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10000/143/224

MEMORANDA FROM
FINANCE DIVISION
OCT. 1943 - JUN. 1944

10000/143/224

MEMORANDA FROM FINANCE SUBCOMMISSION & REGIONAL
FINANCE DIVISIONS
OCT. 1943 - JUN. 1944

AMG/14002/PS.

Memoranda from Finance Submissions and Regional Finance Division

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Declassified E.O. 12356 Section 3.3/NND No. 785016

Memoranda from Finance Subcommittee and Regional Finance Bureau

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CONTAINS PAPERS

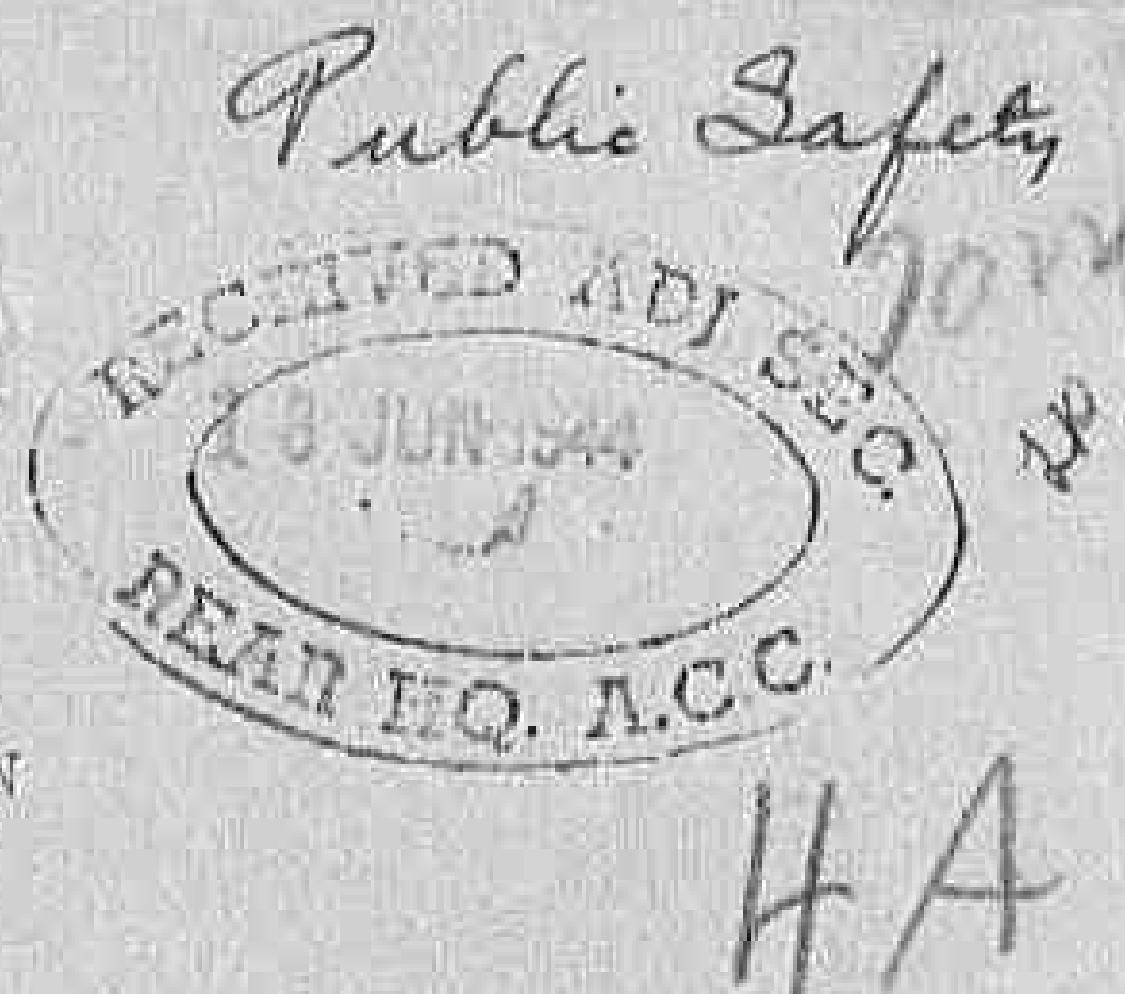
FROM OCT - 1943

TO JUNE - 1944

CATALOGUE

SECRET

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394



13074/F

17 June 1944

SUBJECT: Monthly Report of Finance Sub-Commission.

TO :	Regional Commissioner	Regional Finance Officer
	Region I	Region I
	" II	" II
	" III	" III
	" IV	" IV
	" V	" V
	" VI	" VI
	" VII	" VII
	" VIII	" VIII
	Rome Region	Senior Finance Officer
	Senior Civil Affairs Officer	AMG Five Army
	AMG Five Army	" Eight "
	" Eight "	Rome Region
	RC & MG Section	
	Administrative Section	
	Political Section	
	All Sub-Commission, HQ ACC	

Forwarded herewith for your information (and guidance in the case of RFOs and SFOs) is/are 1 copy/copies of the monthly operations report for May 1944 of the Finance Sub-Commission, Headquarters, Allied Control Commission.

For Lieut-General MASON MACFARLANE

926
Colonel,
Joint Director,
Finance Sub-Commission.

SECRET

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

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13071/P

10 June 1944

REPORT OF THE FINANCE SUB-COMMISSION HQ ACC

FOR MAY 1944

Col. E.H. Foley, Jr. (A) } Joint Directors, Finance
Col. A.P. Graftey-Smith (B) } Sub-Commission

Lt. (jg) J.E. Hicks, USCGR } Joint Editors { Major E. E. L. Timmons
Capt. Andrew Zarnok } Editors { Lt. G. H. Ellis, USNR

TABLE OF CONTENTS

I Organization	Page 2
II Government Finance	Page 2
III Banking	Page 15
IV Operations of Allied Financial Agency and Currency and Exchange Problems	Page 18
V Insurance	Page 23
VI Prices and the Cost of Living	Page 27
VII Accounting	Page 30

APPENDICES

- A - Financial Effects of Allied Occupation
- B - Issuance of Government Authorizations to Spend under ABC
Conditions in Campobasso
- C - Banking Statistics
- D - Value of RM Lire in Hands of Italian Banks and Public

FOR MAY 1944

Col. E.H. Foley, Jr. (A) } Joint Directors, Finance
 Col. A.P. Rafferty-Smith (B) } Sub-Commission

Lt. (jg) J.E. Hicks, USGR } Joint
 Capt. Andrew Kennard } Editors (Lt. G. H. Ellis, USGR,

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I Organization	Page 2
II Government Finance	Page 2
III Banking	Page 15
IV Operations of Allied Financial Agency and Currency and Exchange Problems	Page 18
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APPENDICES

A - Financial Effects of Allied Occupation
B - Issuance of Government Authorizations to Spend under AMG Conditions in Campobasso
C - Banking Statistics
D - Value of LI Lire in Hands of Italian Banks and Public
E - AFM Reports
F - Remittance List Submitted to the Banco di Sicilia up to 30 April 1944
G - Notes on Life Insurance in Italy

- 2 -

I. ORGANIZATION

4. Appointment of the Allied Anti-Inflation Committee (Italy)

1. On 17 May the Chief Commissioner announced the appointment of a committee to consider the existing financial situation in Italy and to recommend the measures which should be adopted to check the present tendency towards inflation.

2. The committee is composed of the following members:

Chairman - Captain Ellery W. Stone, USAR

Col. A.P. Grafton-Smith - Joint Director, Finance Sub-Commission
Col. E.H. Foley, Jr. - Joint Director, Finance Sub-Commission

Mr. Harold Glasser - Division of Monetary Research, U.S. Treasury Department

Mr. E.M.H. Lloyd

Col. G. Upjohn - Economic Adviser, British Minister of State's Office, Middle East

Col. N.E. Fiske - Director, Legal Sub-Commission
Deputy Executive Commissioner

Secretary - Lieut-Comdr. J.J. Lawler, USCAR - Finance Sub-Commission

3. The Chief Commissioner prescribed broad terms of reference and directed that the Committee report its findings and recommendations to him. The committee has been in almost continuous session since its appointment, with three Sub-Committees designated to prepare sections of the final report and recommendations, namely, (a) Financial Policy, (b) Wage and Price Policy, and (c) Supply Policy. The first two sections of the Report are shortly to be sent to AFHQ for CCS.

II. GOVERNMENT FINANCE

4. The Italian Government Deficit

1. Italian State Account

(a) For the last few months through April, the excess of disbursements on Italian government account over receipts has remained fairly stable at around 3,000 million lire per month. While in March the excess came to 3,100 million lire, in April it dropped to 2,700 million lire. These fluctuations are due: (i) to the character of cash disbursements data as such, which depending on chance happenings, will result in higher or lower payments being made in one month or another and (ii) to the bi-monthly peaks in Italian revenue collections. It is not expected that this stability will continue, however, after the general wage increase last fall, on the whole the line has been held fairly well. But with the expansion of the liberated areas, some increase in the deficit is to be expected for May and a sharp increase for June. One result of the maintenance of the government deficit at around the 3,000 million lire mark is that because allied military expenditures have continued to increase, direct allied military expenditures have recently become more important than the government deficit. An analysis of the military expenditures is given later on in this report.

Chairman - Captain Henry W. Stone, USAR

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(b) It must be pointed out that both allied military expenditures and probably the greatest part of the Italian governmental expenditures are not susceptible to reduction. In the latter are included large amounts which serve directly and indirectly the joint war effort against Germany. As a result of this largely incompressible nature of war expenditures, the amount of action which can be taken in this sphere of anti-inflation control is necessarily limited.

(c) The 2,700 million lire "deficit" in the state account during April was financed principally by the Banca d'Italia which supplied over 1,700 million lire and by the sale of almost 800 million lire of government bills (Buoni del Tesoro ordinari). The funds provided by the Banca d'Italia were secured almost entirely through the increase in bankers' deposits at the Banca d'Italia. That is, the government deficit is being largely financed by the in-flow of personal and business savings into the banks, from the banks into the Banca d'Italia and from the Banca d'Italia to the government.

- 3 -

(4) The total excess of government disbursements over government receipts in liberated Italy, as shown by the Italian state account at the Banca d'Italia, for the first 10 months of the fiscal year came to 25,000 million lire. To this must be added an additional 3,000 million lire advanced by the Allied Financial Agency which is not shown on the books of the Banca d'Italia. The total thus became 28,000 million lire or an average excess of government disbursements over receipts of 2,800 million lire per month.

The summary of the Italian state account from 1 July to 31 April at the Banca d'Italia is given below. The description of the various items has been given in the preceding monthly reports.

Italian State account at Banca d'Italia
1 July 1943 through 30 April 1944
(millions of lire)

	Total Italian Gov't. Territory	Total Military Territory	Grand Total
a. "Deficit" in State account			
Total payments less payments on account of Buoni del Tesoro ordinari	22,973	6,108	29,081
Total receipts less receipts on account of Buoni del Tesoro ordinari	3,418	1,104	4,522
Excess of disbursements	19,455	5,004	24,459
b. How State "Deficit" was met			
Credit advanced by Banca d'Italia to State	8,527	1,486	10,013
Decrease in balance held by State at Banca d'Italia on 1 July 1943	3,042	1,174	4,216
Advances from USA and UK	3,150	30	3,180
Funds supplied from Rome	1,921	1,400	3,321
Net receipts in Buoni del Tesoro ordinari account	1,195	329	1,524
Increase in Contabilita' Speciale accounts	1,507	579	2,086
Increase in deposits of cash guarantees	113	6	119
Total	19,455	5,004	24,459

Italian State account as shown in Table
1 July 1943 through 30 April 1944
(millions of lire)

	Total Italian Gov't. Territory	Total Military Territory	Grand Total
a. "Deficit" in State account			
Total payments less payments on account of Buoni del Tesoro ordinari	28,673	6,106	28,981
Total receipts less receipts on account of Buoni del Tesoro ordinari	3,416	1,304	4,522
Excess of disbursements	19,455	5,004	24,459
b. How State "Deficit" was met			
Credit advanced by Banca d'Italia to State	6,527	1,486	10,013
Debit in balance held by State at Banca d'Italia on 1 July 1943	3,042	1,174	4,216
Advances from INA and IMG	3,150	30	3,180
Funds supplied from Rome	1,921	1,400	3,321
Net receipts in Buoni del Tesoro ordinari account	1,195	329	1,524
Interest in Contabilità Speciale accounts	1,327	579	2,086
Increase in deposits of cash guarantees	113	6	119
Total	19,455	5,004	24,459

924

2. Government Bonds

(a) In April, for the first time since the liberation of southern Italy, a sizeable portion of the deficit on state account was financed by the sale of government securities. During April, over a fourth of this deficit was met by the net investment, principally by banks, in Treasury bills (Buoni del Tesoro ordinari). Total purchases of the B.T.O. amounted to 1,420 million lire par value, which a net investment for the month of 779 million lire or almost as much as the total investment for the preceding nine months. This development appears to be linked with the strong upward movement in government bond prices in April and, presumably, was likewise caused by the conversion of the new Italian government during the month.

- 4 -

(b) Since the resumption of trading in government bonds in November there have been three factors which have led to a strong upward movement in prices. The payment of the 15 December 1943 5% bond maturity and the general resumption of public debt service on 1 January 1944 resulted in a recovery of bond prices to levels higher than they had been immediately preceding the Allied invasion. The formation of the new government embodying the six anti-fascist parties in April resulted in a further increase in prices which has been well maintained. One security, the 3.50% Rente of 1906 has been consistently selling above par since the advent of the new government. Government bond prices are remaining above levels prevalent a year ago under the fascist regime.

(c) While these remarks apply particularly to the Naples market, the Banca d'Italia reports that with the resumption of good communications around March the Naples prices are applicable to the rest of southern Italy. (The details of the price movements are given in Appendix C.)

3. Cash Position of Italian Government in May

(a) No advances were made to the central Italian Government in May. Outside of the forward army AMG areas, finance officers are not authorized to make any advances for Italian governmental purposes without prior authorization from Finance Sub-Commission headquarters. No authorization was granted during the month. The Banca d'Italia which has been given the complete responsibility for taking care of the currency needs of the Government was able to meet all governmental demands both in the Italian Government territory and in AMG territory. In addition, the Banca d'Italia provided 600 million lire from its Naples branch and 60 million from its Bari branch during May to take care of any governmental financing which may be necessary in the new areas liberated.

(b) Total ITL advances, which have been classified to 30 April, to Italian governmental organizations are as follows:

	(millions of lire)
To Italian State Treasury, Armed Forces and State Institutions	4,576
To Provinces	492
To Communes	<u>1,183</u>
Total	6,251

B. Revenue

1. Revenue Collections

Collections of Italian State revenues for the month of April were substantially higher than in any other month since Allied occupation and were substantially above those of April 1943. The continuous improvement in the revenue situation is shown in the table below:

Total State Revenues for the 27 Provinces

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(2) Total EM advances, which have been classified to 30 April, to Italian governmental organizations are as follows:

	(millions of lire)
To Italian State Treasury, Armed Forces and State Institutions	4,576
To Provinces	492
To Communes	1,183
Total	6,251

B. Revenue

1. Revenue Collections

Collections of Italian State revenues for the month of April were substantially higher than in any other month since Allied occupation and were substantially above those of April 1943. The continuous improvement in the revenue situation is shown in the table below:

Total State Revenues for the 27 Provinces (gross intake less Capo X) (millions of lire)		Per cent this year to previous year	
1942	1943	1943	1944
July through December	July through December		
2,553	1,460	57	
1943	1944		
January	January	51	
February	February	85	
March	March	144	
April	April	143	
Total	Total	77	
4,315	3,342		

- 5 -

The detailed data below show that this improvement is general throughout the area and throughout all important revenue classifications. April collections were larger than those in April 1943 in all provinces other than Potenza, Naples, and Reggio di Calabria. In 12 provinces revenues for the entire 10 month period are larger than for the comparable period a year ago. Naples, however, which alone produces more revenue than all of Sicily, has reached only 53 per cent for the 10 month period. Other provinces which suffered heavily in the war, Catania, Messina, Trapani, Taranto, Salerno, Cagliari, Catanzaro, and Reggio di Calabria have reached less than 70 per cent. Most of these areas are ports at which the loss of revenues from customs duties represents a substantial part of the total decrease.

Direct taxes are now showing a general increase over last year owing to increased assessments made during the last two years, particularly in the case of the war profits tax.

