	0	15	27
TOTALS	9	6	241	67	2573	458	3354	8665

The following statement shows the type of offences dealt with.

PROVINCE	Convictions 1 Nov. 1943 to 30 Nov. 1943							Totals
	Black Market	Thefts, & Poss. of Military Property	Curfew	Poss. of fire arms	Wire cutting	All others		
PALERMO	528	329	521	102	0	119	1599	
CATANIA	91	209	124	29	1	43	499	
MESSINA	26	64	64	6	2	59	221	
AGRIGENTO	192	115	147	61	0	80	595	
TRAPANI	24	25	79	31	0	6	165	
SIRACUSA	7	117	39	18	0	32	213	
RAGUSA	3	1	3	1	0	11	19	
CALTANISSETTA	2	11	4	5	0	6	28	
ENNA	1	1	0	9	0	4	15	
TOTALS	874	872	981	262	3	362	3354	

(40) A number of applications have been received for grant of parole on completion of half the sentence in accordance with Italian practice but S.L.Os and Prison Wardens have been informed that such procedure is not contemplated in respect of sentences by Allied Military Courts which are imposed on the basis that the whole term will be served.

(41) During the month the officer in charge of Italian Courts supervised the work of the Italian Committee appointed to select suitable candidates for the remaining vacancies in the judicial set up. The Committee was composed of First President G. Messina, senior Judge in Sicily, G. Arrera, Rector of Palermo University and F. Orlando, President of the Bar Association, men of high moral reputation, and well known liberals. After deliberating for a week a list of 215 officials was agreed upon and submitted for the signature of the D.C.C.A.O. on 26 November.

Finance

(42) During the month additional progress was made in increasing control of expenditures, promoting revenue collections, revising the operations of the State monopolies and bringing about resumption of the financial activities of the postal system. The social insurance organizations were restored to normal operations, financial assistance being provided to make this possible. The banks enjoyed a period of increased public confidence and AIFA continued its previously established functions of a central bank, supplying such credit as was necessary and advisable.

(43) In line with the policy of establishing Italian organizations which would facilitate the handing over of administration to the Italian Government, the Finance Division recommended and the R.C.A.O. appointed 3 senior officials as island-wide supervisors of Italian Government services in the postal and treasury fields and for the Bank of Italy.

(44) Close cooperation with AMG HQ was maintained in respect of matters of common interest to all regions, such as the reopening of the Bank of Italy banking and credit department, credit arrangements with banks, remittances from U.S. citizens to Italian relatives, the private insurance situation and like matters. An item which appeared for the first time during the month in Region I was the necessity of paying Italian Army units which had arrived in Sicily in the Catania area. An arrangement was worked out to cover the payments to these units pending determination of the final procedure under which future payments will be made for the account of the Italian Government.

(45) In connection with revenue, considerable headway was made in reestablishing the organizations of the various Italian agencies on an island-wide basis. Direct and indirect taxation were handled by the Ispettore Compartimentale, customs matters by the Ispettore Generale, and manufacturing tax problems by the Ispettore Generale delle Dogane. The latter two officials were active in reassembling their staffs, although customs work was hampered by the situation with respect to imports and the control of ports by naval and military authorities. Plans for resumption of alcohol manufacture were received from 3 provinces which should considerably increase internal revenue.

(46) The State lottery under the Direttore del Lotto was reestablished and gave promise of producing the usual revenues, and tobacco factories in Palermo and Barcellona commenced operation. Generally speaking a substantial rise in revenue cannot be expected until customs, manufacturing and entertainment taxes and the monopolies and lotteries are fully established. Local communes (local taxes) are maintaining steady income.

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(47) New instructions and forms with respect to advances to communes were worked out and distributed. A new system for advances to State bodies was developed, channeling payments through the Banca d'Italia, Sezione Tesoreria Provinciale. The office of Chief Inspector of the Banca d'Italia will be used for assembling the necessary information and issuing the necessary instructions to branches of the Banca d'Italia, a step which goes far in the direction of following the normal Italian State procedure. Wherever possible advances to State organizations are being centralized in the Palermo or other head office of the organization, e.g. State Railways, P.T.T., Italian Red Cross, Royal Carabinieri, A.A.S.S., and Corpo Forestale.

(48) There was increased pressure for the resumption of sussidi militari (allowances to families of Italians in the military service) but after full con-

sideration it was decided not to recommend resumption on the grounds that the present relief system covered the just needs and disturbance of the present system would produce bad effects.

(49) The banking system throughout the Region continued to function as normally as possible under the circumstances, deposits in most cases continuing to exceed withdrawals. The banks found it increasingly difficult to employ excess funds. The situation was relieved slightly by the payment by AMFA of interest on funds on deposit with the banks. Banca Nazionale del Lavoro presented a plan for the formation of a financial organization which would raise 300,000,000 lire by sale of stock to investors and would finance on a long term basis real estate and construction projects. The plan is being studied but the fact such a project was developed is evidence that money is plentiful and that confidence is gradually being restored.

(50) The postal savings system was reopened and functioning over the entire island by the end of November. Deposits as reported to AMG were about 600,000,000 lire plus those in current accounts amounting to 177,000,000 lire. To meet possible demands of depositors and finance the reopening, AMFA made available credit to a total of 250,000,000 lire of which the postal system had requested up to 58,000,000 lire by the middle of December. The postal money order section of the post office was examined during the month and plans completed to resume operations about 1 December. For this purpose AMFA agreed to furnish necessary funds to meet vaglia postali. It was found extremely convenient and efficient to deal with the General Inspector appointed November 8 in planning and executing the various arrangements with the postal system on an island-wide basis.

(51) AMFA continued to finance the deficits of the various social insurance agencies, although demands generally showed a decrease. A program was also formed to amalgamate 4 of the units in the complicated scheme of health insurance.

(52) AMFA's advances to the banks at the end of November were 504 million while cash deposits with AMFA totaled 787 million, indicating a healthy banking situation. Advances to the State Railways of 23,700,000 lire and of 45,000,000 to the post offices were made in November, the latter largely exceeding advances for October by reason of withdrawals. During the month the following amounts were paid out by AMFA to the various units of the Armed Forces:

U.S. Army	90,000,000 lire
U.S. Navy	nil
British Navy	2,000,000 "
Italian Navy	5,000,000 "

A more complete statement of AMFA's operations is included in the report of the Finance Subcommittee annexed as Exhibit A.

Property Control

(53) In Palermo province all Allied properties have now either been taken into custody or handed over to accredited representatives of the owners,

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Property Control

(53) In Palermo province all Allied properties have now either been taken into custody or handed over to accredited representatives of the owners, except in 10 cases.

(54) In Messina province the A.C.P. has taken custody of some of the more valuable villas in Taormina belonging to British and American Nationals, and is busily engaged in the examination of the other villas there, and also in the preparation of inventories, checking of accounts, etc. Except for these Taormina villas, the numerous Allied properties in Messina province would appear to be of little value or importance.

(55) Some Allied properties sustained war damage, and where monies are in hand for the account of the owner, essential repairs have been or are being executed. Where, however, there are no such monies, the question of providing the necessary finance raises a serious problem. The Legal Subcommittee have

expressed the view that Proclamation No. 6 does not in fact confer upon the C.F. the power of raising a mortgage on any property. The whole question of providing funds for maintenance and management, and special repairs necessary to prevent further deterioration of war damaged buildings, in the case of Allied properties which are at present producing insufficient or no income to meet these expenditures, has been referred to higher headquarters.

(56) It is clear that unless some practical financial arrangements can be made the Controller of Property will in many cases find himself unable to perform the essential duties of protecting Allied property.

(57) The maintenance and control of Italian State property has been handed back to the Intendenza di Finanza, subject, however, to supervision by the Controller of Property.

(58) The first report of the Special Commissioner to reorganize the semi-statal undertaking known as Ente di Colonizzazione del Latifondo Siciliano (E.C.L.S.) has now been received. These measures will result in an estimated net saving of lire 4,700,000 per annum, and include the reduction of the administrative sections of the Ente from 8 to 5, the abolition of its seven branch offices, and the dismissal of 113 superfluous employees.

(59) In the course of the month all the 18 Consorzi di Bonifica in Sicily have been placed, by order of the R.C.A.O., under the administrative direction of Dr. Faravino, as Special Commissioner of E.C.L.S. This ensures a unified direction of the Consorzi, and will avoid any conflict of policy or procedure as between such Consorzi and the E.C.L.S.

(60) In view of the transfer to Regional basis, it has been deemed advisable to create an organization to coordinate the liquidation of Fascist organizations. A judge has been nominated by the President of Tribunale Civile to superintend the liquidators in each province, appointed with approval of the S.C.A.O. and Prefect, and all under control of Controller of Property. The proceeding will be carried out as far as possible under Italian Law and controlled from Palermo. The unblocking and transfer of Fascist funds will also be dealt with in this way.

(61) G.I.L. and Dopelavero property was transferred into the control of the Prefect of Province in which property is situated, under the general control of Public Welfare Officer of the province. In the case of Province of Palermo, this covered over 130 properties.

(62) From the information so far supplied by Italian officials, there would appear to be no property belonging to enemy governments in Region I, with the exception of the German Consulate at Palermo, which is at present occupied by the Armed Forces. Information as to property of enemy nationals has been requested, but has not yet been furnished.

Public Health

(63) An important step forward in the administration of public health in Sicily was the issuance of Order No. 9 which established the autonomous Provincial Departments of Public Health, with power to control and coordinate all organizations and materials concerned with the administration of public health within their particular provinces. This was well received by the Medical Directorate

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(64) The following cases of diseases were reported during the month:

Typhoid fever	501	Diphtheria	7	Measles	1
Tuberculosis	51	Whooping cough	9	Infantile paralysis	1
Malaria	757	Meningitis	3	Puerperal fever	1
Trachoma	4	Scarlet fever	1	Scabies	221
Syphilis	16	Undulant fever	2	Animal bites	9

(65) The most important factor was the rise in the venereal disease rate though this is an inevitable phenomenon wherever the presence of a large body of troops exists. The exact percentage is difficult to determine because syphilis and gonorrhea are not reportable diseases, except when treated in public dispensaries. In the dispensaries 481 individuals were treated, of which 88 were gonorrhea cases and the remainder syphilis. Clandestine prostitution increased, and surveys showed that approximately 40% of these girls were infected.

(66) The Italian Red Cross began to function more satisfactorily during November and on the eastern side of the Island it assumed the care of the Italian units on duty there.

(67) The pharmaceutical laboratory, in charge of Professor Oddo and Professor Greco, was established to conduct research into native resources and to explore new methods of developing pharmaceuticals from local products. 30,000 doses of smallpox vaccine have already been produced.

(68) No serious evidence of malnutrition developed during the period in question in spite of the considerable reductions in the actual bread rations, although a continuation on this basis must undoubtedly produce ill-effects during the winter months.

(69) The first preoccupation of the Regional Public Welfare Division was to prepare and issue the necessary orders and instructions placing the administration of Public Welfare on a uniform basis in every province, in order to control and administer adequately the relief system of the island from the Regional level. By November 30, 1943 Public Assistance (cash relief) programs were operating in all provinces along the lines laid down by Regional Headquarters. In the provinces of Palermo, Catania, Messina, Trapani, and Caltanissetta the necessary orders establishing provincial departments of Social Welfare had been issued and the offices had begun to function.

(70) On the basis of the reports for October 1943, Public Assistance costs for that month were approximately 60,000,000 lire for the entire island. This amount was paid to some 200,000 families at an average monthly cost per case of 300 lire. On a population of 4,000,000 the monthly per capita cost is 15 lire. As nearly as can be determined, Public Assistance costs are still lower than the amounts formerly paid by Italian authorities for the Sussidi Militari (military allowances to the families of soldiers) during the months preceding the invasion.

(71) During November by the use of three officers "loaned" to Region I by the Allied Control Commission, and by using six American Red Cross Field Representatives it was possible to cover all the provinces with welfare personnel. The Red Cross Representatives were of value when working under the direction of an experienced AMG welfare officer, but only one or two were able to carry on without close supervision.

Economics and Supply

(72) The food situation in the island at the end of October had become serious, as the total amount of wheat amassed amounted to approximately one million bushels, and the arrival of imported flour

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Economics and Supply

(72) The food situation in the island at the end of October had become serious, as the total amount of wheat amassed amounted to approximately one third of the crop after permitted withholdings, while arrivals of imported flour were very far behind schedule. Requisitions had been placed by AMG for 24,000 tons of flour to arrive by the end of October and for an additional 15,000 tons to arrive by the end of November, but by the end of November only 9,000 tons had been received.

(73) During the month Regional order and instructions by which the amounts of grain authorized to be retained by producers and non-producers in possession of milling cards were reduced, and they were required to turn the excess in to the Ammassi. Any surplus grain retained for seed was also to be turned in, and confiscation was threatened if these measures were not complied with by December 15. The bread ration throughout the island was fixed at a maximum of 200 grams per person daily, and the production of pasta was prohibited.

(74) To supplement the new regulations all S.C.A.O.s were urged to make every effort to increase the flow of grain into the legal channels, police activity was increased, road blocks instituted, and local committees formed to enforce compliance with our instructions. In spite of these measures, however, the situation reached a crisis in mid-November. The failure of the bread ration for several days caused riots in various localities and the continued removal of grain from the areas of production for transfer to the needy provinces also produced discontent and disturbances. Several of the large cities were practically without bread. Messina's ration was about 100 grams daily from October 24 to November 30. Catania had one day's supply left when a ship arrived on November 20. Siracusa managed to maintain a daily ration of 150 grams for some time, and then was obliged to resort to imported pasta when the bread ration failed. In Palermo the average daily ration for the month was 112 grams.

(75) In order to ensure an equitable distribution of the olive oil crop for this year at legal prices it was decided to continue the Ammassi system and to issue a monthly ration of 1/2 litre per person. Despite the large price increases to the producer, it soon became obvious that the larger producers were diverting a large proportion of the crop into black market channels, and the amounts of oil actually amassed were comparatively small.

(76) Several ships have taken citrus fruits and nuts to Malta, which has sent back some coal. A cargo of 2,000 short tons of lemons, 150 tons of pumice, 285 tons of sumac, 750 tons of almonds, 15 tons of mustard seeds, 100 tons of wine, 200 tons of citric acid, and 85 tons of sulphur was prepared for shipment from Palermo to England at the end of November. A large tonnage of sulphur has also been exported from Catania and Porto Empedocle.

(77) The entry ports are mainly Catania, Palermo, and to a lesser degree Siracusa. Unloading, warehousing and trans-shipment have to be arranged, as well as the most rigorous control possible in order to prevent theft and diversion. A large and efficiently run warehouse in Catania holds up to 5,000 tons of goods, and the work is done by civilians supervised by two AMG officers. There are also overflow warehouses ready in case of need. In Palermo up to 10,000 tons can at present be warehoused in locations under AMG control and space is available for further amounts.

(78) The mechanism of handling these imports and exports was highly complicated in Palermo, and involved keeping in touch with the Navy, Island Base Section, 10th Port of Embarkation, the railway and truck transportation sections of this headquarters, and civilian labor. In addition, coasters have been provided for carrying flour and sugar to Messina, which is almost inaccessible by land.

(79) Requirements of certain industries whose products were required by the United Nations were screened, and assistance was provided to obtain materials for the plants and raw materials for the industries. The status of the principal of these was as follows:

(a) "Montecatini" Reports on these fertilizer plants at Palermo and Crotone were submitted to AFHQ. A vigorous policy of cannibalization and restoration was embarked upon in respect of the Palermo plant, and AFHQ was asked to provide one or more ships to take sulphur from Sicily to Africa and bring back phosphate rock from this area.

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 - (b) Asphalt. Production was continued in the mines at Ragusa; about 2,000 tons a month of powdered asphalt was produced. Conferences were held with the Property Controller, the managing Director of the mines, and the Financial Subcommittee with a view to fixing a price for asphalt but no decision was reached by the end of the month.
 - (c) "Arenella." In Palermo was set in operation, with the provision of fuel and the repair of water-mains, to produce 3 tons of citric acid a day. Makeshift materials were obtained such as sugar bags and salvage blankets for filters, lead and copper from a disused plant, etc.
 - (d) Hemo. Enquiries were made by the Combined Chiefs of Staff about the hemp industry in Region III; this was being investigated by Adv. Adm. Echelon, AFHQ.

- (e) Silk. An officer was sent to Calabria to investigate the possibility of restarting this highly important industry. As a result of his favorable report, a request was made to the British Ministry of Supply to purchase 9,000 ounces of silkworm eggs from Turkey, proposed prices were referred to CCS, repairs to filatures were begun, and Regions were instructed to start spinning last year's cocoons as soon as possible.
- (f) On the request of AFHQ, an analysis was made on 4,000 tons of steel ingots located at Palermo. These were believed to have been intended for railway tracks.

Transportation, Communications - Public Works & Utilities

(80) Prior to the promulgation of General Order No. 14 labor conditions on the State Railway were very tense and the situation became so bad that a general strike was imminent. It was averted by an order of the R.C.A.O. permitting the advance of one month's salary to all employees, this advance to be paid back by them during the following year.

(81) The reduction in the amount of military traffic and the consequent easing of the coal situation made it possible to increase the daily commuter passenger service into Palermo. Nine daily round trips were commenced and the previous requirements for permits to travel were removed. On November 22 an island-wide civilian passenger service was instituted, which connected each of the provincial capitals, with the exception of Messina. Direct communication between Palermo and Catania has not yet been possible because of a bridge destroyed across the Simeto River, however, trains do run by way of Galtanissetta, Ragusa and Siracusa.

(82) As the military traffic decreased it became possible to carry more civilian goods. Until November 22 civilian goods were only carried after an application had been made through AMG channels. This proved so cumbersome that it was decided to start regularly scheduled freight services which would be available to civilians upon application to the railway, as in normal times. Both I.B.S. and No. 1 District approved the schedule, which was commenced on November 22. The Division prepared a list of priorities of goods to guide the railway in accepting shipments. The schedule of trains was based upon the minimum requirements of the island so as to conserve coal supplies to the greatest extent. As an illustration of what has been accomplished, there were 1,494 tons of civilian goods moved from November 1 to November 21 inclusive. From November 22 to November 30 inclusive, with the starting of the scheduled services, 1,727 tons of civilian goods were moved.

(83) The highway transport division has 34 trucks of its own and 21 trucks belonging to IMT under its supervision. The 34 trucks mentioned are either captured enemy vehicles or requisitioned private equipment. Of these 35 trucks it was possible to keep approximately 30 of them on the road daily. The others could not be used because of lack of tires, batteries, or other deficiencies. Most of these trucks were used almost exclusively in caring for the needs of the Economic and Supply Division of this headquarters. However, the trucks were so controlled and dispatched that on these occasions when Economics and Supply Division had no use for them they were used for civilian traffic. No dispatching was allowed unless the person desiring to send a truck load from Palermo could also ensure a return load.

on the State Railway were very tense and the situation became so bad that a general strike was imminent. It was averted by an order of the R.C.A.O. permitting the advance of one month's salary to all employees, this advance to be paid back by them during the following year.

(81) The reduction in the amount of military traffic and the consequent easing of the coal situation made it possible to increase the daily commuter passenger service into Palermo. Nine daily round trips were commenced and the previous requirements for permits to travel were removed. On November 22 an island-wide civilian passenger service was instituted, which connected each of the provincial capitals, with the exception of Messina. Direct communication between Palermo and Catania has not yet been possible because of a bridge destroyed across the Simeto River, however, trains do run by way of Caltanissetta, Ragusa and Siracusa.

(82) As the military traffic decreased it became possible to carry more civilian goods. Until November 22 civilian goods were only carried after an application had been made through AMG channels. This proved so cumbersome that it was decided to start regularly scheduled freight services which would be available to civilians upon application to the railway, as in normal times. Both I.B.S. and No. 1 District approved the schedule, which was commenced on November 22. The Division prepared a list of priorities of goods to guide the railway in accepting shipments. The schedule of trains was based upon the minimum requirements of the island so as to conserve coal supplies to the greatest extent. An illustration of what has been accomplished, there were 1,494 tons of civilian goods moved from November 1 to November 21 inclusive. From November 22 to November 30 inclusive, with the starting of the scheduled services, 1,727 tons of civilian goods were moved.

(83) The highway transport division has 34 trucks of its own and 21 trucks belonging to INT under its supervision. The 34 trucks mentioned are either captured enemy vehicles or requisitioned private equipment. Of these 55 trucks it was possible to keep approximately 30 of them on the road daily. The others could not be used because of lack of tires, batteries, or other deficiencies. Most of these trucks were used almost exclusively in caring for the needs of the Economic and Supply Division of this headquarters. However, the trucks were so controlled and dispatched that on those occasions when Economics and Supply Division had no use for them they were used for civilian traffic. No dispatching was allowed unless the person desiring to send a truck load from Palermo could also ensure a return load.

(84) Upon the starting of the railway passenger service on November 22 the bi-weekly bus service conducted by INT on the circuit Palermo, Agrigento, Licata, Ragusa, Siracusa, Catania, Enna, Caltanissetta became unnecessary. Since Messina was not served by connecting rail lines a new bus service was substituted. This connected Palermo-Messina-Catania daily in each direction. The previous service was intended to be restricted to certain classes of important civilians. So much difficulty was experienced in this restriction that it was abandoned with the institution of the new service. The service was placed on a "first come, first served" basis. The lack of bus tires made it impossible to provide any more extensive service. A service truck was detailed to follow the buses, which carried baggage and mail. This was necessary in order to prevent the buses from becoming disabled on the road without the proper means of repair.