Total Revenue Receipts (Gross Intake, Less Ongoing)
(Millions of Lire)

	9 months to Mar. 43	April 1943	Total for 9 months 10 months to Mar. 44	April 1944	Total for 10 months	Percentage 43/44
Region I.						
Acquafredda	37	6	43	34	9	100
Caliterra	26	5	31	24	8	103
Castellana	292	26	318	99	29	140
Enna	19	4	23	20	6	113
Messina	116	14	130	38	16	42
Palermo	370	40	410	213	82	72
Ragusa	20	1	21	24	7	130
Siracusa	35	6	41	33	11	107
Trapani	134	7	141	40	11	36
Total	1,049	112	1,161	525	179	61
Region II.						
Acquafredda	539	82	621	729	198	149
Brindisi	36	8	44	54	12	150
Lecco	60	14	74	80	22	138
Taranto	119	14	133	64	24	66
Matera	19	4	23	19	4	100
Potenza	27	5	32	24	3	84
Total	800	127	927	970	263	133
Region III.						
Avellino	36	6	42	29	8	90
Benevento	30	5	35	15	11	74
Napoli	1,199	168	1,367	598	128	53
Salerno	92	17	109	52	17	63
Total	1,357	196	1,553	694	164	52
Region V						
Campobasso	31	6	37	19	6	68
Foggia	112	18	130	84	23	82
Total	143	24	167	103	29	79
Region VI						

increased assessments made during the last two years, particularly in the case of the war profits tax.

Total Revenue Receipts (Gross Income, Less Ship X)

		9 months to Mar. 43		April 1943		Total for 9 months 10 months to Mar. 44		April 1944		Total for 10 months 15/44 to 42/43	
Region I.											
Agrigento	37			6		43		3		43	
Caltanissetta	26			5		24		6		32	
Catania	292			26		99		23		128	
Erna	19			4		20		6		26	
Messina	116			14		38		16		54	
Palermo	370			40		213		82		295	
Ragusa	20			4		24		7		31	
Siracusa	35			8		41		11		44	
Torremare	134			7		141		11		51	
Total	1,049			112		3,161		179		704	
Region II.											
Enna	539			82		621		198		927	
Brindisi	36			8		44		12		66	
Lecco	60			14		74		22		102	
Taranto	119			14		133		24		88	
Matera	19			4		23		4		23	
Potenza	27			5		32		3		27	
Total	800			127		927		253		1,233	
Region III.											
Avellino	36			6		42		8		37	
Benevento	30			5		35		11		26	
Meroli	1,199			168		1,367		126		726	
Salerno	92			17		109		17		69	
Total	1,357			196		1,553		164		858	
Region V											
Campobasso	31			6		37		6		25	
Foggia	112			18		130		23		107	
Total	143			24		167		29		132	
Region VI											
Cagliari	204			8		212		38		139	
Nuoro	15			3		18		5		24	
Sassari	38			8		44		19		80	
Total	255			19		274		62		243	
Region VII											
Catanzaro	95			15		110		17		73	
Cosenza	46			9		55		15		57	
Reggio di Calabria	85			13		98		8		42	
Total	226			37		263		40		172	
GRAND TOTAL	3,830			515		4,345		737		3,342	

923

- 6 -

Total Revenue by Sources

(millions of lire)

	10 months to 30/4/43	10 months to 30/4/44	45/44 to 42/43	April 1943	April 1944
Capo I Manufacturing Taxes	242	143	59	16	29
Capo II Customs	276	81	22	7	28
Capo III Local Finances	1	2	199		
Capo IV Monopolies	1,534	1,062	68	163	225
Capo V Lottery	143	45	31	9	10
Capo VI Direct Taxes	1,067	1,147	108	225	286
Capo VII State Lands, etc.	5	2	49		1
Capo VIII Indirect Taxes	1,049	994	81	92	156
Capo IX State Supply Office	11	18	161	1	1
Capo XI Ministry of Justice	6	3	50	1	
Capo XVII Ministry of Agriculture	2	1	54		
Others	8	5	67		
Total less Capo X	4,344	3,343	77	514	737

2. Tax revision

During the month the Minister of Finance submitted draft decrees covering the following points:

(a) Income tax (Ricchezza mobile). The draft on this tax multiplies the assessments on businesses by factors varying from 2 to 6 and increases the exemption limit from 2,500 to 10,000 Lire. It also eliminates the flat 2, 4, 8, and 9 per cent taxes on various categories of employees, substituting for them progressive rates with differentiation for bachelors, married men, and families with up to 4 and over 4 children. The rates proposed are open to the criticism of being in fact regressive above the income level of 800 lire per week.

(b) Supertax (Imposte complementare). The draft on this tax raises the progressive rates now applied to all types of income combined from their present maximum of 20 per cent to a maximum of 40 per cent. The minimum exemption limit is increased from 6,000 to 15,000 lire.

(c) Tax on capital (Patrimoniale). The proposal raises the present 1 per cent rate to a sliding scale ranging from $\frac{1}{2}$ to 2 per cent. This step is thought to be the most practicable method of quickly reaching the profits of large landowners upon whom income taxes have never been satisfactorily imposed.

(d) Land tax (Terreni). The proposal increases the rate of duty from 5 per cent to 10 per cent and, in the case of rents received in kind, also increases the amount assessed by 100 per cent. It will be observed, by comparing this proposal to that in paragraph (2), that when the surtax is also taken into consideration the Minister's proposals increase the rate on rural landowners less than 2 as much as they increase the tax on owner-cultivators.

(e) Special tax on workmen. The drafts propose to abolish this tax (2 per cent on wages in excess of 700 lire per week).

Capo V Lottery	143	45	169	225
Capo VI Direct Taxes	1,067	31	3	10
Capo VII State Lands, etc.	5	1,147	225	286
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- (a) Income tax (Ricchezza mobile). The draft on this tax multiplies the assessments on businesses by factors varying from 2 to 6 and increases the exemption limit from 2,500 to 10,000 lire. It also eliminates the first 2, 4, 6, and 9 per cent taxes on various categories of employees, substituting for them progressive rates with differentiation for bachelors, married men, and families with up to 4 and over 4 children. The rates proposed are open to the criticism of being in fact regressive above the income level of 300 lire per week.
- (b) Supertax (Imposta complementare). The draft on this tax raises the progressive rates now applied to all types of income combined from their present maximum of 20 per cent to a maximum of 40 per cent. The minimum exemption limit is increased from 6,000 to 15,000 lire.
- (c) Tax on capital (Patrimoine). The proposal raises the present $\frac{1}{2}$ per cent rate to a sliding scale ranging from $\frac{1}{4}$ to 2 per cent. This step is thought to be the most practicable method of quickly reaching the profits of large landowners upon whom income taxes have never been satisfactorily imposed.
- (d) Land tax (Torrone). The proposal increases the rate of duty from 5 per cent to 10 per cent and, in the case of rents received in kind, also increases the amount assessed by 100 per cent. It will be observed, by comparing this proposal to that in paragraph (i), that when the surtax is also taken into consideration the Minister's proposals increase the rate on rural landowners less than $\frac{1}{2}$ as much as they increase the tax on owner-cultivators.
- (e) Special tax on workmen. The drafts propose to abolish this tax (2 per cent on wages in excess of 720 lire per month) inasmuch as all employees will be included in the revised progressive tax on employee income.
- (f) Death duties. It is proposed to double the rate in each bracket of the estate tax, making the maximum rate 20 per cent in the highest bracket.
- (g) Exceptions. The provision exempting families with more than 7 children from all direct taxes is abolished in the drafts. Children allowances are included in the new income tax on employees.

(h) Bachelor's tax. It is proposed to abolish the bachelor's tax, and to put in the Richezza Mobile tax itself a heavier burden on single as compared to married persons.

(i) Farm profits (Reddito agrario). It is proposed to increase the valuations for 1944 5 times, excepting that no increases are to be made with respect to crops certified to have been properly assessed. This proposal, in its present form, amounts to a refusal to tax at all income received from the increases in the legal price of wheat, despite the fact that the increase in the price of wheat has increased the danger of uncontrolled inflation.

3. Appeals commissions. The reconstitution of commissions for appeals from assessments is proceeding slowly. The Ministry has been asked to furnish information on all commissions not yet approved by it.

4. Terreni assessments. Many communes have been found where the terreni assessments are still based upon valuations of 1823, multiplied by a small factor. The Ministry has agreed to make a general inquiry in order to determine how many such communes there are, and in order to take steps to increase such assessments.

5. Distillery taxes. In order to prevent the leakage of alcohol to the black market, an attempt is being made to close down all "mushroom" distilleries and to concentrate all such production in recognized and established distilleries, many of which are partly idle at present.

6. Monopolies. Some progress is being made toward increasing the amounts of tobacco, salt, and matches on sale. The present weekly production of tobacco is 62 million cigarettes, 22,500 kilos of cigars, and 16,250 kilos of pipe tobacco. The Italian armed forces take 21 million cigarettes, leaving 41 million for approximately 5 million adult males, or about 8 cigarettes per week each.

7. Italian taxation of Allied forces

In response to a request from UNHQ, the Minister of Finance was asked to give assurances as to the implementation of that part of the armistice terms which provides that the Allied Forces shall be immune from Italian taxation. A satisfactory reply was received from the Minister, stating that no taxes, direct or indirect, will be imposed upon the Allied Forces or organizations serving with the Allied Forces, or upon individual members thereof whether acting in an official or unofficial capacity. Specific instructions which have been issued to Italian tax officials by the Ministry were cited in support of these assurances.

C. Budget and Expenditure Control

1. New Italian Government Budget

As the next fiscal year for the Italian Government begins on 1 July it is necessary that a new budget be prepared to control expenditures after that date. The Italian government is taking steps to prepare such a budget for the territory under its jurisdiction, and at the Government's request the Italian forms were sent to Military Government territory in order that it should when additional territory is

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4. Terreni assessments. Many communes have been found where the terreni assessments are still based upon valuations of 1823, multiplied by a small factor. The Ministry has agreed to make a general inquiry in order to determine how many such communes there are, and in order to take steps to increase such assessments.

5. Distillery taxes. In order to prevent the leakage of alcohol to the black market, an attempt is being made to close down all "mushrooms" distilleries and to concentrate all such production in recognized and established distilleries, many of which are partly idle at present.

6. Monopoline. Some progress is being made toward increasing the amounts of tobacco, salt, and matches on sale. The present weekly production of tobacco is 62 million cigarettes, 22,500 kilos of cigars, and 16,250 kilos of pipe tobacco. The Italian armed forces take 21 million cigarettes, leaving 41 million for approximately 5 million adult males, or about 8 cigarettes per week each.

7. Italian taxation of Allied forces

In response to a request from AFHQ, the Minister of Finance was asked to give assurances as to the implementation of that part of the assistance terms which provides that the Allied Forces shall be immune from Italian taxation. A satisfactory reply was received from the Ministry, stating that no taxes, direct or indirect, will be imposed upon the Allied Forces or organizations serving with the Allied Forces, or upon individual members thereof whether acting in an official or unofficial capacity. Specific instructions which have been issued to Italian tax officials by the Ministry were cited in support of these assurances.

C. Budget and Expenditure Control

1. New Italian Government Budget

As the next fiscal year for the Italian Government begins on 1 July it is necessary that a new budget be prepared to control expenditures after that date. The Italian government is taking steps to prepare such a budget for the territory under its jurisdiction, and at the Government's request the Italian forms were sent to Military Government territory in order that if and when additional territory is turned over to the Italian government data will be available to make the necessary changes. In Military Government territory there has been distributed a complete set of forms for the preparation of budgets, the operation of such budgets, the control of expenditures, and for reporting such expenditures. Revenue data are also included in these forms. In designing these forms every attempt was made to make as closely as possible to normal Italian accounting and fiscal procedures. Fiscal procedure for the State agencies is quite dissimilar to that for local governmental bodies, and two sets of forms were necessary. The operation of the new budget procedure should result in a definite measure of expenditure control.

2. Expenditure control agencies

Substantial progress was made during the month in the establishment of those State agencies which are required to maintain control over governmental expenditures. The Commissione Centrale per la Finanza Locale, a body for the control of local government expenditures, was created by Royal Decree during the month. It has been made a part of the Ministry of the Interior as is provided by law, and is expected to function at once. All subventions from the State to local governmental bodies are passed upon by this agency.

Agreement has been reached and instructions are being issued for the establishment of a central office for handling the numerous accounts that are grouped under the heading "Contabilita' Speciale", all of which are separate funds formerly controlled by various State bodies and agencies. The new office will be a part of the Ufficio Collegamento (Central Statistical Office) at the Banca d'Italia, Salerno, and will be controlled by the Treasury Section of the Ministry of Finance.

The Minister of Finance has promised that the Corte dei Conti, the central governmental accounting office for the control of all State government expenditures and fiscal operations, will begin functioning at Salerno on 1 July.

The establishment of these three agencies is a sine qua non of any effective expenditure control.

3. Estimated disbursements for May

Estimates were received from the Ministry of Finance of disbursements to be made in Italian Government territory. These estimates are given in the following table. The sizeable increases noted for the month in the expenditures of the Ministries of Communications, Agriculture, Interior, Finance, War and Navy and the justification thereof could not be investigated for lack of staff. The Italian Government is able to furnish detailed information only on War and Navy expenditures. Further tables show the items accounting for the principal increases in these estimates.

Italian Government Estimates of Cash Disbursements for Liberated Italy
(April - March)
(millions of lire)

Ministry	April	May	Increase of May over April
Finance	138.0	197.0	59.0
Justice	26.0	38.0	12.0
Foreign Affairs	2.5	1.2	-2.0
Italian Africa		1.2	1.2
Education	120.0	137.0	17.0
Interior	479.0	574.0	95.0
Public Works	64.0	57.0	-7.0
Communications	528.0	675.0	147.0
Agriculture	13.0	136.0	123.0
Industry & Commerce	3.5	4.9	1.4
Monopolies	99.0	57.0	-42.0
Public Debt	61.0	68.5	7.5
Lottery	1.1	3.5	2.4

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Italian Government Estimates of Cash Disbursements for Liberated Italy
(April - March)
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Ministry	April	May	Increase of May over April
Finance	138.0	197.0	59.0
Justice	26.0	38.0	12.0
Foreign Affairs	2.5	3	-2.0
Italian Africa		1.2	1.2
Education	120.0	137.0	17.0
Interior	479.0	574.0	95.0
Public Works	64.0	57.0	-7.0
Communications	528.0	675.0	147.0
Agriculture	13.0	136.0	123.0
Industry & Commerce	3.5	4.9	1.4
Monopolies	99.0	57.0	-42.0
Public Debt	61.0	68.5	7.5
Lottery	1.1	3.2	2.1
Total - Civil Ministries	1,535.1	1,943.6	
Military			
War	646.2	679.8	33.6
Navy	260.8	348.1	87.3
Air Forces	89.0	82.3	-6.7
Merchant Marine	5.5	27.6	22.1
Total - Military	1,001.5	1,137.8	
Total Government	2,536.6	3,081.4	

- 2 -

Ministry of War

Significant Increases in Estimates for May 1944
(millions of lire)

"Capitolo" Designation	April	May	Increases
Non-commissioned officers and soldiers salaries and allowances, re-enlistments and premiums,	140.0	167.0	27.0
Branch of the Royal Carabinieri - non-commissioned officers, etc.	20.1	39.0	18.9
Family allowances to prisoners of war	44.0	62.0	18.0
Convalescence allowances	3.0	4.0	1.0
Temporary pension allowances	5.0	12.5	7.5
Prisoners of war, and soldiers reported dead or missing but still carried on the rolls	1.1	2.8	1.7
Subsistence for troops	85.8	86.4	.6
Sanitary Services and hospital expenditures	19.0	27.9	8.9
Equipment, renovation and maintenance of arms, munitions, etc.	2.5	5.7	3.2
Works of maintenance	1.1	1.9	.8
Total	321.6	409.2	87.6

Note: Since some of the capitoli excluded from the above tabulation show decreases the net total increase is:-

645.2	679.8	33.6
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and gratifications	140.0	157.0	27.0
Branch of the Royal Carabinieri - non-commissioned officers, etc.	20.1	39.0	18.9
Family allowances to prisoners of war	44.0	62.0	18.0
Convalescence allowances	3.0	4.0	1.0
Temporary pension allowances	5.0	12.5	7.5
Prisoners of war, and soldiers reported dead or missing but still carried on the rolls	1.1	2.8	1.7
Subsistence for troops	485.8	86.4	.6
Sanitary Services and hospital expenditures	19.0	27.9	8.9
Equipment, renovation and maintenance of arms, munitions, etc.	2.5	5.7	3.2
Works of maintenance	1.1	1.9	.8
Total	<u>321.6</u>	<u>409.2</u>	<u>87.6</u>

Neto: Since some of the capital excluded from the above tabulation show decreases the net total increase is:-

646.2	679.8	33.6
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- 10 -

Ministry of the Navy

Significant Increases in Estimates for May
(in millions of lire)

"Capitolo" Description	April	May	Increase
Salaries and wages for non-commissioned officers and personnel of O.R.E.M.	4.2	10.4	6.2
Salaries of labourers	23.1	31.4	8.3
Subsistence of O.R.E.M.	14.1	15.3	1.2
Water rates and rental of premises	-	.5	.5
Arms and war supplies for maritime and coastal defenses	-	5.0	5.0
Acquisition of materials and equipment for military maritime establishments	.5	1.0	.5
Functioning of workshops for naval and mechanic construction	-	1.4	1.4
Materials for construction and repairing of ships	-	2.5	2.5
Maintenance of ships of the Royal Navy marine construction	2.9	6.7	3.8
Maintenance of ships of the Royal Navy marine armament	.2	2.5	2.3
Works and supplies for naval and mechanic construction relative to the war effort	18.6	20.5	1.9
Works, supplies, arms and armament relative to the war effort, marine armament overtime pay and allowances to military personnel	9.4	24.1	14.7
Expenses for food, clothing barracks etc. - marine commissary	108.0	120.5	12.5
Extraordinary allowances for works of marine engineers dependent on the state of war	27.0	41.8	14.8
Subsidies to personnel for injuries due to enemy action	9.6	12.6	3.0
Expenditures dependent on the international situation	.2	12.7	12.5
	-	1.8	1.8

Subsistence of C.R.E.M.	25.1	51.4	8.3
Water rates and rental of premises	14.1	15.3	1.2
Arms and war supplies for maritime and coastal defenses	-	.5	.5
Acquisition of materials and equipment for military maritime establishments	-	5.0	5.0
Functioning of workshops for naval and mechanic construction	.5	1.0	.5
Materials for construction and repairing of ships	-	1.4	1.4
Maintenance of ships of the Royal Navy marine construction	-	2.5	2.5
Maintenance of ships of the Royal Navy marine armament	2.9	6.7	3.8
Works and supplies for naval and mechanic construction relative to the war effort	.2	2.5	2.3
Works, supplies, arms and armament relative to the war effort	19.6	20.5	1.9
Overtime pay and allowances to military personnel	9.4	24.1	14.7
Expenses for food, clothing barracks etc. - marine commissary	108.0	120.5	12.5
Extraordinary allowances for works of marine engineers dependent on the state of war	27.0	41.8	14.8
Subsidies to personnel for injuries due to enemy action	9.6	12.6	3.0
Expenditures dependent on the international situation	.2	12.7	12.5
	-	1.8	1.8
Total	217.8	310.7	92.9

Note: Since some of the Capitoli excluded from the above tabulation show decreases the net total increases is:-

260.8	348.1	87.3
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- 11 -

4. Actual Disbursements for April

(a) The following table shows disbursements for liberated Italy in April as reported by the Banca d'Italia, compared with March disbursements.

Comparison of Cash Disbursements for Liberated Italy
March & April

(millions of lire)

<u>Ministry</u>	<u>March</u>	<u>April</u>
Finance	353.5	246.9
Justice	39.0	28.0
Foreign Affairs	1.4	1.8
Italian Africa	4.2	3.6
Education	147.0	128.1
Interior	520.9	239.2
Public Works	60.5	61.4
Communications	218.5	110.1
Agriculture	36.0	10.5
Industry & Commerce	3.0	7.0
Popular Culture	1.5	.2
Total	1,385.5	836.8

Military

War	2,187.4	855.0
Navy	225.6	274.0
Air Forces	189.0	218.5
Total Military	2,602.0	1,347.5

Total Budget Disbursements
Disbursements Outside Budget
Transfer of Funds
Autonomous Administrations
Total

	3,987.5	2,184.3
	715.3	720.0
		603.0
	1,060.2	1,048.1
Total	5,763.0	4,552.1

Payments in Suspense
Total General Payments
Special Accounts
Temporary Cash Deposits
Total

	-1,555.1	395.5
	4,207.9	4,947.9
	2,873.8	2,654.3
	109.9	2.9
Total	7,191.6	7,605.1

(b) The figures for March in the above table include Naples Province and are therefore to be regarded as more complete than the figures appearing in Table X in the April Report of Finance Sub-Commission.

(c) The following table indicates in detail available information on cash disbursements in liberated Italy for April. It purports to indicate that total cash disbursements for all of liberated Italy were approximately 7.6 billion lire.

Finance	353.5	246.9
Justice	39.0	28.0
Foreign Affairs	1.4	1.3
Italian Africa	4.2	3.6
Education	147.0	128.1
Interior	520.9	239.2
Public Works	60.5	61.4
Communications	218.5	110.1
Agriculture	36.0	10.5
Industry & Commerce	3.0	7.0
Popular Culture	1.5	.2
Total	1,395.5	836.8

Military

War	2,187.4	855.0
Navy	225.6	274.0
Air Forces	189.0	218.5
Total Military	2,602.0	1,347.5

Total Budget Disbursements	3,287.5	2,184.3
Disbursements Outside Budget	715.3	720.0
Transfer of Funds		600.0
Autonomous Administrations	1,060.2	1,043.1
Total	5,763.0	4,552.4

Payments in Suspense	-1,555.1	395.5
Total General Payments	4,207.9	4,947.9
Special Accounts	2,873.8	2,654.3
Temporary Cash Deposits	109.9	2.9
Total	7,191.6	7,605.1

(b) The figures for March in the above table include Naples Province and are therefore to be regarded as more complete than the figures appearing in Table X in the April Report of Finance Sub-Commission.

(c) The following table indicates in detail available information on cash disbursements in liberated Italy for April. It purports to indicate that total cash disbursements for all of liberated Italy were approximately 7.6 billion lire. However, as was pointed out last month, the item "Special accounts" includes a large number of suspense accounts into which payments are made from the accounts of the various Ministries and autonomous bodies. It has been impossible to determine how much "double-counting" is included in this item and to what extent the other items in the table are transfers rather than net outpayments. As estimated in Section II of this report, it is probable that total actual cash disbursements were approximately 3.5 billion lire. As stated in last month's report, the Minister of Finance has been requested to provide a detailed explanation of the net decrease of 1.8 billion lire in the item "Payments in Suspense" (pagamenti collettivi), which apparently was transferred to the Minister of War's account for Bari. No answer has yet been received. The net decrease in "pagamenti collettivi" reflected in the March figures and a net increase is again shown for April. This means that some Governmental payments are once more being charged against an undifferentiated account rather than against the accounts of the appropriate Ministries.

Education	12.7	0.3	2.8	0.5	34.7	1.3	0.1	0.5	3.6
Interior	11.1	29.7	37.7	11.4	45.2	0.6	0.2	0.2	128.1
Public Works	7.1	75.5	102.0	1.4	18.4	0.6	0.2	0.2	239.2
Communications	1.3	29.2	5.5	0.2	49.4	0.2	0.2	0.2	61.4
Agriculture	1.8	37.0	22.4	0.1	2.8	0.2	0.2	0.2	110.1
Industry & Commerce	0.2	6.1	0.1	0.6	0.6	0.2	0.2	0.2	10.5
Popular Culture	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	7.0
Total	51.2	316.7	202.2	20.1	222.2	14.6	4.5	5.3	836.8
Military									
Army	171.8	29.7	650.3	0.2	2.4	0.5	0.1	0.1	855.0
Navy	19.8	0.9	246.9	0.1	6.4	0.1	0.1	0.1	274.0
Air forces	24.3	0.1	194.2	0.1	0.1	0.1	0.1	0.1	215.5
Total	215.9	30.6	1091.4	0.2	8.8	0.5	0.1	0.1	1347.5
Total Budget									
Disbursements	267.1	347.3	1293.6	20.3	231.0	15.1	4.5	5.4	2180.3
Disbursements outside Budget	0.2	440.3	103.0	10.5	121.9	6.7	17.0	12.4	729.9
Transfer of funds						600.0			600.0
Autonomous Administration									
Contributions	39.8	309.3	404.9	26.5	182.8	71.2	16.6	1.0	1345.1
Total	315.1	1092.9	1801.5	57.3	535.7	653.0	38.1	18.8	4592.1
Payments in									
Suspense	-11.1	37.8	-164.2	30.9	315.7	89.6	47.6	58.2	395.5
Total General									
Payments	304.0	1130.7	1637.3	88.2	651.4	773.6	85.7	77.0	4947.9
Special									
Accounts	435.9	335.5	1250.2	36.6	359.7	136.2	20.8	21.4	2654.3
Temporary Cash									
Deposits	2.2	0.5	0.5	0.2	0.2	0.2	0.2	0.2	2.9
Grand Total	739.9	1518.4	2096.0	124.8	1211.3	909.8	106.5	98.4	7605.1

5. Authorizations to Spend Issued by the Italian State Government

It was learned that during March the Italian Minister of Finance had issued orders to all branches of the Banca d'Italia cancelling/authorizations to spend which had been issued by the former Mussolini Government.

As far as can be determined approximately 70 to 80 per cent of the spending by the Italian Government is being authorized by the issuance of ordini di accreditamento. Direct budget charges for salaries, pensions, debt service, and certain miscellaneous items are not included under ordini di accreditamento. There is still no limitation on the time period within which the accreditamenti can be utilized. Consequently no conclusions can be drawn from the following table as to rate or amount of government spending in any particular month. It can be said, however, that these authorizations will result in disbursements in some future period.

- 13 -

During the month of May the total of ordinary accreditments issued by the Italian government is given in the table below. Authorizations for the armed forces account for approximately 70% of the total.

Comparison of accreditments issued by the Italian State Government, March and April

(in millions of lire)

Ministry	March	April
Finance	16.3	23.2
Finance State Monopolies	19.0	30.6
Justice	2.3	2.4
Foreign Affairs	0.4	1.0
Italian Africa		3.4
Education	32.3	81.4
Interior	5.7	277.4
Public Works	11.3	16.1
Public State Roads	3.2	27.0
Communications:		
State Railways	22.9	32.5
Post and Telegraph		
Agriculture	4.2	1.3
Industry & Commerce	0.9	3.3
Popular Culture	0.1	
Foreign Exchange		
Total Civil	123.6	496.3
Army	359.3	646.5
Navy	172.3	367.8
Merchant Marine	6.0	15.5
Air Forces	190.3	58.0
Total Military	727.9	1120.3
Total Government	851.5	1617.6

6. Provincial and communal budgets and expenditures

Accurate information regarding the expenditure of provinces and communes is still lacking. No copies of budgets have been received from any part of liberated Italy for the second quarter of 1944. For the first quarter the following numbers of budgets have been received:

Region	Province	Provincial Budgets Received	Communal Budgets Received	Communes in Province
II	Matera	1	32	32
	Potenza	1	2	91
III	Salerno	-	98	145
VII	Cosenza	1	92	136
	Reggio Calabria	1	82	68

Finance State Monopolies	19.0	30.8
Justice	2.3	2.4
Foreign Affairs	0.4	1.0
Italian Africa	.	3.4
Education	32.3	81.4
Interior	5.7	277.4
Public Works	11.3	16.1
Public State Roads	8.2	27.0
Communications:		
State Railways	22.9	32.5
Post and Telegraph	.	.
Agriculture	4.2	1.3
Industry & Commerce	0.9	0.3
Popular Culture	0.1	.
Foreign Exchange	.	.
Total Civil	123.6	426.3
Army	359.3	648.3
Navy	172.3	367.6
Merchant Marine	6.0	15.5
Air Forces	193.3	59.0
Total Military	727.9	1120.3
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II	Matera	1	32	32
	Potenza	1	2	91
III	Salerno	-	93	145
VII	Cosenza	1	92	136
	Reggio Calabria	1	62	88

No budgets have been received from Region I (Sicily) and Region VI (Sardinia). An analysis of the budgets received confirms the conclusions, previously reported, that while the revenue of communes and provinces has fallen somewhat as compared with the same period of the previous year, expenditures have increased by approximately 7919 per cent. It is the general intention of the Ministry of Finance to reduce the expenditure of communes and provinces by limiting the amount of the State contribution. This can only be done, however, after examination by the newly constituted Central Commission for Local Finance of annual budgets previously approved by the Prefect and Provincial Council. A difficulty is already foreseen in this method of control, owing to the fact that practically every local government body is in immediate need of assistance from month to month, and the systematic examination of all budgets will require a considerable period of time to complete. The Minister is

alive to the difficulties of the situation and to the need for effective control, and steps are being taken which should result in the more expeditious handling of annual budgets.

7. Specific control measures

(a) Office of the State Purchasing Agent. This office, part of the Ministry of Finance, was the object of special study during the month. Its powers include not only procurement, but also supervision of construction and repairs. A recommendation is being made to the Italian Government that this office be used to enforce economies in procurement expenditures.

(b) Appropriation for removal of volcanic ash. A request was made by the Ministry of Public Works to the Ministry of Finance for an appropriation of over 300 million lire for the removal of volcanic ash from roads and streets in Naples and Salerno Provinces. This request was not adequately substantiated, and, after discussion with Public Works Sub-Commission, the Ministry of Finance was advised that no appropriation should be made until adequate supporting information was received.

(c) Maintenance and repair of roads. The previous appropriation of 600 million lire for maintenance and repair of roads essential for military use was amended to include provincial and communal roads in addition to State roads. Roads will be programmed only with the approval of Public Works Sub-Commission.

(d) Residual accounting. The Italian government accounting system includes a system of so-called "residual" accounting, carried out in addition to its "competenza" accounting. All accounting for items that are current, in the sense that they pertain to the year in operation, are included under "competenza", while all items pertaining to prior periods are included under "residual". This system results in much unnecessary work and waste. For instance double accounting must be done in all financial offices, in the central ministerial offices, and in the Banca d'Italia. Preliminary discussions have been held with the Minister of Finance and officials in the Ministry on the possibility of abolishing the residual accounting system.

(e) Unpaid bills. As an anti-inflation measure study is being given to the continuing practicability of postponing the payment of bills contracted by the Italian government prior to 30 September 1943. It is often difficult to separate current from past obligations. In the estimate of requirements of the Italian Merchant Marine for the month of May there was found an amount of more than 21 million lire for payment of the operational expenses of some 40 requisitioned vessels. Upon investigation it was found that most of these obligations had been incurred prior to 30 September 1943. The Minister of Finance was requested to withhold payment of these sums.

(f) Regional directorates in Sicily. These were originally set up by AMG to coordinate inter-provincial activities and the question of their continuance has been discussed with the Minister of Finance. At present there is, under Italian law, no provision for their existence, and if it is intended to retain them in their present form, a Decree will be necessary to give them legal status and define their functions.

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(f) Regional directorates in Sicily. These were originally set up by AMG has been discussed with the Minister of Finance. At present there is, under Italian law, no provision for their existence, and if it is intended to retain them in their present form, a Decree will be necessary to give them legal status and define their functions. Any alteration in the present form of control is a question for discussion with the Ministries and Sub-Commissions concerned. At the suggestion of the Minister of Finance, a financial official in Sicily has been instructed to scrutinize the budgets of each directorate, and, from his intimate local knowledge of the conditions in Sicily, to recommend whether there is an existing need for each office, and, if so, what changes he suggests with particular reference to personnel and salaries. These data will then be discussed with interested parties in order that definite recommendations can be made to the Minister of Finance concerning the disposition to be made of these agencies.

(g) The civil service and pension system. Studies from the point of view of expenditure control are being made of the Italian pension system and the civil service.

- 15 -

(4) Parametral agencies, a number of semi-public agencies have taken advantage of the war to request public support for their activities and in some cases have actually received funds from AMG officers. Information is being prepared which will indicate these organizations entitled to receive advances and steps will be taken to prevent further advances. Consideration is being given to the recovery of sums improperly granted.

(5) Included as Appendix F is a description of the procedure used in Campobasso province for the issuance of grants of funds or credits to the various governmental agencies. Under the system generally used in AMG territory, the Intendente di Finanza has been considered to be the chief representative of the Italian government. The procedure in Campobasso, which is probably more in accordance with Italian law, provides for approval of authorizations to spend by both the Prefect and the Intendenza di Finanza.

III. BANKING, POSTAL SAVINGS AND OTHER FINANCIAL DEVELOPMENTS

A. Central Banking Developments

1. Central banking credit outstanding continued the decline during April which has lasted since the first of January and which has resulted in the repayment of almost exactly half of the total 2,000 million lire of central bank credit outstanding at that time. The repayment of a total of 200 million of the credit extensions during the month of April conceals a small increase in advances during the month totaling 41 million lire. These advances took place in Calabria, Sicily and Foggia and presumably are connected with the financing of the marketing of agricultural crops. (See appendix C for detailed statistics.)

2. Bankers' deposits at the Banca d'Italia increased by 1,700 million lire during April. The total funds which the Banca d'Italia could be called upon to provide to banks reached a total of 12,700 million lire on 30 April while the total funds available by others rose to 1,900 million lire. The largest single item in the category "Due to Others" consists of 1,100 million lire of non-interest bearing current accounts. This is the category in which A.R. accounts are generally carried by the Banca d'Italia branches and A.R. accounts which total almost this amount make up the bulk of this item. Income on securities held in custody is also paid into such accounts while awaiting instructions for the disposition of the income.

The "Residual available on advances" increased during the month even though the preceding table shows that advances also increased. This is accounted for by an increase in securities deposited at the Banca d'Italia, thus increasing the amount of the advances which could be drawn upon by banks and others. The table in appendix C gives the details of these statistics by regions and categories for the last few months.)

3. The cash position of the Banca d'Italia and the currency policy pursued are intimately related to currency and exchange problems and the operations of the Allied Financial Agency. These subjects are, therefore, covered in a later section.