5379

(85) During the month 7th Army and Island Base Section turned over to AMG many of the communication circuits throughout the island and operations of repair and reintegration on a larger scale than before were made possible. The lack of transport proved serious. The highly important Palermo-Catania underground cable was dead for two days, owing to the fact that no transport was available to carry the repair squads. Eventually military transport was forthcoming.

(86) During the period, control of the Societa Generale Elettrica della Sicilia in Western Sicily was exercised by the Engineer, Island Base Section. All requests by civilians for electric power were submitted to the Region Utilities Officer. Those classified as essential were authorized and the Engineer, Island Base Section, ordered their connection.

(87) On October 21 the No. 1 District had turned control of the operations of S.C.E.S. in Eastern Sicily over to AMG HQ, Catania province, for operation. On November 5 an office was established in Catania and an officer from Regional Headquarters assumed jurisdiction for the Region Utilities Section.

(88) Large works of demolition, debris removal, and repairs were in process in Palermo, Messina, Catania, Siracusa, Trapani, and other cities which suffered damage. Many of these jobs were started before the activation of the Regional headquarters, but information has been requested from the S.C.A.Os so that a complete list of all this work can be compiled for record purposes. It was obviously necessary for the S.C.A.Os to proceed with the most urgent works before any detailed directive was issued regarding priorities. The activities of the Regional Public Works Section were directed towards obtaining a uniform island-wide administrative procedure and towards coordinating civilian organizations and supplies in order that the work should be carried out according to the proper priority.

(89) With the reopening of railroad services throughout practically the whole island, the postal services showed the greatest progress forward and practically every post office on the island of Sicily was linked up with mail service. 645 offices were opened and functioning with one or more postal services out of a possible total of 727, as of November 30.

(90) Seeing the necessity of establishing a centralized control and supervision of the Postal and Telegraphic activities in Sicily, there was established by Order No. 23, a General Inspectorate for the Island of Sicily. The results of this new organization quickly showed a greater coordination in postal matters and a greater uniformity in provincial procedure, where previously there had been a great disparity, resulting in general inefficiency and loss of time.

(91) The Provincial Directors of Enna, Messina, Ragusa, and Agrigento were suspended from their offices for a period of three months for reasons of inefficiency and lack of cooperation with AMG officials. This was done after warnings had been issued to these officials to the effect that drastic action would be taken in continued cases of negligence and inefficiency. After consultation with R.C.A.O. and the Inspector General, it was decided that these officials who were suspended should be brought before an Italian Commission, formed by the Prefect of Palermo, and their

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(92) Prisoner of War mail steadily increased and the latest figures showed that 102 sacks of P/W mail arrived here for distribution and 60 sacks were dispatched. P/W mail for occupied Italy continued to arrive and at the end of the month 50 sacks of mail were ready for onward transmission to the mainland.

(93) Attempts were made to start an insured and registered service for banks and public institutions so that valuable documents and cash might be sent through the mails, but the censorship office was not in a position to handle this type of mail. However, a registered service for the use of Post Offices only was approved, whereby records and remittances might be dispatched between Post offices and provincial capitals.

Labor

(94) At the time Region I was activated the AMG labor policy had already been established, and the groundwork had been laid for the development of Italian labor offices which would eventually assume responsibility for the handling of all labor problems. The Regional Labor Division proceeded to develop the actual administrative structure of the organization, to ensure that in each province the labor offices were functioning properly, and to establish a competent island-wide controlling and coordinating agency.

(95) On November 1 Avv. La Loggia was appointed Acting Director of the Regional Labor Office, with the following jurisdiction:

- (a) General supervision and coordination of the Provincial Labor Offices.
- (b) Collation of labor information and statistics on an island-wide basis.
- (c) Conciliation and arbitration of inter-provincial labor disputes.
- (d) Supervision of the activities of the Ispettorato del Lavoro, which was responsible for the inspection of industrial plants, safety precautions and the like.

(96) On November 20, 1943 General Order No. 14 granting a temporary wage adjustment was published, granting salary increases to governmental employees in accordance with a stipulated schedule and permitting private employers to make increases in accordance with the same schedule.

(97) During the month considerable labor unrest was evident, traceable to two causes:

- (a) Lack of an adequate supply of food at reasonable prices.
- (b) Wages insufficient to maintain a minimum standard of living in view of the general economic conditions.

(98) An example of the kind of situation that arose is that of the Societa' Generale Elettrica della Sicilia. On November 8, 650 employees of the Societa' Generale Elettrica della Sicilia in Palermo left work to search for flour substitutes, leaving 50 essential workers at the plant. At the conference held that day, the workers insisted their action was not a "strike" but a human and necessary attempt to obtain food for their families. At the same time increased wages were demanded. The workers returned to work when it was explained that efforts were being made to make food available and that a wage increase was under immediate consideration. Further unrest among these employees was evident when the announcement of the wage increase was delayed. On November 29 the employees of the company in the Agrigento area threatened to strike, demanding additional food and the full increase allowable under General Order No. 14, including the indennita' di presenza. These workers were assured that the full amount of their bread ration would be available regularly, and Societa' Generale Elettrica della Sicilia agreed to grant the full amount of the wage increase permissible under General Order No. 14, including the indennita' di presenza where it was previously paid. The employees remained at work on the basis of these assurances.

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(99) The issuance of General Order No. 14 undoubtedly reduced the demand for higher wages; however, the wage increases did not compensate for the actual increases in the cost of living. The scarcity of food, the increasing black market, and the rising cost of living continued to contribute to labor unrest at the end of the period under review.

(100) Although a scarcity of workmen in some skilled trades was reported, in many industrial and commercial classifications, and more particularly still, among clerical workers, there was a great deal of unemployment. Naturally with the dissolution of the Fascist bureaucracy many office workers were deprived of employment. The sulphur mines in the center of the island were also great centers of unemployment during this period, but preparations for reopening the mines were being made and a solution of this problem appeared to be in sight.

Education

(101) Arrangements were made during the month for the operating of the three Sicilian Universities. The University of Catania opened on the 4th of November and the Palermo University opening was arranged for December 5. Extensive damage to the University buildings at Messina has delayed opening, but it is hoped that sufficient repairs may be carried out to enable this University to open in January.

(102) Arrangements have been made to open about 75 per cent of the schools in Sicily on 1 December. The opening of the remainder will depend on the time of their evacuation by troops and in some cases on repairs. One church school at Mazzara is already open. The committee appointed to examine text books has completed its work and a sufficient number of books is available for immediate requirements; some few pages containing fascist teaching having been removed. Similar arrangements are in hand in Region II. A check has been made of the personnel of other educational and scholarly institutions to ensure their freedom from notorious fascists.

(103) Two broadcasts were prepared and radiated during the month, in consultation with P.M.B. The first was a brief report of the opening of the first school. The second was a 15 minute talk on the work of the division, the plans for reopening of Universities and schools and the removal of fascist elements from education.

Monuments, Fine Arts and Archives

(104) Arch. Dr. Guiotto, the Superintendent of Monuments for western Sicily, reports that he has brought to completion certain of the projects submitted in his original program at approximately the cost estimated, but that many others have proved more costly than the estimate for two reasons:

- (a) The rapid increase in the cost of labor and materials.
- (b) The discovery on closer inspection that more had to be done to conserve the fabric than had seemed necessary on a preliminary inspection. It is inevitable that these factors make preliminary estimates tentative. The total sums expended until 13 November have been approximately lire 1,071,612.

(105) The Genio Civile has exhausted his initial appropriation of lire 800,000 for his part of the work on monumental and cultural buildings and has requested a second appropriation. In view of the difficulties of securing cooperation between the Genio, the Superintendent, and the Ecclesiastical authorities, it is hoped to establish a committee of representatives of these officials and of the advisors to examine jointly projects and priorities.

(106) Work has been done by the Superintendent of Monuments and the Genio on such monuments as the following:

- (a) Still in progress: Churches of S. Giuseppe, SS. Salvatore, S. Matteo, Sta. Maria della Catena,

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- (b) Completed: Churches of SS. Annunziata, Sta. Zita, Sta. Maria degli Angelini, Sta. Maria della Pietà, Oratories of Sta. Zita and S. Lorenzo.

(107) Signora Dr. Marconi, the Superintendent of Antiquities, and the Genio Civile have repaired windows and roofs in the Museo Nazionale. Prof. Dr. Pietro, the Superintendent of Galleries, has continued the restoration of pictures in the Palazzo Reale by the restorer, Prof. Violante, and the preparation of rooms in the storage place outside of Palermo for work there. Since Prof. Di Pietro has exhausted the first appropriation of lire 220,000 for three months, it has been continued by an appropriation of lire 250,000. Signora Daneo, Acting Director of the National Library at Palermo, has continued the transfer of books and book-cases from the bombed library to the Palazzo Marzariano. She has arranged the installation of the catalogue and of electric lights in the Palazzo.

(108) Dr. Dillon, Superintendent of Antiquities for eastern Sicily reports that work is progressing on the Castello Ursino, on the Church of St Benedict and on other Churches in Catania.

(109) He reports further on the continuance of work to recover the choir-stalls of S. Domenico at Taormina and on the work in progress on the churches of Enna and Assoro.

(110) It now seems certain that the Greek manuscripts from the University library of Messina were stored with other books from that library and from Catania at Bronte and are safe.

(111) At Agrigento work is in progress on the Monastery of S. Spirito and repairs have been effected to the Museum. Projects for work of conservation to the temples have been initiated which, though not directly necessitated by war damage, are urgent and have been approved.

Press and Public Relations

(112) The "Sicilia Liberata" and "Corrieri di Sicilia" continued in circulation though the shortage of newsprint was a cause of considerable anxiety. There is no doubt that these publications have gained for themselves a reputation for fair and free comment. Supervision has been made by FVB in close cooperation with the PRO in Palermo.

NOTES ON THE PROVINCES INDIVIDUALLY

(113) The major problems confronting AMG officers in the provinces were naturally the local manifestation of the island-wide difficulties referred to in the reports of the Regional Divisions, particularly of course those involving food supply, the increase of crime, the spiral of prices, and unemployment. The task of the Senior Civil Affairs Officers in administering the territory assigned to them was further complicated by the reductions to their staffs occasioned by the transfer of officers to the mainland. However, by the end of November in most fields of endeavor the broad outlines of administration had been established, and gradually the weight and responsibility for the operation of the economic affairs of the island was shifted over to the Italians themselves.

Agrigento

(114) Demonstrations occurred in several localities as a result of Order No. 13 which reduced the retention of grain held by producers for family use. Discontent was also stimulated by the transfer of grain from this province, one of the largest producers, to other needier localities. One successful kidnapping case was reported, where the ransom of 500,000 lire was duly paid, and the victim promptly released.

Galtanissetta

(115) Two AMG employees in an AMG car were held up by armed bandits on the Mazzarino-Reisi road. In the ensuing struggle the car was damaged and the employees were injured.

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Caltanissetta

(115) Two AMG employees in an AMG car were held up by armed bandits on the Mezzarino-Reisi road. In the ensuing struggle one of the bandits was killed and an AMG employee wounded. Two men were brought to trial before an AMG court and were sentenced to death. All the sulphur mines in the province were amply supplied with electricity and were able to resume operations.