4. An employee of the Banca d'Italia, now in the military service, was secured for duty with the Regional Finance Officer of Region IV to work on Banca d'Italia and related banking problems in the newly-liberated areas. Attempts are being made

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4. An employee of the Banca d'Italia, now in the military service, was secured for duty with the Regional Finance Officer of Region IV to work on Banca d'Italia and related banking problems in the newly-liberated areas. Attempts are being made to secure another officer with like qualifications to perform similar duties for the Regional Finance Officer of Region V. As described in fuller detail in other sections of this report, Banca d'Italia personnel and currency from Naples were also provided to assist the AMG Fifth Army Finance Officer.

B. Inspectorate

1. On 6 April 1944 the Italian Government issued a decree giving the Banca d'Italia the powers of the Inspectorate for the Defense of Savings and the Exercise of Credit until such time as the Inspectorate can resume its duties. As the Inspectorate's own staff was restricted to Rome and its functions throughout the country were carried out by the Banca d'Italia, this decree merely gives the Banca d'Italia

- 16 -

legal power to carry out its duties in connection with credit control.

In order to implement the instructions which have been issued to the branches of the Banca d'Italia to watch credit developments in their area and to discourage credit extensions which would have an inflationary effect, the banks were requested to furnish monthly statements of condition to the Banca d'Italia.

To attempt to make this policy more effective, the branches of the Banca d'Italia have been requested to make an analysis of the balance sheets provided to them and to account for any important movements in credit extensions from month to month.

2. A representative of the Banca d'Italia was appointed to keep in touch with the head office of the Banco di Napoli and another representative with the head office of the Banco di Sicilia. These Inspectorate appointments are to try to insure that these two dominant banks of the South follow anti-inflation credit policies.

The head office of the Banco di Napoli and the branches of the other leading banks in Naples which have been acting as temporary head offices (due to the fact that their head offices have been located in German-occupied territory) were authorized by the Minister of Finance and by the Finance Sub-Commission to assume responsibility for their branches in the newly liberated territory. In cooperation with the Regional Finance Officers of Regions III, IV and V these banks have been given the task of providing personnel, currency, and whatever else is necessary for the early rehabilitation and resumption of banking services in the new areas.

C. Commercial Banking

1. As nearly as can be estimated at this time total banking deposits (other than bankers' deposits) in Liberated Italy at the end of April amounted to around 32,000 million lire, probably rather more than less. This estimate is based on the bank reports which have been received plus the figures on bankers' deposits at the Banca d'Italia.
2. The growth in deposits at the banks during March and April appears to have been over 2,500 million lire a month. The total increase in deposits since September 1943 has been around 12,000 million lire or an increase of around 60 per cent. A decrease in deposit growth may be expected due to the seasonal use of funds by farmers. The Regional Finance Officer of Region I reports, in addition, that greater activity in the rebuilding and repair of houses is a factor reducing the surplus of funds available for deposit.

3. In the city of Naples, deposits decreased by 800 million lire during the summer of 1943 prior to our occupation. On the re-opening of the banks in November, deposits increased at the rate of almost 300 million lire per month to the end of February. By the end of January, the withdrawals of the summer had been replaced. In March, deposits increased by 650 million lire and in April by almost 800 million lire making the total 5,600 million lire of deposits in Naples city banks plus non-bankers' deposits at the Banca d'Italia. This represents a more than 100 per cent gain since the re-opening of the banks, which is to be compared with the estimate of a 60 per cent gain in deposits over the whole of Liberated Italy. In view of the leading financial position of Naples in southern Italy, as deposits in

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4. From discussions with various bankers and from the scanty other available information, the following causes for the increase in deposits appear to prevail. Around 1/3 is due to the re-deposit of money which was withdrawn prior to the Allied landings. Another large part represents the conversion of merchants' and other business' stocks into money. It has been almost impossible to replenish commodities and raw materials which are sold or worked up. As a result, gradually real goods held by business are being replaced by reserves of money held at banks. Some of the money comes from new and old enterprises which have been making large profits by selling trinkets, various other souvenirs and other commodities to troops.

- 17 -

While it is reported that the black market operators do most of their financing on a strictly cash basis, some of their savings do come into the banks. Another source is the savings of the agricultural classes some of whom are making large profits by selling their products through the black market. The Banco di Napoli reports that it judges that the bulk of the new money comes from new accounts rather than principally from increases in old accounts. The bank, however, states that it cannot estimate how important the various sources are except that merchants, black market operators and farmers are probably the leading ones. The greater increase in deposits in the Naples area may be accounted for in the following way. The concentration of troop spending has unquestionably been higher in Naples than elsewhere and the sales to allied troops have been higher here. Naples has been the main military supply port and it is largely from Naples that the black market in allied commodities is supplied. In consequence of the outflow of goods from Naples, there has been a corresponding inflow of money into Naples. On the other hand, the great disparity of prices between Naples and the other provinces is evidence that the flow of bulky food articles from other provinces into Naples is quite difficult. It is likely, therefore, that the food black market in Naples - where not fed from allied stores - is supplied mainly from the agricultural sections near the city. The purchasing power engendered by allied expenditures in Naples, then, tends to remain in Campania rather than to spread out over the country.

D. Post Office Financial Services

1. Sales and redemptions of postal savings bonds were resumed in Sicily on 1 April. During this first month, there was an excess of redemptions over sales of 155 million lire. This initial large outflow of money in postal savings must be considered as the concentrated effect in one month of the same trend consistently shown in other regions of net withdrawals from postal savings. The provisional certificates available have not been favorably received by the public and the outflow of funds resulting from savers cashing in their old bonds is not matched by new savings deposited in postal bonds.

Even excluding postal savings bonds, Sicily shows a net decrease in funds held by the postal savings system. From the reopening of the postal savings system in the fall of 1943 to 31 March, the total net outflow of funds in postal savings deposits amounts to 72 million lire, whereas the excess of deposits over withdrawals in current accounts comes only to 18 million lire, giving a net outflow of 62 million lire for these two services. The same is true for Naples: there was a net outflow of funds from the postal savings system of 17 million lire in February, 43 million lire in March and only in April, with the formation of the new government, did the trend reverse with a net inflow of 5 million lire.

2. Sardinia appears to be the bright spot in April with a net investment in postal bonds and deposits of around 20 million lire. Complete data on the current accounts in Sardinia are not available but the increase in current accounts should be considerably greater than that shown for bonds and deposits. (See Appendix C for detailed figures.)

3. Complete figures on all of Liberated Italy are not yet available. However, the data for Sardinia and March are available.

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3. Complete figures on all of liberated Italy are not yet available. However, the data on February and March are reasonably complete. These show a net movement on all three types of postal accounts (bonds, deposits, current accounts) of 145 million in during February, and of 82 million out in March. The figures on April are so incomplete that no conclusions can be drawn except for certain areas.

4. As the result of negotiations with Communications Sub-Commission, culminating in a conference of security, postal, and finance interests held on 29 May, Executive Memorandum No. 36 contained in "Instructions for the guidance of Officers of the Commission" has been completely revised and will be published shortly. The principal changes are that whereas formerly it was necessary to obtain approval of Communications Sub-Commission before re-commencing or extending a Service, Provincial Finance Officers may now authorize Postmasters to reopen Post Offices for financial services (as distinct from postal services) provided:

917

- 13 -

- (e) that general conditions are suitable
 - (b) that an adequate supply of cash is available and can be maintained by the post office's resources,
 - (c) that the postmaster has the necessary supplies, records and payment authorities.
5. As a guide to Finance Officers in the forward areas, a memorandum on what Post Office Financial services they can operate immediately, and the conditions under which they can do so, was drawn up and sent to the Regional Finance Officers of Regions IV and V, and to 5th and 6th Armies AF.

B. Sales of Real Estate

1. While the number of real estate sales reported has decreased slightly in south-eastern Italy (the only area on which we have data), the average value of the real estate transferred has increased somewhat in the last three months to May 1. There were 1,033 transfers in April with an average value of 15,509 lire compared with 1,290 transfers and an average value of 12,923 lire in March. (See Appendix C.)

2. Not enough is known about these statistics to draw any firm conclusions, but it would appear that there is not a great volume of real estate speculative transfer and that there has not been a remarkable increase in prices. It is to be noted that the Italian tax on land transfers is an inhibitory factor, according to the decrease of 12 April 1943 the following are the tax rates on real estate transfers:

Value of Property (lire)	Tax rate
0 to 5,000	3%
5,001 to 100,000	12%
100,001 to 500,000	20%
500,001 to 5,000,000	25%
5,000,001 and above	30%

Assuming that the tax is reasonably effective, it is obvious that it presents a strong discouragement to any increase in speculative land transactions.

IV. OPERATIONS OF ALLIED FINANCIAL AGENCIES, CURRENCY AND EXCHANGE PROBLEMS

A. Currency for Areas in Process of Liberation

1. The manager of the Bari branch of AF was recalled to Headquarters and given the task of preparing and moving a shipment of currency forward in a motor convoy arranged by the Senior Finance Officer, AF, 5th Army. He took with him a substantial amount of AF lire, but approximately two thirds of the shipment consisted of 600 million lire metropolitan lire belonging to the Banca d'Italia, and destined for the branches of the Banca d'Italia in Rome, Littoria and Grosinone. In order to reduce the necessity for further shipments of AF lire to a minimum,

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Assuming that the tax is reasonably effective, it is obvious that it presents a strong discouragement to any increase in speculative land transactions.

IV. OPERATIONS OF ALLIED FINANCIAL AGENCY, CURRENCY AND EXCHANGE PROBLEMS

A. Currency for Areas in Process of Liberation

1. The manager of the Bari branch of IFA was recalled to Headquarters and given the task of preparing and moving a shipment of currency forward in a motor convoy arranged by the Senior Finance Officer, AMG, 5th Army. He took with him a substantial amount of AM lire, but approximately two thirds of the shipment consisted of 600 million lire metropolitan lire belonging to the Banca d'Italia, and destined for the branches of the Banca d'Italia in Rome, Litteria and Grosinone. In order to reduce the necessity for further shipments of AM lire to a minimum, the IFA representative took with him a letter of credit enabling him to draw on the Rome branch of the Banca d'Italia up to 500 million lire for funds required by the Finance Officers of the 5th and 8th Armies. It is hoped that territory controlled by the Regional Commissioners of Regions IV, V, and VIII will continue to be financed directly by the Banca d'Italia and not by the Allied Financial Agency. In view of the availability of funds belonging to the Banca d'Italia, it may prove to be possible to finance some communes and provinces under AMG 5th and 8th Armies directly through such Banks, and to provide support to the banking system in the form of Metropolitan lire currency, rather than AM lire. The Allied Armed Forces will continue for some time to draw their AM lire from the IFA branches at Naples and Bari.

- 19 -

2. The Finance Sub-Commission was unable to secure the assignment of even one Allied enlisted man from .CC to the party, apparently because of the extreme shortage of enlisted personnel, and the party consisted of, in addition to one Allied officer, 8 Italian guards of the Guardia di Finanza, 5 Italian civilian drivers, and three civilian officials designated by the Banca d'Italia. The burden of financial and administrative responsibility placed upon one Allied officer was excessive, and additional enlisted personnel must be assigned as guards and drivers in future movements if such grave risk of the loss of large sums of currency is to be avoided. A recommendation is being made to G-5, AFHQ, that shipments of currency by officers of the Allied Financial Agency be entitled to military guard's under .B35-140 of U.S. Army Regulations, which requires the military establishment to detail guards to accompany shipments of currency by U.S. Army Disturbing Officers.

3. Preliminary reports indicate that this shipment of currency has reached Rome, and that the buildings of the Bank of Italy in Rome were found to be in good condition. As Doctor Cigliano, formerly Assistant Director of the Naples branch of the Banca d'Italia, and one of the officials who was taken to Rome, has with him copies of decrees appointing the present Commissioner and Vice-Commissioner to supervise all branches of the bank in liberated Italy, and the necessary authorization to open the Rome branch under their supervision, the branch of the central bank in Rome is in a position to resume operations, provided adequate personnel is available or can be furnished. By means of circular letters, the branches of the Banca d'Italia in other liberated cities and areas, immediately upon reopening, will be placed under instructions to carry out the banking and credit policies now in effect in southern Italy, Sicily and Sardinia.

4. The Royal Treasury section of each branch as soon as it is opened, should be in a position to provide the funds needed by the local governmental bodies, while the currency reserves of the Bank will be available to replenish the funds of the commercial banks in the normal manner. However, should administrative barriers make it difficult for communes to obtain funds from the Royal Treasury Sections of the branches of the Banca d'Italia, the manager of the AFM branch in Rome will deliver to the Finance Officer of .MIG 5th and 8th Armies, and Regions .TV, V and VIII checks or vaglia drawn under his letter of credit on the Rome branch of the Banca d'Italia. In this way unnecessary disbursement of AFM lire will be avoided. Insofar as distribution of currency notes throughout the newly-liberated territory is concerned, the general policy of the Finance Sub-Commission is that communes should obtain currency notes from the nearest commercial bank which has surplus reserves, or from the nearest branch of the Banca d'Italia in return for vaglia drawn on the Banca d'Italia.

B. Coverage of AFM Accounts by AFM Lire

1. In accordance with the policy established, meetings were held with Commandatore Pettinari, Vice-Commissioner of the Banca d'Italia, for the purpose of securing satisfactory undertakings from the bank. The Banca d'Italia agreed to provide 100 per cent coverage in AFM lire for some 871 million lire held in the working balances of AFM at the end of April. The branch of the Banca d'Italia holding the account will provide the cover locally, and AFM will transfer balances periodically to Naples or to Palermo, in order to release cash in the provincial branches, where the proceeds of the sale of imported goods are continually being paid into the accounts of AFM.

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4. The Royal Treasury station of each branch as soon as it is opened, should be in a position to provide the funds needed by the local governmental bodies, while the currency reserves of the Bank will be available to replenish the funds of the commercial banks in the normal manner. However, should administrative barriers make it difficult for communes to obtain funds from the Royal Treasury Sections of the branches of the Banca d'Italia, the manager of the A.F. branch in Rome will deliver to the Finance Officer of A.F. 5th and 8th Armies, and Regions IV, V and VIII checks or vaglia drawn under his letter of credit on the Rome branch of the Banca d'Italia. In this way unnecessary disbursement of A.M. lire will be avoided. Insofar as distribution of currency notes throughout the newly-liberated territory is concerned, the general policy of the Finance Sub-Commission is that communes should obtain currency notes from the nearest commercial bank which has surplus reserves, or from the nearest branch of the Banca d'Italia in return for vaglia drawn on the Banca d'Italia.

B. Coverage of A.F. Accounts by A.M. Lire

1. In accordance with the policy established, meetings were held with Commandatore Pettinari, Vice-Commissioner of the Banca d'Italia, for the purpose of securing satisfactory undertakings from the bank. The Banca d'Italia agreed to provide 100 per cent coverage in A.M. lire for some 871 million lire held in the working balances of A.F. at the end of April. The branch of the Banca d'Italia holding the account will provide the cover locally, and A.F. will transfer balances periodically to Naples or to Palermo, in order to release cash in the provincial branches, where the proceeds of the sale of imported goods are continually being paid into the accounts of A.F.

2. More time was required to secure the bank's agreement to a directive that would assure an additional reserve in A.M. lire adequate to cover globally the balance held by A.F. in the No. 2 or "Sterilization" account. The substantial additional sum of 1,900 million lire was paid in to this account on 4 May 1944, for the purpose of withdrawing surplus cash of the banking system in the form of A.M. lire.

3. As the Banca d'Italia had been paying out A.M. lire and retaining No. 1 Milan lire, the amount of A.M. lire held was scarcely sufficient to cover the balance of 2,100 million lire now standing to the credit of A.F. in this account. Accordingly it was proposed that the Banca d'Italia direct each branch to hold 20 per cent of the branch's total cash in the form of metropolitan lire. A.M. lire would be paid out only when the branch had reduced its holdings of Italian notes below this level.

916

Certain minor objections were raised by the bank and the directive was not issued until 4 June 1944, in satisfactory form.

C. Use of Metropolitan Lire in Sardinia

1. On 20 May, the manager of the Sassari branch of A.L. brought cashiers of the Banca d'Italia to Naples, who took delivery of 280 million lire in Metropolitan Lire, which was then transported to Sassari for account of the Banca d'Italia. Thus for the first time the local budgetary deficit and the State payments in Sardinia will be financed by the Banca d'Italia, rather than by A.L. The manager reports that the prospect of having to depend upon its own currency in the future may result in the bank's applying a restraining influence on inflationary borrowings of local governments in Sardinia, while the bank also appears to be able to stimulate the return flow of cash to itself, given this incentive. Every effort will be made to avoid further issue of A.L. lire to finance Italian activities in Sardinia, and it is hoped that few shipments of Metropolitan Lire from Naples will be required. Such shipments will be made by Italian Naval vessels in future.