Catania

(116) During the month five men were found guilty of highway robbery and given sentences of ten years each. There was an abundant crop of lemons and mandarines, a great deal of which was available for export. Cabbage, cauliflower, and lettuce were also very plentiful.

Enna

(117) In view of the fact that this province produced little beyond wheat, olives, and almonds the Consorzio Agrario was instructed to work out

exchange agreements with the Consorzi of other provinces. The economy of the province was greatly assisted by this step, by which cheese from Ragusa, oil and cement from Messina, salted sardines from Trapani, and fresh fish from Agrigento and Palermo were imported in exchange for grain, table olives, and almonds. A British Army Remount Depot was established in one of the communes and engaged in extensive purchasing of mules, causing a further drain on civilian supplies since large quantities of barley, oats, and fodder had to be supplied through the Consorzio Agriario.

(118) The arrival of an Italian Army Division created an increased demand for water and electricity services and housing. However, the troops were all satisfactorily accommodated, and conferences were begun to consider the possibilities of using them for guard and other duties.

Messina

(119) The shortage of bread was somewhat relieved due to greater imports from other provinces, and a general improvement in public morale could be noticed. The alimentation problem continued to be the most pressing one but the greater coordination of the entire food resources of the island undoubtedly operated for the benefit of this province, which had always been greatly dependent on the more productive areas of the island.

(120) Repair of the many public buildings was retarded due to the scarcity of various building materials, but requests were forwarded to the Regional Economics and Supply Division for some items and it was hoped that these would be complied with.

Palermo

(121) The situation regarding the bread ration improved during the month owing to the importation of grain from Caltanissetta and the arrival of some American flour. Minor disturbances arose in several communes but there were no serious outbreaks, and due to the efforts of Sindaci and other responsible officials a general understanding of the situation was fostered among the people as a whole.

(122) The general state of crime in the province showed an increase in armed robberies, but prompt action on the part of the Carabinieri and severe sentences by AMG courts were an effective deterrent to any general lawlessness.

Ragusa

(123) Evidence of the existence of a political party by the name of "Ferreia" was discovered in the commune of Scicli, but special police measures were instituted and no developments other than the issue of manifestos were reported. A number of cases of typhoid developed at Vittoria but close supervision was exercised by the Provincial Doctor, the outbreak was definitely localized, and the number of new cases declined rapidly.

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Siracusa

(124) The scheduled reopening of schools on December 1 presented a problem since many school buildings were still occupied by troops. The minimum accommodation required was assured by the end of the month and it was hoped that the movement of the military units would further improve the situation before the resumption of classes.

(125) A large amount of shipping space was urgently required in order to export the record surplus of oranges, tangerines, and lemons, and representations were made to the appropriate division at Regional headquarters.

Trapani

(126) A known undercurrent of political activity existed in the province but without any open demonstration. Control measures were limited to the enforce-

ment of the AMG prohibition of public meetings of a political nature, since there was no evidence of subversive activities.

(127) A report was received from the Alimentazione office to the effect that farmers were not planting grain for the 1944 harvest, stating that with the present cost of farm labor they could not afford to raise grain at the price of 500 lire per quintal. The suggestion was put forward that an announcement should be made immediately to the effect that the price of grain for the next harvest would be 1,000 lire per quintal so as to ensure that an adequate crop would be planted.

REGION II

Political

(128) The consensus of opinion is that the morale of the civilian population in the five provinces of Calabria and Lucania improved on balance during the month.

(129) The improvement was more marked in Matera and Potenza than in Reggio, Catanzaro and Cosenza. In the first two provinces, the grain supply was adequate to permit the issuance of the full daily ration of 150 grams of bread per person. In the other three provinces, the supply of grain and flour was inadequate, and the nominal ration of 150 grams was, in fact, reduced to 100 for a large part of the month, and in some cases nothing could be provided.

(130) Positive factors contributing to the improvement in morale were the growing confidence in the fairness of AMG officials, the sincerity of their professions that they wanted to help the people, the removal of Fascist officials, the absence of large bodies of Allied troops, and a resumption of the payment of the military subsidy as of November 1st.

(131) The most aggressive "parties" are the Communists and the Socialists, and competition between these two for positions of influence became rather sharp in Cosenza province. When the R.C.A.P.O. and other AMG officers discussed the situation with some of the Communist leaders they agreed that since we were fighting their battle and trying to help them, they would suspend political agitation and try to prevent the occurrence of disturbances of public order as long as we remained in control, but that they would do all they could to embarrass the Badoglio Government when it took charge. An indication of the state of political opinion is given by the fact that when the publication of newspapers was permitted in the province of Cosenza, eleven were started within a few weeks, each representing a different hue of political opinion.

(132) On November 8, the R.C.A.P.O. and a Legal Officer, when visiting Rossano to deal with the cases of certain political prisoners, were informed by the Carabinieri Maresciallo that the Communists had arranged a public mass meeting to follow a procession through the town later that day. Because of the high feeling between the Communists and the Socialists, he feared trouble would result. In this fear, the Podesta concurred. The R.C.A.P.O. thereupon called the leaders of both groups together and obtained from them an agreement to suspend political agitation.

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(130) Positive factors contributing to the improvement in morale were the growing confidence in the fairness of AMG officials, the sincerity of their professions that they wanted to help the people, the removal of Fascist officials, the absence of large bodies of Allied troops, and a resumption of the payment of the military subsidy as of November 1st.

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(132) On November 8, the R.C.A.P.O. and a Legal Officer, when visiting Rossano to deal with the cases of certain political prisoners, were informed by the Carabinieri Maresciallo that the Communists had arranged a public mass meeting to follow a procession through the town later that day. Because of the high feeling between the Communists and the Socialists, he feared trouble would result. In this fear, the Podesta concurred. The R.C.A.P.O. thereupon called the leaders of both groups together and obtained from them an agreement to suspend political agitation, and devote themselves to cooperating with AMG, which would welcome suggestions for the improvement of conditions, submitted through the Podesta. The Communists, who had painted the hammer, sickle and star emblem on many buildings in the town, at the suggestion of the R.C.A.P.O. painted them out within two hours.

(133) Subsequently, an order prohibiting all public meetings and demonstrations, other than for religious purposes, was sent to all S.C.A.Os.

(134) The occurrence of a fair number of apparently spontaneous demonstrations all over the Region, conforming to the same pattern and ostensibly caused by trivial complaints, led to the suspicion that there might be some form of organization and central direction behind them. The R.C.A.P.O. was directed to explore this possibility.

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(135) The process of replacing incompetent and Fascist officials made considerable progress during the month. The most important change occurred in Cosenza. On the 4th of November, during the temporary absence of the S.C.A.O. and the C.A.P.O., a mob apparently inspired by the Communists, rushed the Prefettura, assaulted the Prefect, and obtained his resignation. The S.C.A.O. had decided previously to remove this official, and had been considering various persons for the appointment. He now appointed Signore Mancini, a former member of Parliament, a lawyer by profession, who had been imprisoned three times by the Fascists.

(136) By the end of the month, 93 new mayors had been appointed in the 152 communes of Cosenza. Approximately 100 have been appointed in the 154 communes of Catanzaro, and 70 out of 89 in Reggio; 27 out of 32 in Matera, and approximately 70 out of 91 in Potenza. Most of the important communes had been covered, and in some of those where no change had been made it was difficult to find any competent person to replace the incumbent.

(137) Captain Vesselo, representing the Educational Advisor, was attached to the Region during the month and began a survey of the educational system, in which he paid particular attention to the qualifications and suitability of the Provveditori degli Studi.

(138) Scheda Personale were printed and distributed to all provinces in order to obtain the basic information with respect to all important officials.

(139) On the 9th of November, information was received that Lt. Gen. Mercalli, commanding the 31st Italian Army Corps, had notified the Prefects in Calabria to submit the names of all proposed appointees as new mayors of communes to him for approval, prior to appointment. Since this was in direct interference with AMG, the R.C.A.O. went to Catanzaro, where he learned that Lt. Col. Rodd, S.C.A.O. of the Compartimento of Calabria, had objected to this order immediately upon receiving it, and had demanded its cancellation three days previously. On the evening of November 10 he had received no reply. The R.C.A.O. therefore summoned Gen. Mercalli to a conference the next morning and discussed the situation with him. The General stated that he had not understood the limitations upon his authority, had received no instructions, but desired to cooperate with AMG, and that he had already cancelled the order.

(140) Immediately after the assault upon the Prefect of Cosenza, Gen. Mercalli, without consulting Lt. Col. Rodd, had moved troops into Cosenza and issued orders that one of his subordinates was taking over command of the "Preside" of Cosenza. It was explained to him that AMG was charged with the maintenance of public order and that he would take no action in that field except upon request of AMG, and he was specifically informed that he had no control over the Carabinieri and that he would not issue any orders to them. He agreed to these limitations.

(141) While on this trip, the R.C.A.O. also learned that on November 9 Lt. Col. Simonetti, of the 7th Italian Army, had issued an order to seize the POL supplies of AMG in Cosenza, amounting to 250 drums. He had forbidden the issue of any of this fuel under pain of prosecution before an Italian Military Court. General Mercalli stated that Col. Simonetti was not under his command, but agreed to inform him that this seizure of AMG supplies would halt the distribution of food, and to request him to release it. At the end of the month this

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(139) On the 9th of November, information was received that Lt. Gen. Mercalli, commanding the 51st Italian Army Corps, had notified the Prefects in Calabria to submit the names of all proposed appointees as new mayors of communes to him for approval, prior to appointment. Since this was in direct interference with AMG, the R.C.A.O. went to Catanzaro, where he learned that Lt. Col. Roddi, S.C.A.O. of the Compartimento of Calabria, had objected to this order immediately upon receiving it, and had demanded its cancellation three days previously. On the evening of November 10 he had received no reply. The R.C.A.O. therefore summoned Gen. Mercalli to a conference the next morning and discussed the situation with him. The General stated that he had not understood the limitations upon his authority, had received no instructions, but desired to cooperate with AMG, and that he had already cancelled the order.

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(142) Later in the month it was learned that Major General Madore, commanding a division of the Italian 51st Army Corps with headquarters in Cosenza, had made a strongly Fascist, anti-Allied speech to his officers. The foregoing were the outstanding matters in a series of incidents with the Italian Army during the month.

Public Safety and Law Enforcement

(143) While detailed reports have not been received from the provinces, superior officers of the Carabinieri state that the number of serious crimes of violence has decreased almost 75% since the occupation, as compared with the previous year. The most common form of crime is dealings on the black market. During the month further information was received concerning black market activities centering in Cosenza and using Bari as their chief source of supply. There were also reports of dealings in lire-dollar exchange at other than the legal rate. These are being investigated by the C.A.P.Os.

(144) On the 24th of November a hand grenade was thrown into the printing office of a Communist newspaper at Catanzaro. Nobody was injured and only slight physical damage was done. It is suspected that the culprits were soldiers of an Italian paratroop regiment stationed nearby. These troops, which the Commanding General of the 31st Italian Army Corps admitted were ill disciplined, were moved to the King's territory on the 29th of November.

(145) The work of reviewing the cases of 287 civilians who had been arrested in Region II on security grounds by F.S.S. and other military units, and confined in civilian prisons was completed during the month. This review showed clearly that the work of F.S.S. was very slipshod. In some 60% of the cases, no arrest slips were found, and in many other cases the slips were practically valueless because of the paucity or quality of the information contained. The statements "A spy. Dangerous type who should be shot rather than arrested. Recommended for deportation," and "Anti-fascist propaganda overheard by witnesses. Dangerous to security - recommended for eight months imprisonment," are of small value.

(146) All of these cases were dealt with by C.A.P.Os under an agreement with 8th Army GSI after the Region was turned over to AMG, and our recommendations were approved without exception.

(147) The improvement in the discipline and reliability of the Carabinieri which began in October continued during November. C.A.P.Os inspected the men and barracks in many places and ordered improvement in their personal appearance and a cleaning up of the stations. Many Maresciali were shifted to new posts. The R.C.A.P.O. had several conferences with the General and Colonel of the Corps at Bari, respecting general conditions, and transfers of Lt. Col. commanding at Cosenza, and the Majors in charge of Matera and Potenza provinces. It will take a considerable period of time to undo all the harm which the Fascist regime has wrought upon the morale and efficiency of this once fine police force.

(148) Early in November, the R.C.A.P.O. investigated the histories of more than 100 Public Security Agents in Matera province. A number were found to have bad records, five were OVA agents, others were Squadristi and ardent Fascists, and still others had given much assistance to the Germans. Six were dismissed forthwith and ordered out of the province. Fourteen more, stationed at Pisticci, were not only useless, but a bad influence in the neighborhood; these were given indefinite leave. Twenty-two out of forty others, stationed at Matera, were distanced, and some of them ordered to leave the town. The remainder were retained on trial. In the brief period which has elapsed since this action it is believed that the work of those retained has shown a distinct improvement. Including those dismissed in other provinces, more than 100 Public Security Agents

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(145) The work of reviewing the cases of 257 civilians who had been arrested in Region II on security grounds by F.S.S. and other military units, and confined in civilian prisons was completed during the month. This review showed clearly that the work of F.S.S. was very slipshod. In some 60% of the cases, no arrest slips were found, and in many other cases the slips were practically valueless because of the paucity or quality of the information contained. The statements "A spy. Dangerous type who should be shot rather than arrested. Recommended for deportation," and "Anti-Allied propaganda overheard by witnesses. Dangerous to security - recommended for eight months imprisonment," are of small value.

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Legal

(149) Instructions were given to R.L.O. Region II to take the necessary steps in order to publish General Order No. 12 (Reorganization of the Italian Bar Association) as soon as local conditions would permit.

(150) The number of cases to be heard by Allied Military Courts in Region II continued to be very small. In Potenza province only one case was tried; the defendant was acquitted by a Superior Court of the charge of making

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remarks hostile to the Allied Forces. In Matera a Summary Military Court convicted two defendants of operating a passenger bus on nights contrary to the orders of the Allied Military Government and fined them each 5,000 lire. Although a full report from Calabria has not yet been received it is believed that only five Summary Court cases were heard, all in Reggio. At Crotone a court composed of three judicial officers heard charges of the unlawful killing of an Allied soldier by an Italian civilian and convicted the accused. The appointment of the Tribunal as a General Military Court is now awaited, and upon its receipt the defendant will be sentenced. In all of the provinces of the Region there are a substantial number of cases under investigation and awaiting trial by Military Tribunals.

(151) The Committee which was established in Potenza for the investigation of crimes committed during the last years of the Fascist regime and which, for political reasons were never prosecuted, has been operating efficiently and industriously. Some thirty cases have been investigated by the Committee, and, in accordance with the procedure established in the Order establishing the committee, fourteen have been referred to the Procuratore del Re for further investigation and possible prosecution in accordance with Italian law. One case referred by the Committee to the Procuratore, and involving the continuous violation of Italian law both before and after occupation, has already been tried by the Tribunale and resulted in a conviction. The Procuratore, feeling that the court showed excessive leniency in its sentence and in its finding of not guilty on one of the five counts, is appealing the case to the Corte d'Appello. The Committee has appointed an investigating agent in the Province of Matera whose responsibility it will be to report to the Committee on cases in Matera of the character with which the Committee is concerned. All reports indicate that the formation of the Committee and its work to date have done much to give the population confidence in the integrity and good faith of AMG.

Finance

(152) The banks in Region II continued to operate efficiently and without any important incidents during the month of November. The only thing worthy of mention with respect to currency during the month was the information of deals in lire-dollar exchange at other than the legal rate.

(153) The method of financial control set up by the R.C.F.O. was thoroughly discussed with the Chief Officers of the Finance Section at a conference in Palermo early in the month. The essentials of the plan were, in substance, continued, but three additional Finance Officers were sent to the Region so that it would be possible to have one in each provincial capital to check the civilian governmental finance operations.

(154) On the whole, bank deposits have recovered to the level of June, 1943, and cash rations have greatly improved, but banking profits are suffering greatly from non-payment of the state debt and the limited opportunities for commercial credit, particularly due to the reduced activities of the Con-sorzio Agrario. Some managers have expressed doubts as to their ability to maintain existing deposit rates. All have expressed a strong desire to participate in the financing of reconstruction projects, and in the activities of AMG Industry, Supply and Export Trade Sections.

(155) Post Offices have been opened where physical conditions permit

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(155) Post Offices have been opened where physical conditions permit for normal deposit business and for effecting the payment of various public employees and beneficiaries.

(156) The payment of military separation allowances was resumed, non-retroactively, effective from November 1, except that payment to the families and dependants of the Fascist Militia were abolished. This step was very well received by the public.

(157) The 31st Italian Army Corps stationed in Calabria to guard the lines of communication and repair roads and bridges, informed the R.F.O. in October that their expenses were 80,000,000 lire per month, that they were without funds, and that pay was in arrears. An advance of 17,000,000 lire was

Arranged with the Bank of Italy, but further such arrangements were suspended on orders from AMG HQ. The serious situation resulting from the presence of this large body of troops on our main line of communication between Sicily and the mainland was bad enough, considering the attitude of the commanding officers, which amounted to scarcely veiled hostility, the incompetence of the officers, and the very low state of discipline and morale. Fortunately, permission was received during the month to advance 80,000,000 lire to the Commanding General.

Posts, Telegraphs and Telephones

(158) Postal service was limited to the transmission of official mail on a very restricted basis by the use of all possible makeshifts. In the province of Matera, a wood burning bus provided a weekly service to the neighboring province of Potenza, and to the chief communes in Matera province. Toward the end of the month it was found possible to send and receive telegrams to and from Apulia, Cosenza and Potenza, but the service was very erratic. The same was true of telephone service with Potenza and Apulia for official business.

Property Control

(159) Particulars furnished by Provincial Prefects confirm that with the exception of some A.G.I.P. (ex Nafta and Shell) installations, Allied properties in Region II are few in number and of no great value. They have however been taken into custody. Except for some salvaged material valued at 7,000 lire from a British ship "Vision" of St. Anthony, the properties all belong to American nationals. In the provinces of Matera and Catanzaro there are a few properties which belong to French subjects, but as Proclamation No. 6 has not been extended to French property, they have been left in the hands of the Italian sequestrators.

(160) Italian State property has not been taken into custody, in view of Italy's new status of co-belligerent and the prospective handing over of the general administration to the Italian Government. Reports from Prefects have not so far disclosed any properties belonging to any enemy states or nationals thereof, beyond the small orange grove belonging to a German citizen in the province of Reggio, mentioned in the October report.

Economics and Supply

(161) The general trend in wages and prices continued upward, with the inevitable demoralizing effect upon the public at large and as a distinct stimulant of the black market. This stimulant was aggravated by purchases of supplies for Army units and messes without any reference to AMG officials. It is believed that such purchases are usually made at rates far above the official prices, and there is also reason to believe that the agents used to make these purchases took advantage of their connection with the military to cover black market activities on their own account. Definite evidence is very hard to obtain because the first information is usually received after the transactions have been completed, and the purchasers have departed.

(162) The amassing of grain practically ceased during the month. The official price for grain has not been changed. In many cases, therefore, producers sustain an actual loss when they amass their grain, while they can make a substantial profit from what they can sell on the black market. The result is

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(163) The prospects for the next grain crop are discouraging. The supply of fertilizers is extremely short. Even the small amount of artificial fertilizer at the Montecatini Plant in Crotone has not been distributed for lack of transportation. There is a marked shortage of seed potatoes and seed wheat. Some of the seed wheat available has had to be used to maintain even a 100 gram bread ration in Calabria. Transportation and sacks are lacking to bring seed wheat from Reggio, where a small amount has been allocated. Some reports indicate a slight increase in the acreage sown to wheat in Matera and Potenza provinces. On the other hand, reports have been received that some peasants have drawn their seed wheat and then changed their farms, selling the seed wheat on the black market and applying for another issue.

(164) The olive oil crop has, on the whole, been good and there will be some surplus available for export from Calabria. The chestnut crop in the Calabrian mountain districts and Potenza has been fair. Efforts are being made to gather these chestnuts and use them as a substitute for grain rations.

(165) No additional supplies of coal have been received. None is being used for the heating of buildings or domestic purposes except in the case of a few hospitals. It is estimated that the supply on hand for railroad purposes will last until approximately the end of December. There is a considerable amount of charcoal on hand in the mountain districts, but transportation to move it to the consuming areas is lacking. It is reported that there are 16,000 tons of a poor quality of lignite above ground at the Castelluccio mines, southwest of Lauria, near the Potenza-Cosenza border. Lack of transportation prevents the movement of this coal.

(166) Because of the prospects for a good crop of olive oil, and discovery of the fact that in some places a considerable quantity of the previous crop had not been moved to market for lack of transportation, the olive oil ration was increased to a litre per person per month. This immediately reduced the black market price materially and brought it to a point where it was only slightly above the ration price.

(167) The bread supply for ration purposes was in a desperate situation at the beginning and end of the month, and only fair at any time. Matera and Potenza provinces were able to maintain the normal ration of 150 grams per person, but in Calabria all three provinces were completely out of grain and flour at various times during the month. The only supplies received during the month were some 4,000 tons of flour from the Near East, which was landed at Brindisi and trans-shipped by rail and water to Reggio and thence to the three Calabrian provinces. The transportation conditions were very bad. The interruption of rail traffic by the washing out of bridges also interfered with distribution. There were a small number of food demonstrations during the month, but the number was actually smaller than might well have been expected under the circumstances. At the end of the month the only information of prospective supplies was notice of a shipment of 1,600 tons destined for Reggio.

(168) The continuance of the practical paralysis of ordinary business and industry keeps unemployment at a high level. This unemployment will probably increase as the sowing of crops and the harvesting of olives comes to an end.