2. As several trained officers have been lost through hospitalization, and as experienced men are needed in Rome, and Northern Italy, it was decided to recall the A.L. manager from Sassari. After this change has been effected, the armed forces in Sardinia will obtain their requirements of A.L. lire from the Banca d'Italia in Cagliari, but the accounts and records will be transmitted to Naples and taken onto the books of the Naples branch of A.L. The unopened boxes of A.L. Lire will be deposited in custody, and payments to the armed forces ordered by A.L., Naples upon request.

D. Review of the Reserve Position of the Banca d'Italia

1. Total currency holdings of the Branches of the Banca d'Italia in liberated Italy increased by 700 million lire during April, or by roughly the same amount as in March, but 400 millions were acquired for account of the Allied Financial Agency, Campania (Naples and Salerno) was responsible for the bulk of the increase. The doubling of the currency reserves at Foggia during the month deserves mention, however. Most of the other regions have now reached an equilibrium between inflow and outflow of currency. Sardinia and Calabria remain the principal regions still experiencing a net drain and undoubtedly for the same reason: the payment of large bodies of Italian troops.

2. Of the total currency holdings of 6,300 million lire on 30 April, A.L. and other AMG accounts accounted for 1,200 million, leaving a free reserve of 5,100 million lire. In the first week of May, a repayment of 1,900 million lire on account of advances was made into a special No. 2 A.L. account (as reported in last month's report). This left the Banca d'Italia with a net free reserve of roughly 3,200 million lire, or a little more than 20 per cent of current liabilities excluding the liability for outstanding notes. (The cash position of the Banca d'Italia by branches and by type of currency, as of 30 April is shown in Appendix C.)

3. The total of A.L. lire currency held by individual Allied troops, by the Italian civilian public, and by Italian banks is estimated to have increased by 3,036 million lire in April, as compared with an increase of 2,124 million lire in March, on the basis of revised data from the Allied Paymasters. (Details are given in Appendix D.)

4. As a result of an analysis of the accounts of A.L. and the latest statistics

stimulate the return flow of cash to itself, given this incentive. Every effort will be made to avoid further issue of AM lire to finance Italian activities in Sardinia, and it is hoped that few shipments of Metropolitan lire from Naples will be required. Such shipments will be made by Italian Naval vessels in future.

2. As several trained officers have been lost through hospitalization, and as experienced men are needed in Rome, and Northern Italy, it was decided to recall the AM manager from Sassari. After this change has been effected, the armed forces in Sardinia will obtain their requirements of AM lire from the Banca d'Italia in Cagliari, but the accounts and records will be transmitted to Naples and taken onto the books of the Naples branch of AM. The unopened boxes of AM lire will be deposited in custody, and payments to the armed forces ordered by AM, Naples upon request.

D. Review of the Reserve Position of the Banca d'Italia

1. Total currency holdings of the branches of the Banca d'Italia in liberated Italy increased by 700 million lire during April, or by roughly the same amount as in March, but 480 millions were acquired for account of the Allied Financial Agency, Campania (Naples and Salerno) was responsible for the bulk of the increase. The doubling of the currency reserves at Foggia during the month deserves mention, however. Most of the other regions have now reached an equilibrium between inflow and outflow of currency. Sardinia and Calabria remain the principal regions still experiencing a net drain and undoubtedly for the same reason: the payment of large bodies of Italian troops.

2. Of the total currency holdings of 6,300 million lire on 30 April, AM and other AMG accounts accounted for 1,200 million, leaving a free reserve of 5,100 million lire. In the first week of May, a repayment of 1,900 million lire on account of advances was made into a special No. 2 AM account (as reported in last month's report). This left the Banca d'Italia with a net free reserve of roughly 3,200 million lire, or a little more than 20 per cent of current liabilities excluding the liability for outstanding notes. (The cash position of the Banca d'Italia by branches and by type of currency, as of 30 April is shown in Appendix C.)

3. The total of AM lire currency held by individual Allied troops, by the Italian civilian public, and by Italian banks is estimated to have increased by 3,038 million lire in April, as compared with an increase of 3,124 million lire in March, on the basis of revised data from the Allied Paymasters. (Details are given in Appendix D.)

4. As a result of an analysis of the accounts of AM and the latest statistics on the growth of the cash reserves of the Banca d'Italia, it appears that the net inflow of cash into the Banca d'Italia from the commercial banks and the public had dwindled in early May to a small trickle. The deposits of the Allied Financial Agency were then increasing at the rate of about 500 million lire per month, and the provision of coverage for these accounts was reducing the freely disposable reserves of the Banca d'Italia at the rate of about 100 million lire per week in the first weeks of May.

- 21 -

5. Since that date, various offsetting influences have been at work, which are not as yet reflected in the statistics of the Bank of Italy. Issues of LM lire by the Allied Financial Agency to the Allied armed forces increased from approximately 3 billion lire in April to approximately 4.5 billion lire in May, or by 50 per cent. In addition, some expenditures of LM lire to cover budget deficits in forward areas may be expected. On the other hand, the banks may be faced with a drain of currency to farmers as crops are sold, and the Banca d'Italia is being called upon to cover public deficits in a wider area as a result of the advance of the Allied forces.

6. A part of the currency which returns to the Banca d'Italia is included in its figures as cash reserve, but may not be paid out, aside from the LM lire currency held by the Banca d'Italia's coverage against the working and special reserve accounts of the Allied Financial Agency, the following categories of notes are redeemed but are not paid out by the banks, under regulations established by the Government or by the bank:

- (a) Perforated unit currency (annullati).
- (b) Unit currency not yet perforated.
- (c) Currency printed under decrees of the Mussolini government which were promulgated after 8 September 1943.
- (d) Special series of Italian East African notes.

None of the above are likely to reach large amounts, however, except (c), the German-printed currency.

7. Unless there is some change in the present trend, it appears that the currency available to finance the Allied armed forces will be limited to the supplies of new LM lire here and in Washington, which could last only eight months as a theoretical maximum, at the May rate of disbursements to the Allied armed forces. Larger denominations alone would probably last only six months at the May rate of disbursement, although detailed figures are not as yet available to permit a direct calculation by denominations. The assumption is made in these calculations that the new LM lire is required for any purpose other than the needs of the Allied armed forces. Unless, therefore, the Banca d'Italia is able to accumulate reserves in the future, the Allied forces will not be able to draw appreciable amounts from its reserves until the new Italian currency now in course of preparation becomes available.

E. Remittances from the U.S. and U.K.

1. Additional documents required by two U.S. banks were transmitted to CCS. Remittances were received from some thirty or forty financial institutions in the United States during the month, the cumulative total now reaching some 40,000,000 lire for the Banco di Napoli and about 50,000,000 lire for the Banco di Sicilia. In appendix F the amounts received by the Banco di Sicilia, cumulated to 30 April, are tabulated. In addition, sterling remittances had been received in the approximate amount of two million lire from the United Kingdom, Canada, Venezuela and various other countries. The proposed addition of the former Italian possessions in Africa to the areas from which remittances are received is being considered.

its figures as cash reserve, but may not be paid out, aside from the 1M lire currency held by the Banca d'Italia as coverage against the working and special reserve accounts of the Allied Financial Agency, the following categories of notes are redemmed but are not paid out by the banks, under regulations established by the Government or by the bank:

- (a) Perforated unit currency (annullari).
- (b) Unit currency not yet perforated.
- (c) Currency printed under decrees of the Mussolini government which were promulgated after 8 September 1943.
- (d) Special series of Italian East African notes.

None of the above are likely to reach large amounts, however, except (c), the German-printed currency.

7. Unless there is some change in the present trend, it appears that the currency available to finance the Allied armed forces will be limited to the supplies of new 1M lire here and in Washington, which could last only eight months as a theoretical maximum, at the May rate of disbursements to the Allied armed forces. Larger denominations alone would probably last only six months at the May rate of disbursement, although detailed figures are not as yet available to permit a direct calculation by denominations. The assumption is made in these calculations that no new 1M lire is required for any purpose other than the needs of the Allied armed forces. Unless, therefore, the Banca d'Italia is able to accumulate reserves in the future, the Allied Forces will not be able to draw appreciable amounts from its reserves until the new Italian currency now in course of preparation becomes available.

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2. Refugees leaving Italy for Palestine have deposited substantial funds with the Internees and Displaced Persons Sub-Commission, which is seeking a means of remitting these funds to Palestine. As there is as yet little or no sterling available in the AP accounts, and as CCS has not approved the expenditure of 945 £m exchange for this purpose, the current procedure results in blocked deposits being held by the Internees and Displaced Persons Sub-Commission, for account of the refugees abroad. The problem has been referred to CCS decision as to policy, with a suggestion that the Jewish relief agencies abroad may desire to obtain lire funds, by purchase of these blocked deposits from the refugees arriving from Italy, if this is not contrary to general policy.

F. Other Administrative and Research Problems

1. Authority was requested from CCS to open accounts of IFA in Italian banks other than the Banca di Napoli and the Banca di Sicilia. The branches of IFA were directed to collect IFA pounds and Yellow Seal dollars from the Banca d'Italia and from other Italian banks. It was agreed, after a conference of the IFA managers, balances held by IFA branches with commercial banks should be reduced to working minimum by transfer to the Banca d'Italia or by expenditure, as soon as is feasible.
2. In order to permit further analysis of the cash expenditures of the armed forces, a request was made that the Royal Navy and the Royal Air Force, as well as the Allied Commission and Colonial units serving with the British Army, render monthly statistical breakdowns of their expenditures and receipts, in the form now utilized by the British Army. Further details were also requested on a sample basis, of the items included under two categories of the report received from the American armed forces.

G. Currency Accounts

1. The first set of consolidated accounts of IFA on the new basis, showing Receipts and Disbursements instead of Assets and Liabilities, was prepared and distributed. The experience with the new type of statement for the period ending 30 April 1944, having proved to be favorable, it was decided to have the statement form printed and distributed to the branches. A chart of the new set of accounts, together with detailed explanatory data for each Head and Sub-Head, was sent to each branch office of IFA. The set of accounts for the period ending 30 April 1944, is attached as Appendix E.
2. As instructed by COMC in T.M. Airgram 11, the amount of lire 65,174,450 representing Metropolitan lire notes imported into Italy by the British forces, was recorded on IFA's books.

H. Design for Notes of the Banca d'Italia

As the approval of the Italian Ministry of Finance had been obtained, the designs for notes of the Banca d'Italia in denominations of one, two, five and ten lire, were transmitted to Washington. Completed models of the new designs for the four higher denominations were shown to the Finance Minister and to a senior official of the Banca d'Italia, the approval of both being obtained.

I. Forgery of IFA Notes

In the latter part of April a gang of forgers was discovered and arrested in Sicily. All the forgers were seized and the larger portion of the forged notes, amounted to 42 million lire, were recovered. Some notes are unaccounted for and are probably in circulation. The printing presses and plates were also taken in the arrests.

The notes are complete forgeries of the thousand lire denomination. Although they are very good specimens of the thousand lire notes, the paper is slightly thinner than that of the genuine notes and the ink is not of the highest quality leading to fading and blurring of the note in use. The notes are printed in both series of

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G. Currency Accounts

1. The first set of consolidated accounts of ALA on the new basis, showing Receipts and Disbursements instead of Assets and Liabilities, was prepared and distributed. The experience with the new type of statement for the period ending 30 April 1944 having proved to be favorable, it was decided to have the statement form printed and distributed to the branches. A chart of the new set of accounts, together with detailed explanatory data for each Head and Sub-Head, was sent to each branch office of ALA. The set of accounts for the period ending 30 April 1944, is attached as Appendix E.

2. As instructed by COMAC in LHM Airgram 11, the amount of Lire 65,174,450 representing Metropolitan lire notes imported into Italy by the British forces, was recorded on ALA's books.

H. Design for Notes of the Banca d'Italia

As the approval of the Italian Ministry of Finance had been obtained, the designs for notes of the Banca d'Italia in denominations of one, two, five and ten lire, were transmitted to Washington. Completed models of the new designs for the four higher denominations were shown to the Finance Minister and to a senior official of the Banca d'Italia, the approval of both being obtained.

I. Forgery of LM Notes

In the latter part of April a gang of forgers was discovered and arrested in Sicily. All the forgers were seized and the larger portion of the forged notes, amounted to 42 million lire, were recovered. Some notes are unaccounted for and are probably in circulation. The printing presses and plates were also taken in the arrests.

The notes are complete forgeries of the thousand lire denomination. Although they are very good specimens of the thousand lire notes, the paper is slightly thinner than that of the genuine notes and the ink is not of the highest quality leading to fading and blurring of the note in use. The notes are printed in both series of the LM lire notes, 1943 and 1943A. That is, some of the notes have only the denomination in numbers while the others have both the number, denomination and the words "one thousand" and "mille lire".

- 25 -

V. INSURANCE

A. Commercial Insurance

1. Insurance Companies

The Italian Government decree for the Insurance Advisory Committee (see February, March, and April Reports of Finance Sub-Commission) has been signed and the opening meeting should take place during the first week in June. Some of the delay has been due to the Ministers of Finance and of Industry, Commerce & Labor not having decided upon their representatives. Arrangements have been made for the Insurance Department of Finance Sub-Commission to be provided with agenda and minutes of each meeting, and representatives have been invited to attend the first meeting.

2. Commissioners for insurance companies in Liberated Italy

(a) Early in the month the new Minister of Industry, Commerce & Labor approved all the appointments listed in the April report of Finance Sub-Commission with the exception of that for "La Finme" and its subsidiary, "La Terza". This appointment was challenged by another official of these Companies and the dispute is still in course of settlement. All Regions were notified of these appointments and their significance. Not all appointments have yet been published in the Official Gazette but each Commissioner has received a formal notification from the Minister to enable him to exercise his powers.

(b) Approval of the following additional Commissioners has been notified to the Ministry, but letters of appointment have not yet been issued:

- | | | |
|---|---|--|
| (a) Reale Mutua | } | Filippo Filippi, c/o Naples Office of Reale Mutua |
| (b) Savoia | | |
| (c) Cattolica | | Alfredo Marzocchi, c/o Naples Office |
| (d) Italiana Incendio & Rischio Diversi | } | Giacinto Mormino (who will move from Sicily to Naples) |
| (e) Italiana Vita | | |
| (f) Sicilia 1935 | | Carlo Orlando, of the Palermo Office. |

(g) Arrangements are being made for Company Commissioners to report to the Finance Sub-Commission on their operations after about a month's work. Favorable information has already been received from the Commissioners for Riforma Arbitration di Sicurtà and Alleanza (Vita). The Commissioner for the Istituto Nazionale della Assicurazione appears to have made a vigorous start in the coordination of the Company's affairs, but has been hampered by the requisitioning of a large part of the Institute's Naples premises.

3. Insurance Plans for Rome

(a) Rome Head Offices of private insurance companies, of which a list was furnished to the SFO, MG 5th Army will be closed and certain investigations made into the financial position, controlling interests, foreign and reinsurance connections, and other factors likely to require supervision and control by MG. The decisions

2. Commissioners for insurance companies in Liberated Italy

(a) Early in the month the new Minister of Industry, Commerce & Labor approved all the appointments listed in the April report of Finance Sub-Commission with the exception of that for "La Fiume" and its subsidiary, "La Torre". This appointment was challenged by another official of these Companies and the dispute is still in course of settlement. All Regions were notified of these appointments and their significance. Not all appointments have yet been published in the Official Gazette but each Commissioner has received a formal notification from the Minister to enable him to exercise his powers.

(b) Approval of the following additional Commissioners has been notified to the Ministry, but letters of appointment have not yet been issued:

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| (b) Savoia | }} |
| (c) Cattolica | Alfredo Marzocchi, c/o Naples Office |
| (d) Istituto Incendio & Rischio Diversi | }} Giacinto Nermanno (who will move from Sicily to Naples) |
| (e) Italiana Vita | }} |
| (f) Sicilia 1835 | Carlo Orlando, of the Palermo Office. |

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3. Insurance Plans for Rome

(a) Rome Head Offices of private insurance companies, of which a list was furnished to the STO, JMG 5th Army will be closed and certain investigations made into the financial position, controlling interests, foreign and reinsurance connections, and other factors likely to require supervision and control by JCG. The decision as to whether and when a Head Office may be allowed to reopen and take charge of its affairs in liberated territory, is reserved to the Finance Sub-Commission. Branch offices will be placed under their respective Commissioners as soon as conditions permit, and will not, in the meantime, engage in any activities necessitating disbursements. Bodies of a technical character, such as the Italian Institute of Actuaries, will be investigated, and if no undesirable influences are disclosed, may be permitted to continue, being placed as soon as possible in contact with the Insurance Advisory Committee.

(b) Particular emphasis has been laid on the necessity for safeguarding whatever remains in Rome of the main offices of the Istituto Nazionale della Assicurazione. These offices may be regarded as the heart of Italian insurance, certainly of Italian life insurance, and although some evacuation of personnel and records is expected, damage to these premises could have serious consequences.