Education

(169) One private girls' school under church auspices was opened in the town of Matera with approximately 125 pupils. Work was started on reopening the public schools throughout the Region. Previous to his arrival, a committee appointed at the instigation of the S.C.L.O. of Matera province had drawn up a plan for reorganizing the schools which was approved by AMG HQ. Arrangements were made for holding examinations and the task of weeding out undesirable administrative and teaching personnel was begun. The plans of this province and of Potenza were upset to a considerable extent by the information that a division of troops was coming to each of these provinces for training purposes, and that it would be necessary to use a considerable number of schools for billets.

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Public Health

(170) The position during the month was satisfactory, both in regard to the general state of health and medical supplies. A survey of hospitals was made during the month by two officers from headquarters.

Refugees

(171) During the month information was received that the facilities in Apulia for accommodating refugees from the combat zone were reaching the saturation point, and that Region II should make preparations to receive an unknown number of such people. Work was immediately started, and within three days

plans were ready to accommodate up to 5,000 people in Matera province. The prospective arrival of the division for training necessitated reducing this number to about 3,000. Plans were also prepared for Potenza province, and preliminary notice was given to the Calabrian provinces. It is not, however, deemed desirable to send any refugees to Calabria until the food supply for the present population becomes more regular. If any considerable number of refugees is sent to the Region, their food will have to be provided, in a large part, from outside supplies. In the preparation of these plans for handling refugees, some Red Cross personnel who were then in the Region were very helpful.

(172) Experience in the first month of regional administration in both Regions I and II confirmed the wisdom of decentralizing AMG administration into the regional set up. Under conditions prevailing in occupied territory, with transportation and communications still unavailable in any satisfactory degree for military government purposes, considerable independence of action by AMG officials in the field was found to be essential as a practical matter. Centralizing this authority at the regional level has maintained a channel between general headquarters and the field and at the same time has given the officers at the provincial level specialized assistance to a degree which is not practicable from the higher headquarters.

(173) A general tightening up of local administration and placing of responsibility on Italian officials was noticeable in Region I during the fourth month of the Sicilian occupation and in Region II as well.

Respectfully submitted,

(Signature)

CHARLES M. SPOFFORD
Colonel, G.S.C.
Deputy Chief Civil Affairs Officer

Encl - 1
Finance Report - Exhibit A

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Region I and II confirmed the wisdom of decentralizing AMG administration into the regional set up. Under conditions prevailing in occupied territory, with transportation and communications still unavailable in any satisfactory degree for military government purposes, considerable independence of action by AMG officials in the field was found to be essential as a practical matter. Centralizing this authority at the regional level has maintained a channel between general headquarters and the field and at the same time has given the officers at the provincial level specialized assistance to a degree which is not practicable from the higher headquarters.

(173) A general tightening up of local administration and placing of responsibility on Italian officials was noticeable in Region I during the fourth month of the Sicilian occupation and in Region II as well.

Respectfully submitted,

(Signature)

CHARLES M. SPONTORD
Colonel, G.S.C.
Deputy Chief Civil Affairs Officer

Encl - 1
Finance Report - Exhibit A

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APPENDIX A

S E C R E T

REPORT ON THE ACTIVITIES OF FINANCE SUB-COMMISSION, HQ., AMG/ACC
DURING NOVEMBER, 1943

To : Colonel C.M. Spofford,
C.C.A.O., A.M.G. SICILY.

15 December, 1943

I.

Introduction

During the first week of November, the bulk of the Finance Sub-Commission personnel arrived at Palermo from Tizi-Ouzou. Planning and operations could thus be carried forward under circumstances of more intimate collaboration with A.M.G. finance personnel already established in Sicily. During the month, planning for expanded operations on the Italian mainland was further developed, and numerous activities were engaged in. A detailed description follows under the appropriate organizational sub-headings.

II.

Representation at Command Post of A.C.C. at Brindisi

The Finance Sub-Commission sent forward the D.C.F.O. and an assistant as its representation to the Command Post of A.C.C. established at the seat of the Italian Government. It carried on extensive negotiations with Lieut.-Colonel Guido Jung, the Under-Secretary of Finance with respect to the following matters:

- (a) Scale of Wages for Governmental and Private Employees
The Finance Sub-Commission was opposed to an increase in such wages in view of the inflationary situation, but nevertheless, such a wage increase was ordered in Region I and no further objection could be made to wage increases by the Badoglio Government.
- (b) Wheat Prices
In line with the suggestions of the Finance Sub-Commission, the Badoglio Government had not fixed any price for next year's crop of wheat.
- (c) Tobacco Monopoly
Arrangements have been made to import as rapidly as possible stocks of tobacco paper so as to increase revenue returns from the tobacco monopoly.
- (d) Payment of Italian Bonds maturing December 15, 1943
Arrangement were worked out the payment by the Italian Government of the December 15 maturity of Italian Government Bonds throughout the non-German occupied parts of Italy. Up to three hundred million A.M. lire are being advanced by A.M.F.A. to the Italian Government and the Bank of Italy for this purpose.

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In line with the suggestions of the Finance Sub-Commission, the Badoglio Government had not fixed any price for next year's crop of wheat.

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- (d) Payment of Italian Bonds maturing December 15, 1943
Arrangement were worked out the payment by the Italian Government of the December 15 maturity of Italian Government Bonds throughout the non-German occupied parts of Italy. Up to three hundred million A.M. lire are being advanced by A.M.F.A. to the Italian Government and the Bank of Italy for this purpose. This is the first of a series of steps to strengthen the credit position of the Italian Government so as to enable it in the near future to issue Government Bonds and thus finance its expenditures and mop up surplus purchasing power.

- (e) Metropolitan Currency
Negotiations were begun for the Italian Government to print its own currency which it would use in lieu of A.M. lire.

- (f) Advances to the Italian Government
A preliminary examination has been made of the general Budgetary deficit of the Italian Government for the month

-2-

of December, including the needs of its armed forces.
A request by the Badoglio Government for an advance of a billion lire is being carefully scrutinized.

(E) Control of Sales and Transfers of Land
Lieut- Colonel Guido Jung has agreed with our point of view that, in order to curb inflationary tendencies, sales and other transfers of land should be subject to control.

III. Inflation

1. The Finance Sub-Commission has been giving a great deal of study to the various aspects of the inflation problem and has prepared a number of memoranda describing the inflationary and cost of living situation in Sicily and outlining a programme of study and action.

2. The Finance Sub-Committee opposed the proposed order to increase wages because, standing alone, it would aggravate the inflationary situation. The rise in prices which has occurred during the year and a half since the last wage adjustment has no doubt reduced sharply the purchasing power of the Sicilian workers' wages. However, the Finance Sub-Commission took the view that an increase in wages would give workers only temporary relief and would in fact injure them by adding to the inflationary pressure through the increased flow of purchasing power and increased cost of production. Moreover, a general wage increase would be generally interpreted by the local population as an acceptance on the part of the Allied Military Government that inflation was inevitable. Accordingly, the Finance Sub-Commission took the view that the welfare of the working population could be secured only by a stabilization of the cost of living. To this end, it urged that the wage increase be approved only as part of a thorough going stabilization and adjustment programme, including plans for:

- (a) the diversion of purchasing power from consumers' expenditures,
 - (b) the increase in the supply of civilian consumers' goods, and
 - (c) the enforcement of inflation control regulations.
- Although it was finally decided to issue the wage increase order the attention of the whole Headquarters has been focused on the inflation and food problem, and measures have been taken to increase the importation of wheat.

3. He have also participated in many situations involving the fixing of prices for imports and exports and of other goods in Sicily from the point of view of its effect on the inflationary situation.

In an effort to keep abreast of the cost of living situation and to obtain the necessary data, arrangements have been completed for the calculation of a cost of living index for all occupied territory. All Regions have been supplied with schedules on which they will submit weekly reports of legal and prevailing black market prices for 12 basic commodities. On the basis of this information, the Headquarters

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4. The Currency and Exchange adviser and another Officer of the Sub-Commission attended in Naples the first Conferences of the Allied National Resources (Italian) Board Sub-Committee relating to the subject of wages and other conditions of labour, availability of surplus products for the Armies and prices to be fixed on goods sold on the mainland. A report prepared as a result of the study of the price and inflationary situation in Naples indicated that the situation in Region III was fundamentally the same as that in Sicily.

IV. Governmental Expenditures and Revenue

During the month extensive Conferences were held with representatives of Financial Sections of all areas in Italy on the subject of clarifying our system for the control of the Budgets of the State, Provinces and Communes. As a result of these discussions and studies there was issued the Memorandum on Control of Budgets and Expenditures and Method of Approval and Payment of necessary Advances dated 22 November, 1943 which stated the procedure to be followed in controlling State, Provincial and Communal Budgets and advancing A.M.F.A. funds to cover the deficits. The forms used in connection with these instructions were printed and instructions and forms were issued to Regions I and II and were also sent to A.M.G. 15 Army Group and to Region VI in order that a coordinated programme of budgetary control could be followed throughout Italy under our control. Basically, these new instructions centralized at the Regional level final decisions over permissible expenditures and advances of funds and represented the third phase in budgetary control since Sicily was occupied. In the first phase after occupation budget control and advance of funds was to a large extent in the hands of C.A.O.s. In the second phase, the Provincial Finance Officer was given increased authority in this field. With the improvement in communication and transportation and increased knowledge as to the function of local budget systems it has been possible to achieve greater coordination of control and more prompt knowledge at Regional Headquarters as to the purpose for which A.M.F.A. funds are being advanced by the programme of budgetary control which has now been adopted.

2. It was also realized that with the imminent turning over of Regions I and II to the Italian Government, as well as the need of the Italian Government for funds, it was necessary to consider the financial control policy and the mechanism by which advances to the Italian Government would be made. This problem was studied extensively and was the subject of many cables and memoranda between this Headquarters, A.P.H.Q. C.C.s. and Brindisi. C.C.S. sought to define its policies on this matter in TA 66 and TA 86. In TA 66, C.C.S. authorized the resumption of Italian debt services and revealed Paragraph 17 of the Monetary directive of June 1, 1943 which had prohibited the use of A.M.F.A. funds for payment of principal or interest of the Italian debt. In TA 68 C.C.S. also advanced the general principle that Italian needs should be handled through regular banking channels in so far as possible and A.M. lire supplied to the banks when they are short of currency. In TA 86 C.C.S. agreed to the advance of funds to meet the deficit of the Italian Government including funds needed for the Italian armed forces and for the payment of the Public Debt, provided that such advances were deemed desirable in view of military necessity and July related circumstances. The two cables taken together authorized such advances to be made either directly to the Italian Government or by advances to the Italian banks which would in turn advance the Italian Government, depending upon which method enabled us

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Because of the shortage of funds by the Italian Government, we advanced A.M. lire for payment of the Italian armed forces and agreed to furnish funds to the Italian authorities through the Bank of Italy if needed in connection with the December 15 maturity of Italian Government Bonds.