- 24 -

4. Financial Intelligence

(a) According to an official of the Istituto Nazionale delle Assicurazioni, Rome Radio some time ago announced the evacuation of the "Direzione Generale" of the Istituto from Rome to Verona. The informant is acquainted with the Rome offices and considers that this evacuation has probably been confined to the higher officials, as the records of the Institute's 4 1/2 million policies, with associated accounting and valuation machinery, are too cumbersome to have permitted wholesale removal under recent transport conditions.

(b) Instructions were given for the dismissal on political grounds of the Naples General Agent of Assicurazioni Generali di Venezia, and of two more local officials of the Istituto Nazionale delle Assicurazioni.

(c) Following location of small amounts of funds belonging to two German companies, a list of known agencies was forwarded to Regions for necessary action.

5. Insurance situation in Regions

(a) The need for central direction and control of insurance companies operating in Liberated Italy was further illustrated during May by the following incidents:

(i) An individual is stated to have been appointed by the Prefect of Reggio Calabria to a post with the Istituto Nazionale delle Assicurazioni.

(ii) Another individual was appointed Commissioner for Calabria for seven companies by the Prefect of Reggio.

(iii) The appointment of local agents as Commissioners of Riunione Adriatica di Sicurtà for Bari, and for Sardinia, were reported.

(iv) An agent of the French "Energie" group obtained an authorization as Commissioner for Sicily.

(b) The appointment of several Commissioners (see para 2 above) by the Government nullified several of these but following representations, the Ministry stated it would instruct all Prefects to make no further such appointments, and to cancel those already made. The existence of numerous locally-appointed officials can do nothing to re-order insurance companies' affairs.

6. Insurance of civilian supply vehicles

The Insurance Department advised the Economic Section on insurance against third-party and fire risks of vehicles chartered for hauling civilian supplies, and some insurance has already been effected. No responsible company will at present accept insurance against theft.

7. Notes on Italian life insurance

Descriptive material on the pattern of life insurance in Italy, the major companies involved, and their methods of operation has been collated in "Notes on Italian Life Insurance", which appears as appendix C.

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(ii) Another individual was appointed Commissioner for Calabria for seven companies by the Prefect of Reggio.

(iii) The appointment of local agents as Commissioners of Riforma Amministrazione di Sicurezza for Bari, and for Sardinia, were reported.

(iv) An agent of the French "Phenix" group obtained an authorization as Commissioner for Sicily.

(b) The appointment of several Commissioners (see para 2 above) by the Government nullified several of these but following representations, the Ministry stated it would instruct all Prefects to make no further such appointments, and to cancel those already made. The existence of numerous locally-appointed officials can do nothing to re-order insurance companies' affairs.

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7. Notes on Italian life insurance

Descriptive material on the pattern of life insurance in Italy, the major companies involved, and their methods of operation has been collated in "Notes on Italian Life Insurance", which appears as Appendix G.

B. Social Insurance

1. Commissioners

(a) In conjunction with Labor Sub-Commission approval was given to the following Commissioners for Liberated Italy of social insurance institutions:

(i) Istituto Nazionale delle Provvidenze Sociali

Avv. Vincenzo Romanelli

- 25 -

(13) Istituto Nazionale per l'Assicurazione delle Assicurazioni all'Infertuni sui Lavori

Avv. Leopoldo Ranucci.

(b) These appointments, which supersede the temporary appointments of Doctor Alberto Rossignoli and Dr. Renato Inzelli respectively, have not yet been published in the Official Gazette but when this has been done, their jurisdiction will be extended to AMG territory. Appointment of a Commissioner for the Istituto per l'Assistenza di Malattia ai Lavoratori is under consideration.

2. Dismissal indemnity

Payment by the Istituto Nazionale delle Assicurazioni of these indemnities, which were established by R.D.L. No. 5 of 8 January 1942, had been suspended on severance of communications between the Institute's main offices in Rome and its General Agencies in the Provinces. Following the appointment of a Commissioner for the Istituto instructions have been sent to all General Agencies for resumption of payment.

3. Social insurance contributions of employees of contractors working for the Allied Forces.

(a) At a meeting on 10 May 1944, the Wages Committee of HQ AAF ratified proposed rules for social insurance contributions and wages of employees of contractors working for the Allied armed forces. The contractors will pay employees' contributions to the "Previdenza" and "Malattia" organizations, and employers' contributions to these and to the "Infertuni" organization as well. The contributions will be calculated on the base pay, and overtime if necessary.

(b) The base pay will not exceed the Allied Forces daily maximum for the particular occupation, less a deduction of 40 lire for office workers (impiegati), and 30 lire for all others (operai). There will also be paid

(i) Presence indemnity (Indennita' di Presenza)

(ii) Family allowance (Assegni Familiari)

(iii) Supplementary allowance (Indennita' supplementare)

if the total of these three items is less than the Allied Forces maximum.

4. Family allowances (assegni familiari)

Preliminary agreement was reached on the proposed new scale of family allowances. The present ascending scale of benefits was a foundation-stone of Fascist economic and political policy. The increases will be so graduated as to replace the present scale by a flat allowance per dependant. They will replace the 50% increases authorized for the four Provinces in Puglia by R.D.L. No. 23/B of 7 December 1943, and will be extended to AMG territory. The effect of the changes is illustrated by the following table, applicable to an industrial worker (operaio):

Lire per day

Former New

Payment by the Istituto Nazionale delle Assicurazioni of these indemnities, which were established by R.D.L. No. 5 of 8 January 1942, had been suspended on severance of communications between the Institute's main offices in Rome and its General Agencies in the Provinces. Following the appointment of a Commissioner for the Institute instructions have been sent to all General Agencies for resumption of payment.

3. Social insurance contributions of employees of contractors working for the Allied Forces.

(a) At a meeting on 10 May 1944, the Wages Committee of RQALI ratified proposed rules for social insurance contributions and wages of employees of contractors working for the Allied armed forces. The contractors will pay employees' contributions to the "Previdenza" and "Malattia" organizations, and employer's contributions to these and to the "Infortuni" organization as well. The contributions will be calculated on the base pay, and overtime if necessary.

(b) The base pay will not exceed the Allied Forces daily maximum for the particular occupation, less a deduction of 40 lire for office workers (impiegati), and 30 lire for all others (operatori). There will also be paid

- (i) Presence indemnity (Indennita' di Presenza)
 - (ii) Family allowance (Assegno Familiare)
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- if the total of these three items is less than the Allied Forces maximum.

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Lire per day

	Former Scale	New Scale
Wife	3.1	4.5
parent	1.6	4.5
one child	2.0	4.5
each of 2 or 3 children	2.8	913.5
each of 4 or more children	3.6	

- 26 -

5. State employees

(a) In addition to the above revisions, study has continued on the subject of family allowances (*Aggiunte di Famiglia*) for State employees whose salaries have always been lower than those for private employees, the difference having become accentuated during the war. Proposals have already been communicated by the Ministries of Finance and of Industry, Commerce and Labor, and are being examined. It has become clear that there is need not only for correction of inequities, but also for an immediate simplification of the entire needlessly complex wage structure, a brief description of which is given below.

(c) The pay of a public employee commonly includes the following elements:

- (i) Base pay (*Stipendio Base*),
- (ii) Supplement for working time (*Supplemento al Servizio Attivo*) paid only when working,
- (iii) Temporary war allowance (*Assegno Temporaneo di Guerra*),
- (iv) Family allowance (*Aggiunta di Famiglia*),
- (v) Bonus for overtime (*Lavoro Straordinario*)
- (vi) Periodic bonuses (*Gratifiche Periodiche*), either the bonus for efficiency (*Premio di merito*) every six months, or a 15th month's pay every year,
- (vii) Bonus for liability to enemy action (*Indennita' di Bombardamenti*) for those in certain areas,
- (viii) "Indennita' di Toga" for Judges, and other payments peculiar to certain appointments (*Compensi vari per Gruppi Speciali*),
- (ix) Allowances for out-of-pocket expenses such as a travel indemnity (*Indennita' di Missione*).

(c) The bonus for overtime (*Lavoro Straordinario*) is not a daily payment, but a monthly one computed by multiplying a rate (2.5 lire to 4.0 lire) by a number of hours not exceeding 75. Originally paid for over-time or particularly intensive effort, it is now being paid largely as a matter of course. Some other payments are complex in their computation (e.g. the "Indennita' di Bombardamento" is one-half of the family allowance plus one-third of the travel indemnity adjusted by reference to the temporary war allowance). Such complexities render impossible a uniform interpretation and application of a graduated wage increase, and create disparities which intensify the pressures for wage increases.

6. Pensions (State employees)

R.D.L. No. 65 of 13 March 1944 (published on 25 March) raised State pensions by graduated increases, but it has not been possible to extend its provisions to AMG territory because of absence of provisions to eliminate beneficiaries of Fascist Party patronage. Appropriate amendments were suggested early in May to the Ministry

- (i) Base pay (Stipendio Base),
- (ii) Supplement for working time (Supplemento al Servizio Attivo) paid only when working,
- (iii) Temporary war allowance (Assogno Temporaneo di Guerra),
- (iv) Family allowance (Addizionale di Famiglia),
- (v) Bonus for overtime (Lavoro Straordinario)
- (vi) Periodic bonuses (Gratifiche Periodiche), either the bonus for efficiency (Premio di operosità) every six months, or a 13th month's pay every year,
- (vii) Bonus for liability to enemy action (Indennità di Bombardamento) for those in certain areas,
- (viii) "Indennità di Toga" for Judges, and other payments peculiar to certain appointments (Compensi vari per Gruppi Speciali),
- (ix) Allowances for out-of-pocket expenses such as a travel indemnity (Indennità di Missione).

(c) The bonus for overtime (Lavoro Straordinario) is not a daily payment, but a monthly one computed by multiplying a rate (2.5 lire to 4.0 lire) by a number of hours not exceeding 75. Originally paid for over-time or particularly intensive effort, it is now being paid largely as a matter of course. Some other payments are complex in their computation (e.g., the "Indennità di Bombardamento" is one-half of the family allowance plus one-third of the travel indemnity adjusted by reference to the temporary war allowance). Such complexities render impossible a uniform interpretation and application of a graduated wages increase, and create disparities which intensify the pressures for wage increases.

6. Pensions (State employees)

R.D.L. No. 65 of 13 March 1944 (published on 25 March) revised State pensions by graduated increases, but it has not been possible to extend its provisions to AMG territory because of absence of provisions to eliminate beneficiaries of Fascist Party patronage. Appropriate amendments were suggested early in May to the Ministry of Finance, but have not yet been acted upon.

7. Pensions (Fascist Militia)

R.D.L. No. 102 of 27 January 1944 (not published until 19 April, two days before the present Government was formed) was passed without reference to AGO, and provided special benefits and increased pensions to members of the former Fascist Militia (Milizia Volontaria Sicurezza Nazionale) and its branches.

- 27 -

It provides for

- (a) Relaxation of the age limit for pensions, thus increasing the number of potential claimants,
 - (b) Pensions for non-commissioned officers of the Militia equal to those paid to members of the Regular Army,
 - (c) Special retirement grants for members not able to qualify for pensions under the new transitional regulations,
 - (d) Discharge pay in addition to pensions for all those who have completed six years of service. No provisions were included to rule out the militant Fascist elements which comprised the majority of the M.V.S.N. and the decree has been referred back to the Government for abrogation. So far no action has been taken by the Government.
3. Military allowances
- R.D.L. No. 113 of 13 May 1944, published without prior consultation with or approval by Finance Sub-Commission, increased military relief allowances (Raccomandi) by 70%, merging the military and general relief authorities, and enabling dependants of Italians in German-occupied territory to claim military relief allowances if in need. The request of the Italian Government that this decree be extended to Military Government territory is under consideration.

9. Insurance of Workmen in Tripolitania and Eritrea

A request was received during the month from the Deputy Director of Claims & Hirings, A.I. for arrangements whereby workmen's compensation (Infortuni organization) could be extended to employees of the Allied Forces in Tripolitania and Eritrea, later expanded to mean all former Italian Africa. Efforts are being made to secure from the Government a letter extending the terms of that addressed by the Head of the Government on 5 November 1943 to the Infortuni organization, covering Allied employees in Italy.

VI. PRICES AND THE COST OF LIVING

4. Agricultural Prices

During the month LCC set the price to be paid for wheat delivered to the Granai del Popolo at 900 and 1,000 lire per quintal for soft and hard wheat, respectively. It was also decided that all other major pulses and grain crops, other than barley which was included in the massing decree for wheat, would be blocked on the farms, counted, and made subject to compulsory sale to the Granai del Popolo, and that the prices of such would be fixed in relation to the price agreed upon for wheat.

5. The Price of Bread

1. In making our recommendations on the price of 1944 wheat, we argued that paying a price in the neighborhood of 1,000 lire per quintal would involve either (1) an increase of some 5 billion lire in the already large Italian Government deficit or (2) an increase to nearly 15 lire in the price of bread. Because we believed that either of these alternatives was highly undesirable, and because we believed that a price of 1,000 lire per quintal was unnecessary either to do justice to the farmers

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9. Insurance of Workers in Tripolitania and Eritrea

A request was received during the month from the Deputy Director of Claims & Hearings, A.I. for arrangements whereby workers' compensation (Infertuni organization) could be extended to employees of the Allied Forces in Tripolitania and Eritrea, later expanded to mean all former Italian Africa. Efforts are being made to secure from the Government a letter extending the terms of that addressed by the Head of the Government on 5 November 1943 to the Infertuni organization, covering Allied employees in Italy.

VI. PRICES AND THE COST OF LIVING

A. Agricultural Prices

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2. We believe that, from the point of view of controlling inflation and protecting the Allied interests in Italy, it is far more necessary to prevent the price of bread from rising unduly at this time than it is to prevent the Government deficit from increasing.

(a) If the price of bread is increased enough to cover the cost of bread, a wheat price of 900 and 6,000 lire per quintal, we believe that it will be impossible to prevent substantial wage increases, whether or not the bread ration is increased to 300 grams per day, because:

(i) Regardless of whether the cost of living is in fact higher with a 300 gram ration at 13 lire per kilo than with a 200 gram ration at 3.60 lire per kilo, every worker and every labor leader will insist that it is. We will find in dealing with workers that none will admit to have purchased bread on the black market, and none will admit, therefore, that the total cost of purchasing 300 grams at 13 lire is properly comparable with the cost of purchasing 200 grams at 3.60 lire and 100 grams at the black market price.

(ii) Moreover, it is only in Naples and only at the present time that it is clearly true that the cost of living would be reduced with a 300 gram ration at 13 lire per kilo. Wherever the price of black market bread is less than 32 lire per kilo, people are better off supplementing a 200 gram ration with black market purchases than they are buying 300 grams at 13 lire per kilo. In all of the towns smaller than Naples the price of black market bread is much lower than in Naples, and up to a few months ago it was not as high as 30 lire per kilo in most places. After the current harvest, black market prices can be expected to decline considerably, and at that time many workers will in fact be worse off under the proposed conditions than they would be if the ration and the legal price of bread were unchanged.

(iii) Even if it is true that the cost of living will be no higher, or even considerably lower, under proposed conditions, wage demands that cannot be resisted are certain to arise. The present situation of industrial workers is one that they rightly believe to be intolerable. If that situation is legalized and made permanent through an increase in the legal price of bread, wage demands will follow immediately. At the present time, workers can ask for an increase in wages only on the tenuous moral ground that they should be given enough money to permit them to buy more bread than that provided on the ration on which everyone else is expected to live. If, however, the cost of buying 300 grams on the ration is made anywhere near that of purchasing 300 grams today, the same group of workers could present the same wage demand on the firm moral grounds that they should be paid enough to permit them to buy the ration which everyone is supposed to be able to get.

We believe that it is certain that irresistible wage demands would be the result of this situation, and that such increases will call for increases in industrial prices. The latter, in their turn, will necessitate further increases in wages and in other industrial prices, thereby creating an inflationary spiral.

(4) The second important reason why the price of bread should not be increased is that an increase of almost any amount, and certainly an increase of around 250 per cent such as has been proposed in the price of the principal food of the people will have far-reaching psychological effects. The faith of Italians and others in the probable future value of the lire will be seriously affected; the confidence of South Italians in their

an article, that the total cost of purchasing 300 grams is 13 lire, properly comparable with the cost of purchasing 200 grams at 5.60 lire and 100 grams at the black market price.

(ii) Moreover, it is only in Naples and only at the present time that it is clearly true that the cost of living would be reduced with a 300 gram ration at 13 lire per kilo. Whenever the price of black market bread is less than 32 lire per kilo, people are better off supplying a 200 gram ration with black market purchases than they are buying 300 grams at 13 lire per kilo. In all of the towns smaller than Naples the price of black market bread is much lower than in Naples, and up to a few months ago it was not as high as 30 lire per kilo in most places. After the current harvest, black market prices can be expected to decline considerably, and at that time many workers will in fact be worse off under the proposed conditions than they would be if the ration and the legal price of bread were unchanged.