3.

Revenue

The State Revenue position in Region I is given in the following figures which show the total receipts from all sources:
(in thousands of lire)

Provinces	Year 1942/43 to dates banks closed in July 1943	YEAR 1943 - 1944				Total four months
		July	August	Sept.	Oct.	
Agrigento	90.254	407	125	5.800	786	7.118
Caltanissetta	174.380	305	-	2.520	3.240	6.065
Catania	784.820	1.040	16	765	12.952	14.773
Enna	47.000	1	-	1.250	3.510	4.761
Messina	298.925	297	81	41	6	425
Palermo	808.020	1.320	-	551	19.070	20.941
Ragusa	60.100	120	2.234	840	-	3.194
Siracusa	151.270	303	91	298	7.250	7.942
Trapani	258.556	202	-	3.350	4.786	8.338
Island Total	2.673.325	3.995	2.547	15.415	51.600	73.557

The figures given for 1942-43 include the following items from which at present practically no revenue is being received:

Customs.....	.....	.....	.....	.....	.....	Lit 101.800.370
Monopoly.....	.....	.....	.....	.....	.....	Lit 624.155.000
Lottery.....	.....	.....	.....	.....	.....	Lit 177.750.895

Although the figures show a steady rise indicating the return to more normal conditions it is clear that considerable further time must elapse before collections reach normal budget estimates.

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V. CONTROLLED FINANCIAL INSTITUTIONS (B-SECTION).

1. Reorganization.

One of the first steps taken on arrival at Palermo from Tizi Ouzou was the allocation of personnel and certain overlapping activities between the C.F.I., H.Q. and Finance Division, Region I. Several officers on the staff of the latter were thereupon attached to the staff of the former. Certain activities about which there might be duplication of effort were allocated either to Region I or to Headquarters. In the latter category were the following questions:

- (a) The reopening of the Bank of Italy in Sicily.
- (b) The broad question of re-establishment of full service within and between regions of the postal banking svste.
- (c) The lack of commercial insurance in Sicily and in other parts of liberated Italy.

2. Agreements between AMFA and Sicilian Banks.

The existing agreements between AMFA and the banks of Sicily began to mature during the month, the first terminating on November 20, and it was therefore necessary to deal with the question of the renewal of this agreement and the terms thereof. This matter was considered by a committee consisting of representatives of H.Q. and Section I. A plan for renewal was agreed upon and individual contracts have been revised accordingly. The essence of the renewal agreement is to continue all existing contracts until December 31 pending decision (discussed in the succeeding paragraph) on future activities of the Bank of Italy.

3. Re-opening of Bank of Italy.

The question of the use of the Bank of Italy in Sicily as a central bank and by AMFA was then studied by a committee composed of representatives of Headquarters and Region I. In due course a recommendation was made to the C.F.O. which has since been approved by A.F.H.Q. that subject to specific agreements on its part, the Bank of Italy be opened for normal activities at the earliest possible moment. Steps are being taken to accomplish this if possible by December 15.

4. Need for an Italian Governmental Institutions to Advance Credits.

In view of the probable need of local industry and commerce for financial assistance through the normal channels, which in many instances may be available, study is now being given to the question

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4. Need for an Italian Governmental Institutions to Advance Credits.

In view of the probable need of local industry and commerce for financial assistance through the normal channels, which in many instances may be available, study is now being given to the question of re-establishment in liberated Italy of one of the former Government financial institutions which could fill this need.

Already there have been instances in which AMFA has had to consider either advancing funds or guaranteeing loans and it is envisaged there may be considerable future need for this type of financing.

5. Insurance.

No commercial insurance is available to business, industry or individuals in liberated Italy. The need for such financial facilities is now being made the subject of study in Sicily and if it is found to exist effort will be made to work out a plan looking toward the re-establishment of various forms of insurance.

6. Assistance to Region I Staff.

By arrangement between Headquarters and the C.F.O. of Region I members of the insurance department of the Headquarters section are continuing to work on severed complicated social insurance problems all confined to Region I activities.

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VI. AMFA and Currency.

1. At the beginning of the month, in accordance with decisions reached on 3 October 1943, a Headquarters unit of AMFA was established, for the purpose of determining the policy of the organization. Recurrent operations remained in the hands of the branch offices at Palermo and Naples. Headquarters, at present consisting of three officers and one enlisted man, is a part of and located with H.Q., Finance Sub-Commission. The first branch outside Palermo had been established at Naples on October 22. On 5th November an officer was sent to Bari for the purpose of opening a branch office of AMFA there. This was followed on 14 November by the dispatch of another officer to Sassari, where the fourth branch office has been organized. It is thus evident that AMFA will operate throughout Italy, regardless of the particular Allied authorities who are responsible for a given area. Each branch is being provided with necessary supplies of AM Lire notes through instructions from Headquarters.

2. Each branch will maintain separate accounts and also a separate note register, in the form specified on page 4 of the accounting instructions. Headquarters will communicate directly with branches and will receive from each branch a statement of Assets and Liabilities, with supporting schedules, as explained in these instructions. This will make it possible for Headquarters to be currently informed as to the cash position and current operations of each branch. Consolidated statements of assets and liabilities will be prepared at the end of each month, by the Chief Accountant. AMFA Headquarters will also be responsible for ordering AM Lire from Washington and for directing the movement of currency in wholesale amounts to the branches, from incoming shipments, or from one branch to another. If in the future an alternative Lire currency is provided by the Italian Government or from any other source, AMFA Headquarters will control the ordering and distribution of such currency to AMFA branches or in any other manner which may be deemed expedient.

3. In order to exercise more effective scrutiny over advances to the Italian Government, to local governments, and to parastatal institutions, the Chief Revenue Officer on November 25 issued revised instructions covering such advances in Regions I and II. In brief, statements of estimated revenue and expenditure during the month will be required of all such public bodies to be submitted, on various dates in the preceding month. These will support the requests for advances, which will in all cases be approved by the Prefect or the Provincial Intendente di Finanza, by the Provincial Finance Officer, and by the Regional Headquarters.

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In this way, the number of advances made by AMFA will be held to a minimum and the delay experienced in the past for accounting for advances made directly by AMG officers in the field will no longer occur.

This revised system, however, will require reopening of the Bank of Italy in Sicily.

4. In view of the desire in the United States to permit remittances from the United States to Sicily, a method of effecting such remittances through the Bank of Sicily was suggested to Washington. However, because the shortage of food and the large payments to military forces have already brought about a substantial degree of inflation, it was proposed that the Bank of Sicily be required to limit the receipts of any one household to 100 dollars in any three month period, in so far as this is possible. The matter is still under review in Washington.

5. The branch office of AMFA in Naples has been able to provide the necessary reserves to the banking system in that province by means of a deposit of AM Lire in the Bank of Italy, thus avoiding the necessity of extending credit lines directly to the commercial banks as was done in Sicily. The original agreement dated 29 October 1943 was subsequently modified on 29 November to provide for the termination of this deposit on 28 December 1943. This terminal date, 28 December 1943, coincides with the expiration of the current agreement between the Bank of Italy in Naples and the commercial banks in that province, which is designed to furnish emergency assistance to these banks, if required. In the original agreement AMFA had committed to the maintenance of this deposit for an indefinite period, which was felt unduly restrictive on the assets of A.M.F.A. The Bari branch, on the other hand, has provided its assistance to the banking system in Region II by advancing AM Lire to the Chief Finance Officer, who has in practice deposited some of these funds with the Bank of Italy for the purpose of supplying reserves to the banking system.

6. During the month authority was requested from London to advance AM Lire directly to the Royal Navy and Royal Air Force, in accordance with the desires of the Deputy Paymaster in Chief, Algiers. Formerly only the British Army received AM Lire from AMFA, and the Army Paymasters distributed the necessary funds to the Navy and the Air Force.

7. During the month the incomplete statistical reports received from American ground forces were analyzed, and a reminder was addressed to the British Deputy Paymaster in Chief, with a view to obtaining the agreed reports from the British Forces, none of which have as yet appeared. The returns actually received do indicate the extent of in vitable inflationary expenditure by the Armed Forces.

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8. During the month additional large shipments of AM Lire notes were received, including some of the revised type in 500 and 1000 lire denominations. As a further deterrent to forging, the denomination has been added to all notes in words, in both English and Italian.

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9. A further payment of 8,940,000 lire was made on 9 November for citric acid, lemon essence and similar commodities for shipment to the United States.

10. The Statement of Assets and Liabilities of AMFA as of the close of business on 30 November 1943 shows the following major items.

Assets

(Expressed in thousands of lire)

1. Cash on hand and in banks		
2. Other balances with banks:		
(a) Provisions against unutilized credits to banks	769.705	
(b) Funds deposited by banks with AMFA	787.500	
(c) Time deposit with Banca d'Italia, Naples	600.000	2,157.205
3. Funds held by Acctg. Officers in the Field.		1,916.648
4. A.M. Stamps (incl. those delivered to Post Office)		86.71
5. Payments for account of Civ. Sup.Div.		18.250
6. Advances to Italian Governmental bodies and others		1,674.868
7. Loans to Banks and others		504.482
8. Payments on Account of Occupation Costs		
(a) To United States Army	4,838.656	
(b) To United States Navy	70.466	
(c) To British Army	3,077.574	
(d) To French Armed Forces	506.560	
(e) Less net A.M.G. Revenue	8,493.256	
	20.451	8,463.805
		17,515.605

Liabilities

1. Deposits by A.M.G. Divisions		
2. Funds obtained from Banks and others by acctg Officers in the field	31.419	
3. Deposits		
(a) By Banks	33.959	
(b) By Controller of Property		
(c) By Others		
	787.500	
	5.684	
	51	793.235
4. Receipts for A.M.G. Econ. Sup.Div.		
5. New A.M. Lire Notes Recd.		2,400
6. New A.M. Stamps Recd.		16,567.968
		86,714

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(c) To British Army	3.077.574		
(d) To French Armed Forces	506.560		
	8.493.256		
	20.451	8.463.805	
(e) Less net A.M.G. Revenue		17.515.605	

Liabilities

1. Deposits by A.M.G. Divisions		31.419
2. Funds obtained from Banks and others by acctg Officers in the field		33.959
3. Deposits		
(a) By Banks	787.500	
(b) By Controller of Property	5.684	
(c) By Others	51	
		793.235
4. Receipts for A.M.G. Econ. Sup.Div.	2.400	
5. New A.M. Lire Notes Recd.	16.567.968	
6. New A.M. Stamps Recd.	86.714	
		17.515.695

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11. Total Assets and Liabilities of Lire 17,515,695,149 compare with Lire 12,408,053,254 at the end of October. The increase of approximately 5108 million Lire is accounted for principally by:

- (a) The receipt 4.810 million Lire in new A.M. Notes.
- (b) Increased deposits by banks in the amount of 415 millions, on which AMFA was paying interest at 2 per cent in most cases.
- (c) Repayment of 154 millions to various banks and military finance officers, outstanding since the early days of occupation, so far as accounting records are concerned.
- (d) Deposits and receipts of the Economics and Supply Division in the amount of 31 million Lire, representing proceeds of sales to civilians.