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(iv) The second important reason why the price of bread should not be increased is that an increase of almost any amount, and certainly an increase of around 250 per cent such as has been proposed in the price of the principal food of the people will have far-reaching psychological effects. The faith of Italians and others in the probable future value of the lira will be immediately affected; the confidence of South Italians in their Government will be shaken; the respect for the Government of liberal Italy and the Allied Military Government on the part of Italians north of the line will be reduced; the opinions of citizens of occupied countries all over Europe will be seriously affected; and public opinion at home, where it is already believed in some quarters that Allied policy is ruining Italy, will be alienated. Any such changes in opinion will increase our difficulties in the liberation of Europe.

(v) We do not mean to imply that the dangers resulting from an increased Government deficit, pointed out in our original memorandum, no longer concern us. On the contrary, we believe that the increase in the Government deficit that will be caused by the price of wheat and the price of bread agreed upon is a very serious problem. Our point is that this

- 29 -

problem is less serious than that which would confront us if the price of bread were increased to 13 lire. In short, we are detecting the lesser of two evils. In our opinion, the Government deficit problem is less serious for several reasons:

(i) The increase in the deficit that will result from the action in question will take the form of an increase in the income of farmers, who, under present conditions, save much of their income. The consequences of this particular increase in deficit may thus be somewhat smaller than the magnitude of the increase would indicate.

(ii) The deficit problem will be with us for several months whether or not the price of bread is decreased, for the wheat crop will be paid for during the summer, if amassing is successful, while the absorption of consumer income to meet the deficit will be spread over most of the year.

(iii) More importantly, the problem created by the deficit admits of a partial solution:

through heavy farmer taxes,

through increases in other taxes,

and through a more gradual elimination of the bread subsidy as the food situation improves and as the

quantity of foods available at legal prices increases,

while the problem created by increasing the price of bread admits of no solution other than inflation. We do not believe that taxation can absorb a large part of the increase in incomes of farmers that will be created by the wheat price, but we are attempting to obtain legislation that will do as much along this line as is possible.

3. Finally, it should be remembered that we have a specific directive from DCS to keep the price of bread down. In its message of 10 April, DCS says:

"In order to continue resistance to inflationary trends and to secure the inavailability of certain basic commodities to consumers, the prices of such commodities should be held at low levels for the time being, subsidies being paid to producers, as may be considered necessary to maintain production and delivery to the legal market, such subsidies to be charged to the Italian Government."

C. The Cost of Living

The cost of living in Naples reached its highest level yet attained in May. The reasons for the increase, in order of approximate importance, were: only a very small ration of dried beans was distributed during the month; no olive oil was distributed during the month (a ration was issued early in June to make up for the failure to distribute in May); the black-market prices of bread and pasta continued to rise, reaching 200 and 300 lire per kilo, respectively; the prices of fruits and vegetables rose somewhat.

The cost of living in Naples per person per week for the city of Naples, compar-

quantities of this particular crop are smaller than the magnitude of the increase would indicate.

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3. Finally, it should be remembered that we have a specific directive from COS to keep the price of bread down. In its message of 13 April, COS says:

"In order to continue resistance to inflationary trends and to secure the inavailability of certain basic commodities to consumers, the prices of such commodities should be held at low levels for the time being, subsidies being paid to producers, as may be considered necessary to maintain production and delivery to the legal market, such subsidies to be charged to the Italian Government."

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The cost of living in lire per person per week for the city of Naples, comparable to earlier figures published in this report, was as follows:

April	7	347 (revised)
	15	317 (revised)
	23	311 (revised)
	30	314 (revised)

May	7	365
	15	403
	23	413
	30	404

The revisions in the April figures result from changing the substitution factor of rationed dried beans for black market potatoes in order to give proper weight to the greater caloric value of beans per unit of weight.

II. ACCOUNTING

A. Supply Accounting

1. During the month the condition of the accounts for imported civilian supplies improved somewhat, although there still remains a backlog of work in the Regions which must be handled before the report will be on a current basis. As the result of previous requests for a substantial increase in the Chief Accountant's Headquarters staff, five new officers were assigned and the group began work on supply accounts, one officer in Region I, one in Region IV, one with the Public Health Sub-Commission (to prepare overhead accounts on medical supplies), and two with the Headquarters' staff. The availability of these officers for supply accounting has enabled the formulation of plans for putting this phase of accounting on a current basis.

2. The Accounting Sub-Section has received the following supply accounting returns (i.e. statement of stock movements, schedule of imports, and schedule of sales).

Region or Area	From date of occupation through 31 January 1944	February 1944	March 1944	April 1944
Region I	yes	-	-	-
Region II	yes	yes	yes	-
Region III	yes	yes	yes	-
Region IV and AMG 5th Army	yes	yes	yes	yes
Region V and AMG 8th Army	yes	yes	yes	-
Region VI	yes	yes	yes	yes
Region VII	(a) Incomplete	(a) Incomplete	(a) Incomplete	-

(a) Complete and submitted for all provinces in the Region, except Reggio di Calabria.

3. The consolidation of the Regional supply accounting reports through 31 January 1944 was made during the month. This consolidation covers all Italy except the province of Calabria in Region VII. While the accounting for that province is nearing completion under the direct supervision of a representative of this HQ, his report has not yet been submitted. For this reason it has therefore been necessary to exclude Calabria province from the January accounts. The G-5, AMHQ list of vessels scheduled to arrive through 31 January 1944 reported cargoes aggregating 136,000 tons (exclusive of Reggio). Of this amount vessels carrying 56,000 tons were diverted or in transit at the end of the period, leaving a net of 130,000 tons scheduled to be unloaded during the period according to ships' manifests. The quantity reported as received in AMG/ACC warehouses amounted to 114,000 tons. There was a variation of 12 1/2 per cent between the quantities on G-5 lists and the quantities unloaded. This difference can be accounted for, in part at least, by the fact that some of the vessels were still unloading at the end of the period, and also by the fact that the manifests are frequently inaccurate. Of the total tonnage received approximately 79,000 tons of food and other supplies were sold for 332 million lire.

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Region V and AMG 8th Army	yes	yes	yes	-
Region VI	yes	yes	yes	yes
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4. During the month increased attention was directed to strengthening the accounting structure by elimination or curtailment of unnecessary activities and by consultation with Regional supply divisions to ensure that the accounting procedure as prescribed by the AMG Manual is being properly implemented in their operations.

5. To eliminate unnecessary administrative and accounting work in inter-Regional trade, arrangements were made with the Industry and Commerce Sub-Commission for the issuance of an order that exports from one AMG Region to another or to ACC territory should not be purchased and resold by ACC/AMG agencies except in exceptional circumstances. In the future payment is to be made direct by the buyer to the seller through normal bank channels or by purchase of a valid to be sent to the vendor. Intervention of ACC/AMG in such transactions is thereby rendered

unnecessary, except that their channels of communications are put at the disposal of both parties for delivery of invoices and vagin.

6. To ensure that the proceeds of sales of supplies and deposits on containers are promptly recorded in AOC/AG accounts, Executive Memorandum No. 39 was issued. Under this instruction both the proceeds of sales and deposits on containers are required to be paid direct into the Allied Financial Agency, No. 1 account, with the bank used by the AF Branch in the Region. Only where positive inconvenience is established does the order permit an exception, as for example, where sales are made in locations without banking facilities. In such cases, upon full presentation of the facts, the Chief Accountant may permit supply officers to have intermediate accounts, but no payment can be made out of such accounts, and all funds in the accounts existing at the time of the instruction were required to be closed, except those approved by the Chief Accountant.

7. In February 1944 the Internees and Displaced Persons Sub-Commission, AOC, assumed jurisdiction over camps for internees and displaced persons. Prior to that time such camps were operated by the Prisoners of War Committee. To effect the necessary accounting for issues of stores and supplies by Army units (British) to the Sub-Commission, an agreement was reached with the Assistant Financial Adviser, (B), HQ 441, that his office should prepare an account showing issues to the Displaced Persons camps up to the time such camps were handed over to the Internees and Displaced Persons Sub-Commission. For the period subsequent to the handing over of the camps by the Prisoners of War Committee, the Internees and Displaced Persons Sub-Commission has been notified that it should report all stores and supplies drawn from the British Army to the Regional Supply Officer, Region II. In order to expedite the accounting for these supplies, a representative of this office was assigned temporarily to the Internees and Displaced Persons Sub-Commission. The accounts for such supplies are to be rendered on a monthly basis, beginning with February.

8. Under existing directives the Finance Sub-Commission AOC is required to maintain accounts for subsistence and supplies issued to the Italian armed forces. These accounts are required to be built up from reports of issues by Army service depots, and bulk issues from ships reported by the Army Sub-Commission. Incomplete reports have been received from both sources, from which quantitative records have been established by this office. For U.S. depot issues most of the commodities have been priced or information obtained by this office to allow pricing on the basis cost. For bulk issues the prices are not required to be reported. Instructions received call for use of the latest U.S. Army subsistence price list. This list does not reflect landed costs so as to include transportation expense, nor is the price shown for every commodity issued in bulk. Accordingly, the rates have not been applied to commodities. Further consideration is being given to this problem.

9. The accounting for medical supplies which under existing directives is rendered by the Public Health Sub-Commission to the Chief Accountant has been delayed. Incomplete warehouse and issue records in the early stages and lack of adequate accounting personnel of both officers and ORs has precluded the prompt submission of these accounts. In view of the situation a representative from the Chief Accountant's Office has recently been assigned to obtain the necessary reports and to implement the prescribed accounting procedure for the physical handling of medical supplies. In view of the magnitude of the work it will probably be necessary to make an additional assignment in the near future to expedite submission of the accounts.

10. Special accounting will be required for coal and petroleum products. For

7. In February 1944 the Internees and Displaced Persons Sub-Commission, ACC, assumed jurisdiction over camps for internees and displaced persons. Prior to that time such camps were operated by the Prisoners of War Committee. To effect the necessary accounting for issues of stores and supplies by army units (British) to the Sub-Commission, an agreement was reached with the Assistant Financial Adviser, (B), HQ AMI, that his office should prepare an account showing issues to the Displaced Persons Sub-Commission. For the period subsequent to the handing over of the camps by the Prisoners of War Committee, the Internees and Displaced Persons Sub-Commission has been notified that it should report all stores and supplies drawn from the British Army to the Regional Supply Officer, Region II. In order to expedite the accounting for these supplies, a representative of this office was assigned temporarily to the Internees and Displaced Persons Sub-Commission. The accounts for such supplies are to be rendered on a monthly basis, beginning with February.

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10. Special accounting will be required for coal and petroleum products. For past and current issues of coal arrangements have been effected whereby the Coal Section, ACC, will advise the Regional Supply Officers of quantities of coal placed at their disposal. At the same time that Section will supply the Chief Accountant with information concerning the name of the ship, port and date of arrival, quantity, origin and type of coal. Issues of coal from army depots will be reported by the Regional Supply Officer, after which the accounting will follow the established procedure within the Regions. Plans are now in progress whereby imported civilian use will be delivered and billed to the Italian State Railways. Under the proposed arrangement, issues to authorize Italian civil consumers would be made by the State Railways, which would receive payment therefore at prices to be established by Headquarters ACC. For petroleum products, as indicated in earlier reports of Finance Sub-Commission, arrangements were effected whereby the Comitato Italiano Petroli effects distribution of all issues to essential consumers. CIF is to be billed by this office for all quantities received, upon notification from the

Petroleum Section, Advanced AFHQ, CEF. However, prior to the various dates on which CIP took over in the several Regions, an accounting is required for issues by ACC/LMG. In view of the difficulties of such accounting, due to the lack of specific information and inadequate records in the early stages of occupation, it has been deemed advisable to handle the matter at Headquarters level, and at present representatives from this office are working thereon in two Regions.

B. Issues of Supplies by Allied Armies

1. Discussions were held with the Assistant Financial Adviser, HQ AFHQ as to the treatment of issues by the British Army to refugees, co-belligerents, and ACC/LMG. It was agreed, on general lines, that direct issues by the British Army to refugees in camps under Army control, and to Italian military units, should be reported direct to the War Office by the Assistant Financial Adviser, in conformity with normal British Army procedure. All issues made to, or at the request of, ACC will be reported by the Assistant Financial Adviser to the Chief Accountant ACC.

2. Discussions were held with Peninsular Base Section on the question of rendering reports to the Chief Accountant in respect of issues to Italian military units. Peninsular Base Section explained that they had an accumulation of several thousand shipping tickets from American Army depots which they had not been able to process and that the volume of work was so large that it had been impossible to summarize the shipping tickets already processed by commodities; instead, an estimated ration strength of Italian units supplies has been arrived at and the value of the rations required to supply this strength has been calculated and submitted to the Chief Accountant. Other American depots have submitted summaries of issues by commodities.

3. Shipping tickets for bulk imports for the Italian Army have been received from the Military Mission to the Italian Army up to 30 April 1944, but a consolidated account has not yet been received.

C. ACC/LMG Revenue and Expenditure Accounts

1. Cumulative accounts through 31 March 1944 were prepared and submitted to G-5 Section for transmission to the Combined Chiefs of Staff.

2. These accounts showed no material difference in general from Pen previous accounts, except that "Storage and Handling Charges in respect of Imports, Exports and Local Purchases" were transferred from ACC/LMG Revenue and Expenditure Accounts to AFHQ's accounts, as it was considered that this expenditure was in the category as expenditure incurred in the purchase of local supplies for export, and receipts in respect of the sale of imported supplies.

D. Financial Accounting Directives and Instructions

1. A directive (Executive Memorandum No. 59) was issued dealing with the control of bank accounts opened by Sub-accountants and maximum balances to be held by them.

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2. These accounts showed no material difference in general form from previous accounts, except that "Storage and Handling Charges in respect of Imports, Exports and Local Purchases" were transferred from ACC/AMC Revenue and Expenditure Accounts to AFM's Accounts, as it was considered that this expenditure was in the same category as expenditure incurred in the purchase of local supplies for export, and receipts in respect of the sale of imported supplies.

D. Financial Accounting Directives and Instructions

1. A directive (Executive Memorandum No. 55) was issued dealing with the control of bank accounts opened by Sub-accountants and maximum balances to be held by them.

2. A revised version of Office Memorandum No. 3 on the payment of civilian labor was submitted to the HQ Commandant for issuance by him.

3. Recommendations on the accounting procedure for hemp purchases, and for the financing of the hemp industry, were issued.

4. Recommendations as to the treatment of transportation costs in respect of imported supplies were submitted to the Price Committee.

- 33 -

E. Organization

1. Three officers from Civil Affairs, Middle East, have been working with the Accounting Sub-Section during the past month. The main purpose of their visit has been to acquire experience, but they have at the same time rendered valuable assistance to the Sub-Section.

F. Allied Financial Agency Statement

1. Discussions were held with JAG at the new form in which the Accounts were submitted for the month of April.

G. Miscellaneous

1. The Chief Accountant had discussions in April with the Deputy Paymaster-in-Chief (British) on the subject of clearing up outstanding accounts between the British Army and ACC/AMC in respect of Metropolitan Line imported into the Theatre and advanced to JAG, and other advances made by the Deputy Paymaster-in-Chief to ACC/AMC. The procedure for the settlement of these accounts was agreed upon, and has since been put into effect. All accounts between British Paymasters and ACC/AMC have now been settled.

W. F. G. G.

Colonel,
Joint Director,
Finance Sub-Commission.

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1. The Chief Accountant had discussions in London with the Deputy Paymaster-in-Chief (British) on the subject of clearing up outstanding accounts between the British Army and ACC/AMC in respect of Mutualization. It was reported that the Theatre and advanced to AMC, and other advances made by the Deputy Paymaster-in-Chief to ACC/AMC. The procedure for the settlement of these accounts was agreed upon, and has since been put into effect. All accounts between British Paymasters and ACC/AMC have now been settled.

W. H. F. G. G.
Colonel,
Joint Director,
Finance Sub-Commission.

203

APPENDIX 'A'

FINANCIAL EFFECTS OF ALLIED OCCUPATION

A. Discussion of the financial effects of the Allied occupation of Italy is usually centered upon four major questions:

- 1. Does the dollar/pound/lire exchange rate create inflation and exploit Italy?
- 2. Does the issuance of "unbacked" AM lire create inflation and exploit the country?
- 3. Are soldiers' expenditures and the expenditures of the Allied armies creating inflation and draining Italy's wealth?
- 4. What are we contributing to Italy through imports and taking away through exports, and what effect do these transactions have upon the inflationary situation?

The first two of these questions have been discussed frequently in earlier numbers of the monthly report, particularly in Appendices A and C of the report for March. In these discussions it was concluded that the effect of both the exchange rate and the use of AM lire depended almost exclusively upon the last two of the questions, the volume of soldier and Allied expenditures and the volume of imports and exports. Statistics on both of these matters, as complete as is at this date possible, are presented below.