12. Comparison with the Statement of 31 October shows the following:

- (a) Funds held by accounting officers in the field were reduced in the net amount of 1136 millions, as amounts reclassified to other accounts upon receipt of full accounting statements exceeded new advances to the field officers.
- (b) Purchases for export were made as follows:

Exports of citric and tartaric acid to U.S.	8,773.284
Exports of sulphur to North Africa	2,902.891
Exports of lemons to United Kingdom	884.770
	<u>11,660.945</u>

- (c) Advances to governmental bodies and others increased 1188 million Lire, chiefly as a result of amounts reclassified from the account "funds held by accounting officers in the field". Most of these advances were actually extended in September and October. The cumulative total of such advances, definitely accounted for is distributed as follows:

To State Treasury and State Institutions	Bari	Naples	Palermo	Sassari	Total
	(in millions of lire)				
To State Treasury	5.9	0.1	615.6	407.9	1029.5
To State Institutions	0.2	---	313.7	---	313.9
To Provinces	3.3	0.3	311.4	---	315.0
To Communes	0.1	---	16.4	---	16.5
To Others	---	---	---	---	---
Total Local	3.6	0.3	611.5	---	615.4
Total	9.5	0.4	1257.1	407.9	1674.9

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Exports of sulphur to North Africa	2.902.891
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To Communes	3.3	0.3	311.4	---	315.0
To Others	0.1	---	16.4	---	16.5
Total Local	3.6	0.3	641.5	---	645.4
Total	9.5	0.4	1257.1	407.9	1674.9

Most of the advances made in November, and also many of those made by Bari and Naples in earlier months, have not yet been reclassified from "funds held by accounting officers in the field". In Sicily, however, it has now been determined that 388 mn. Lire of the total of 1257.1 mn. Lire shown above under the Palermo column was extended in October.

(d) Loans to banks increased from 380 to 505 million lire. The balance of AMFA's commitment under credit lines extended to commercial banks in Sicily, which expire 31 December 1943, is 1194 millions.

(e) Disbursements to the Armed Forces in November were as follows:

	<u>Bari</u>	<u>Naples</u>	<u>Palermo</u>	<u>Sassari</u>	<u>Total</u>
	(in millions of lire)				
U.S. Army	---	678.6	288.8	121.5	1088.9
U.S. Navy	---	---	---	---	---
British Army	1026.3	---	2.0	0.5	1028.8
French Armed Forces	---	---	506.6	---	506.6
	<u>1026.3</u>	<u>678.6</u>	<u>290.8</u>	<u>122.0</u>	<u>2117.7</u>

(f) A.M.G. Expenditure less Revenue. AMFA's net expenditure was 137.392 lire.. Neither interest payable nor interest receivable has been carried to account. The other divisions of AM.G. reported a cumulative excess of revenue over expenditure in the amount of 29,588,524 lire.

13. Currency movements in November were as follows:

Cash on hand and in banks (incl. mutilated)	1,045,359.354
as of 31 October	4,810,184.000
New A.M. Lire notes received	5,855,543.354

Cash on hand in banks (incl. mutilated)	2,693,743.279
as of 30 November	3,161,800.075

14. Holdings of yellow seal dollars and BMA currency increased from £ 545,970.00 and £ 11,946/3 on 31 October to £ 1,297,531.07 and to £ 73,832/0/5 1/2, respectively, on 30 November.

15. The total amount of A.M. lire outstanding as of 30 November was 14,035,669,847 lire.

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Expenditure less Revenue. AMFA's net expenditure was 137,392 lire. Neither interest payable nor interest receivable has been carried to account. The other divisions of AM.G. reported a cumulative excess of revenue over expenditure in the amount of 29,538,524 lire.

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as of 31 October

New A.M. Lire notes received

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4,810,184.000
5,855,543.354

Cash on hand in banks (incl. mutilated)

as of 30 November

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Holdings of yellow seal dollars and BMA currency increased from \$ 545,970.00 and £ 41,946/3 on 31 October to \$ 1,297,631.07 and to £ 73,832/0/5 1/2, respectively, on 30 November.

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The total amount of A.M. lire outstanding as of 30 November was 14,035,669,847 lire.

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VII. Accounts

1. Accounts of AMFA. Concurrent with the opening of AMFA Branches in Palermo, Bari, Naples and Sassari, accounting instructions were prepared for each Branch giving full instructions as to the opening of the books and the subsequent procedure for preparing the periodical statements of Assets and Liabilities and for recording transactions between Branches and Headquarters. Journal entries were prepared giving the necessary figures to enable the Branches to open their books. Pro-forma specimens of the Statement of Assets and Liabilities and supporting schedules were also prepared and sent to the Branches. In the case of the Sassari Office, the books were purchased and the opening entries made therein by the Accounts Department at Headquarters.

Letters describing the procedure for coordinating the AMG accounts with the AMFA Branch accounts were sent to the Regional Accountants of Regions II and III.

Books of account were also purchased for the AMFA Headquarters and the opening entries made therein.

Accounting instructions for AMFA Branches and Headquarters were prepared for inclusion in the "AMG Accounting Manual."

Arrangements have been made for the printing of a supply of statements of Assets and Liabilities for the various Branches.

2. Accounting Procedure in Regions II, III, IV, Apulia and 15 Army Group. A letter was sent to the D.C.F.O. of AMG HQ who was then in Brindisi, for discussion with the C.F.O. of 15 Army Group, setting out fully suggestions by this headquarters for the accounting procedure to be adopted in the various areas. In particular the procedure for the coordination of the AMG and the AMFA Accounts and the relationship of the various areas to one another was dealt with.

3. Economic and Supply Division Accounts. A large part of the staff of the Accounts Department has been employed in investigating the stores accounting of the Economic & Supply Division in the Sicily Region. The instructions laid down for the procedure to be adopted by Provincial Economic & Supply Division Officers and S.C.A.Os. when receiving or selling supplies had not been followed, with the result that it was found at the end of October that large quantities of supplies had been sent to S.C.A.Os and had not been accounted for. In particular it was found that the position at Messina was most unsatisfactory.

It was consequently decided and agreed with the Economic & Supply Division of Sicily Region that the headquarters Accounts Department should loan them such accountant officers as were available in order that a tour of inspection might be carried out in each province and the whole position investigated. A letter was sent by the R.C.A.O. to all S.C.A.Os in the Sicily Region calling their attention to the unsatisfactory state of affairs and informing them that in future the accounting instructions should be adhered to.

As at 30 November 1943 the provinces of Palermo and Trapani had been visited and the position at 31 October clarified. Instructions were also left

Letters describing the procedure for coordinating the AMG accounts with the AMFA Branch accounts were sent to the Regional Accountants of Regions II and III.

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As at 30 November 1943 the provinces of Palermo and Trapani had been visited and the position at 31 October clarified. Instructions were also left with the local supply officers for the preparation of their returns in the future. Investigations are at present in progress at:

Catania and Messina
Ragusa and Syracuse
Agrigento

Owing to illness among the staff of the Accounts Department it has not yet been possible to send an officer to Caltanissetta and Enna but it is hoped that these remaining provinces will be visited shortly. On the completion of these visits a full report will be prepared showing the position throughout the whole island.

Draft instructions for an "Addition to the Accounting Manual" have been prepared calling for a monthly summary of Stock Movements. This will be completed on the completion of the investigations in the provinces.

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Discussions were held with the Regional Chief Finance Officer and the Economic & Supply Division of the Sicily Region on the subject of canalizing all sales through one official organization, such as the Sezione Provinciale dell'Alimentazione. Draft instructions were prepared by the Accounts Department to put this procedure into force and these instructions are now being sent to all provinces by the R.C.A.O. of Sicily Region.

4. Controller of Property Accounts. Several discussions took place with the Controller of Property Accountant and draft accounting instructions for this Subcommission have been prepared for subsequent inclusion in the "AMG Accounting Manual."

5. Displaced Persons Subcommission. Various discussions were held with this Subcommission on the financial and accountability aspects of their work. The procedure they will adopt for dealing with internees and displaced Italian subjects and their arrangements with the Italian Government are as yet too undefined to permit definite accounting instructions to be prepared. Draft instructions on general lines have however been drawn up for their guidance.

6. A.G.I.P. Discussions have been held with the Controller of Property and with the Management of the A.G.I.P. with a view to regularizing the accounting for petroleum supplies to the A.G.I.P. A tour of inspection throughout the island has just been carried out by the Controller of Property's representative, an officer from the Economic & Supply Division and the manager of the A.G.I.P. The reports on this tour are now being studied and an officer from the Accounts Department has been designated to investigate the whole position. Meanwhile, at the instigation of the Chief Accountant, the sum of lire 4,000,000 has been paid in by A.G.I.P. to AMFA pending a final settlement.

7. Asphalt Mines, Ragusa. Discussions were held with other interested departments as to the financing and working of these mines and the fixing of prices. At the present stage the Accounts Department are not directly interested in this matter and the Chief Accountant acted merely as an instigator and coordinator of the discussions. This department has also cooperated with AMFA in negotiations for the collection of the sum of approximately lire 1,692,000 due by the U.S. Air Force for purchase of Asphalt, which sum is expected to be recovered shortly.

8. Visit from Region III Chief Accountant. The Chief Accountant from Region III visited headquarters from 27 to 30 November. He studied the accounting system in force here. General discussions were held on the accounting problems in Region III and he was supplied with the latest instructions issued in Region I on the subject of the control of expenditures by Communes, Provinces and State Institutions and the procedure for making advances to same.

9. Purchases of Sardinian Coal and Financing of Sardinian Coal Mines. At a meeting with representatives of Region VI, it was agreed that the Allied Commission should purchase from the Carlo Sardi, the company owning the Sardinian coal mines, all coal for export from the island at the same prices as obtain for sales within the island. As these prices are well below cost of production, it was agreed that AMFA should finance the mines to enable them to continue production, and that advances for this purpose should be treated as advances to the Italian State. The nature and extent of the control to be exercised over the expenditure of themines were discussed. It was agreed that the subsequent disposal

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VIII. Customs.

Intensive study has been made of the Customs Regulations, Customs Administration Law and the Italian Tariff Law and Schedules and many conferences have been held with the Italian Customs' officials and others with a view to obtaining all necessary data on Customs procedure and its legal foundations, and the current customs situation.

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Examination has also been made of water-front facilities in Palermo affecting customs, and similar facilities will be examined in other parts of Sicily and on the mainland since such are the pre-requisite to sound action being taken looking towards rehabilitation of the Italian customs. Memoranda are being prepared setting forth findings resulting from the foregoing activities and containing recommendations and suggestions for the rehabilitation of Italian customs service and other related services.

/s/
/t/B. Bernsetin
B. BERNSTEIN
Lieut. Colonel

For

R. A. HAMLYN
Brigadier
Finance Subcommittee

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