B. The relevant data may be summarized approximately as follows:

	through March	through April	through April
	(in billions of lire)		
1. Soldiers' expenditures	12.0	2.6	14.6
2. Expenditures of the Forces	1.8	.5	2.3
3. Disbursements for purchase of exports	<u>2.2</u>	<u>1.1</u>	<u>3.4</u>
4. Total	14.1	3.2	17.3
5. Less: Receipts from sales of imported supplies	<u>6</u>	<u>2.7</u>	<u>1.1</u>
6. Total inflationary effect of Allied operations	13.5	2.7	16.2
7. Italian Government deficit from July 1943	23.0	5.0	28.0
8. Total (6 + 7)	36.5	5.7	42.2
9. Percent, inflationary effect of Allied operations to total inflationary effect (6 ÷ 8)	37	47	38
10. Landed cost of goods imported for civilian consumption	9.5	4.0	13.5
11. Total "exploitation" effect (4 - 10)	4.6	.5	5.1
12. APA advances to the Italian Government and its agencies	5.6	.5	6.1

3. Are soldiers' expenditures and the expenditures of the Allied armies creating inflation and draining Italy's wealth?

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3. Disbursements for purchase of exports	2.2	.1	2.3
4. Total	14.1	3.2	17.3
5. Less: Receipts from sales of imported supplies	.6	.5	1.1
6. Total inflationary effect of Allied operations	13.5	2.7	16.2
7. Italian Government deficit from July 1943	23.0	3.0	26.0
8. Total (6 + 7)	36.5	5.7	42.2
9. Percent, inflationary effect of Allied operations to total inflationary effect (6 ÷ 8)	37	47	38
10. Landed cost of goods imported for civilian consumption	3.5	4.0?	13.5?
11. Total "exploitation" effect (4 - 10)	4.6	..0?	3.8?
12. AFA advances to the Italian Government and its agencies	5.6	.5	6.1
13. Approximation to increase in currency circulation (6 + 12)	19.1	3.2	22.3
14. AM lire put into circulation (in hands of public and banks including Banca d'Italia)	20.6	3.0	23.6
15. Error (14 - 13)	1.5	..2	1.3
			308

C. Soldiers' Expenditures and Expenditures of the Allied Forces

The data on Allied expenditure given in the table on the next page are approximate only.

Page 2 of Appendix A
Total Expenditure in Italy of Allied Soldiers and Allied Forces
(in millions of lire)

	(1) Paid to officers, non- commissioned and men	(2) Net remit- tances	(3) and SAFI sales	(4) Soldiers' and expenses of local labor (1-2-3)	(5) Employ- ment of local labor	(6) Purchase of local materials	(7) Miscellaneous expenditures	(8) Expenditures of local forces (5-6-7)	(9) Total (4+8)
July and August U.S. British Total	634 363 992	- 27 27	3 60 63	631 271 902	6 - 8	5 - 5	- 7 7	11 7 18	642 278 920
September U.S. British Total	725 475 1,200	459 23 482	2 60 62	264 387 651	3 - 3	14 3 17	2 5 7	24 8 32	283 395 683
October U.S. British Total	680 980 1,660	466 38 504	1 101 102	443 843 1,286	15 - 15	24 5 30	- 24 24	39 30 69	452 871 1,323
November U.S. British Total	1,509 1,004 2,513	720 65 785	106 118 224	683 321 1,004	40 - 40	71 20 91	5 153 158	116 183 299	799 1,004 1,803
December U.S. British Total	1,534 1,080 2,614	671 213 884	93 104 277	773 683 1,456	63 - 63	53 66 119	4 42 46	160 108 268	930 791 1,721
January U.S. British French Total	2,017 1,079 310 3,406	959 71 104 1,134	110 149 - 259	978 859 206 2,043	91 - - 91	91 77 - 168	10 15 - 25	192 92 - 284	1,170 951 206 2,327
February U.S. British French Total	1,359 1,324 287 3,473	1,023 105 154 1,282	104 189 - 293	732 1,030 123 1,885	107 - - 107	101 93 - 194	3 15 30 48	211 108 30 349	943 1,136 163 2,242
March U.S. British French Total	2,190 1,513 444 4,147	1,152 138 112 1,402	201 228 - 429	837 1,147 302 2,286	136 - - 136	104 141 - 245	32 14 32 78	272 155 32 459	1,109 1,302 334 2,745
April U.S. British French Total	2,501 1,451 186 4,138	1,451 1,451 186 3,088	186 186 186 558	941 941 186 2,068	186 186 186 558	111 111 186 408	49 49 186 384	322 322 459 1,103	1,263 1,263 1,103 3,629

U.S.	271	7	7	5	8	271	278
British	60	18	1	5	6	60	320
Total	331	25	8	10	14	331	598
September							
U.S.	725	24	2	14	6	725	238
British	475	8	5	2	60	475	395
Total	1,200	32	7	17	62	1,200	633
October							
U.S.	880	39	24	24	15	880	452
British	980	30	24	6	101	980	871
Total	1,860	69	48	30	162	1,860	1,323
November							
U.S.	1,509	116	5	71	106	1,509	799
British	1,004	183	163	20	118	1,004	1,004
Total	2,513	299	168	91	224	2,513	1,803
December							
U.S.	1,534	160	4	93	93	1,534	930
British	1,080	108	42	66	164	1,080	791
Total	2,614	268	46	159	257	2,614	1,721
January							
U.S.	2,047	192	10	91	110	2,047	1,170
British	1,079	92	15	77	149	1,079	951
French	310	234	25	138	259	310	206
Total	3,436	518	50	307	518	3,436	2,327
February							
U.S.	1,859	211	3	101	104	1,859	943
British	1,324	108	15	93	109	1,324	1,138
French	287	30	30	194	235	287	163
Total	3,470	349	48	394	448	3,470	2,244
March							
U.S.	2,190	272	32	104	201	2,190	1,109
British	1,513	155	14	141	228	1,513	1,302
French	444	32	32	25	129	444	334
Total	4,147	459	78	275	459	4,147	2,745
April							
U.S.	2,531	322	49	111	186	2,531	1,263
British	1,600	165	15	150	190	1,600	1,425
French	614	30	30	261	388	614	478
Total	4,745	517	94	522	564	4,745	3,166
July - April							
U.S.	13,959	1,347	105	614	806	13,959	7,596
British	9,423	856	300	556	1,289	9,423	8,155
French	1,655	92	92	261	261	1,655	1,181
Total	25,037	2,295	497	1,431	2,355	25,037	16,932

Before assessing the importance of any of the figures shown in the table, the following points should be noted:

1. "Paid to officers and men"

(a) U.S. figures are taken from reports from all army units in Italy, and from the naval detachment in Palermo. The Palermo navy figures were reported at 2-month intervals prior to March, and thus cause some irregularity in the data. Other U.S. navy units drew their funds through the army, which reports the receipt of dollar checks given in return for lire under the section "deposits of cash items for official credit." Since most of this item represents remittances to soldiers from the U.S., it is impossible to segregate navy funds from these reverse remittances. In April, the U.S. Navy drew about 30 million lire in this manner. The figure for "paid to officers and men" should therefore be about 30 million larger, and "net remittances" should be correspondingly larger. This method of measuring navy pay disbursements also assumes that the navy's live balances are neither increased nor decreased, and that the whole of its live expenditure is for payments to personnel. Members of the U.S. merchant marine draw their pay from the navy disbursing officers. Their expenditures in Italy are therefore included in "soldiers' expenditure."

(b) British figures include all the armed forces of the U.K., the dominions, the colonies, and the allies other than France. All British figures for the month of April are estimates. British disbursement figures are provided for the U.K. army only. The Royal Navy, the Royal Air Force, and the forces of the dominions, colonies, and allies draw their funds from British paymasters, and the reports received by IPA show only net totals advanced to those units. All of such advances are included in "paid to officers and men". That item, and accordingly, "soldiers' expenditures" is therefore over-estimated to the extent that such units increase their cash holdings or make expenditures for local labour or materials.

(c) French figures are taken from reports of the French disbursing officer. About $\frac{1}{3}$ of the total represents an item the nature of which is unclear. It is assumed that all of this item represents cash income of French troops. To the extent that it does not, "soldiers' expenditures" are over-estimated.

2. "Net remittances"

U.S. figures include net PTA remittances, soldiers' deposits with Finance Officers, and an item reported as "APO and sundry receipts." This item represents dollar checks sold for lire. The bulk of such transactions is accounted for by APO money orders used in making soldier remittances to the United States, but there is also included in the item receipts from the basic mess fee of $\frac{1}{2}$ 25 per month for every officer in the theatre. The latter part of the item would be better classified under PX sales if its total were known, since it does not represent the accumulation of dollars to the credit of the officers concerned. It does represent, however, a deduction from their pay that cannot be spent locally. From the total of "PTA remittances", "soldier deposits", and "APO and sundry receipts", a large item reported as "deposits of cash items for official credit" has been deducted. Most of this item represents remittances from the U.S. to soldiers, so that it must be subtracted from soldier remittances to the U.S. in order to obtain a net figure. There is also included in this item, however, a substantial sum representing lire provided to other U.S. agencies in return for dollar checks. As mentioned above, about 30 million lire was provided to the U.S. navy in this manner during April. Other groups such as the Red Cross, the State Department, war correspondents, etc., draw local funds by the sale of such checks to the army.

The figure for "paid to officers and men" should therefore be about 30 million larger, and "net remittances" should be correspondingly larger. This method of measuring navy pay disbursements also assumes that the navy's live balances are neither increased nor decreased, and that the whole of its live expenditure is for payments to personnel. Members of the U.S. merchant marine draw their pay from the navy disbursing officers. Their expenditures in Italy are therefore included in "soldiers' expenditure."

(b) British figures include all the armed forces of the U.K., the dominions, the colonies, and the allies other than France. All British figures for the month of April are estimates. British disbursement figures are provided for the U.K. army only. The Royal Navy, the Royal Air Force, and the forces of the dominions, colonies, and allies draw their funds from British paymasters, and the reports received by AFA show only net totals advanced to those units. All of such advances are included in "paid to officers and men". That item, and accordingly, "soldiers' expenditures" is therefore over-estimated to the extent that such units increase their cash holdings or make expenditures for local labour or materials.

(c) French figures are taken from reports of the French disbursing officer. About $\frac{1}{3}$ of the total represents an item the nature of which is unclear. It is assumed that all of this item represents cash income of French troops. To the extent that it does not, "soldiers' expenditures" are over-estimated.

2. "Net remittances"

U.S. figures include net FTA remittances, soldiers' deposits with Finance Officers, and an item reported as "APO and sundry receipts." This item represents dollar checks sold for live. The bulk of such transactions is accounted for by APO money orders used in making soldier remittances to the United States, but there is also included in the item receipts from the basic mess fee of £ 25 per month for every officer in the theatre. The latter part of the item would be better classified under FX sales if its total were known, since it does not represent the accumulation of dollars to the credit of the officers concerned. It does represent, however, a deduction from their pay that cannot be spent locally. Even the total of "FTA remittances", "soldier deposits", and "APO and sundry receipts", a large item reported as "deposits of cash items for official credit" has been deducted. Most of this item represents remittances from the U.S. to soldiers, so that it must be subtracted from soldier remittances to the U.S. in order to obtain a net figure. There is also included in this item, however, a substantial sum representing live provided to other U.S. agencies in return for dollar checks. As mentioned above, about 30 million live was provided to the U.S. navy in this manner during April. Other groups such as the Red Cross, the State Department, war correspondents, etc., draw local funds by the sale of such checks to the army. Sums provided to civilian agencies totalled about 15 million live in April. All of such items cause the "soldiers' expenditures" figure to be too large. Similar transactions between the British Army and British agencies are reported under "miscellaneous expenditures."

3. "FX and MAFI sales"

These figures do not represent the total sales of these organizations, but the proceeds of sales remitted to their home countries for credit or used for purchases from quartermasters. The balance of the proceeds of sales is used for the hire of local personnel and the purchase of local goods for resale. The balance thus represents soldiers' expenditures for local goods and services through the medium of FX or MAFI, and is thus properly reflected in a larger figure of "soldiers' expenditures."

Page 4 of
Appendix A

4. "Soldiers' expenditures"

"Soldiers' expenditures", as estimated in the table, represent lire paid to all Allied officers and men in Italy less remittances and PX and MAFPI sales. The figures do not show funds brought into Italy in currency (travellers' checks when cashed would appear in "deposits of dollar funds for official credit"), increased on overruns in cash balances held by soldiers, or funds taken out of Italy in currency. It seems probable that soldiers as a whole are accumulating cash balances and that their expenditures are therefore less than the totals shown. As stated above, the estimates are also too high because they include funds for local expenditure provided to U.S. civilian agencies, expenditures for local labour or supplies made by the U.S. Navy, the Royal Navy, the Royal Air Force, and Dominion, colonial, and Allied armies, and any increase that may have occurred in the cash holdings of these organizations. In general it may be said that the calculation of soldiers' expenditures is almost certainly larger than the true figure.

5. "Employment of local labour" and "Purchase of local materials"

The figures shown for local labour are for the U.S. army only, and those shown for local materials are for the U.S. and U.K. armies only. All the other units probably make expenditures for these purposes, but the IFA reports do not distinguish them. To the extent that units other than the U.S. and U.K. armies do make such expenditures, the estimate of soldiers' expenditures is too large.

6. "Miscellaneous expenditures"

This heading contains expenditures of British civilian agencies and other expenditures whose nature is not known.

7. "Expenditures of finances"

As explained above, this item is considerably understated (and soldiers' expenditures correspondingly overstated) because only net paymaster drawings are known for many units operating in Italy. Moreover, it should be remembered that many Allied army purchases in Italy are financed directly by the Italian Government or made through requisition to be paid later by the Italian Government, and thus their amounts have appeared, or will in the future appear, in the Italian Government expenditures and deficit.

8. "Total"

Most of the errors contained in the figures for "soldiers' expenditures" and "expenditures of finances" balance out in the "total". An approximate check upon the total figures can be obtained by comparing them with IFA payments to finance officers less the increase in (a) cash reserves of finance officers and (b) BMA and Yellow Seal currency held by IFA and the Banca d'Italia. This figure is 15.3 billion lire as of 31 March, compared to 13.7 billion lire shown in the table as of that date. The check figure is subject to errors in both directions which may approximately offset each other. In so far as the troops have increased the amount of currency in their pockets, or some finance officers have not reported their AM lire on hand, the check figure will be too large. On the other hand, in so far as BMA pounds and Yellow Seal dollars which have been spent are still in the hands of the public or have passed from troops to paymaster and back to the

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Most of the errors contained in the figures for "soldiers' expenditures" and "expenditures of forces" balance out in the "total". An approximate check upon the total figures can be obtained by comparing them with AFA payments to finance officers less the increase in (e) cash reserves of finance officers and (b) RM and Yellow Seal currency held by AFA and the Banca d'Italia. This figure is 15.3 billion lire as of 31 March, compared to 13.7 billion lire shown in the table as of that date. The check figure is subject to errors in both directions which may approximately offset each other. In so far as the troops have not reported amount of currency in their pockets, or some finance officers have not reported their RM lire on hand, the check figure will be too large. On the other hand, in so far as RM pounds and Yellow Seal dollars which have been spent are still in the hands of the public or have passed from troops to paymaster and back to the troops again, it will be too small.

D. Civilian exports and imports

The table overleaf estimates the value of civilian imports and shows the proceeds derived to date from their sale. The second table below compares disbursements made for the purchase of imports with receipts obtained from the sale of imports.

Imports for Civilian Consumption
and Petroleum Products Diverted to Civilian Use
(through March 1944)

Page 5 of
Appendix A

	Estimated landed cost per ton (thousands of lire)	through February 1944		March 1944		Total through March 1944	
		U.S.	U.K.	U.S.	U.K.	quantity (000 of long tons)	value (millions of lire)
Flour	15.2	4.1	160.2	4.6	2,115	10	724
Wheat	11.7	3.6	85.1	1.5	923	5	281
Soup, dehydrated	59.6	10.6	10.6	6.9	643	11.4	678
Sugar	17.3	17.52	11.1	8.9	155	2.7	80
Milk	30.0	21.0	3.0	.4	89	11.9	191
Vegetables, dry	16.3	5.2	5.2	.6	94	12.3	691
Cheese	7.8	7.82	.3	.6	2	7.4	128
Stew, M & V	36.0						
Other food	17.52						
Total food		280.6	16.0	4,211	232	119.4	2,685
Medical	500.02	1.1			523	1.1	523
Sanitary	500.02	.2			104	.2	104
Newsprint	17.5	1.3			23	1.3	34
Soap	2.7	5.0			8	2.3	17
Matches	20.02	.04			1	.04	1
Seed potatoes	20.02	15.0			300	27.8	355
Clothing	700.02					.9	634
Miscellaneous	350.02	.1			45	1.4	510
Total non-food		5.7	15.0	704	300	39.6	2,578
						(thousands of bbls)	(thousands of bbls)
Gas oil	.6	?				25.3	14
Gasoline	.7	?				15.2	10
Kerosene	.6	?				4.1	3
Lubricating oil	2.4	?				.7	2
Crack oil	3.2	?				.1	1
Total petroleum						45.4	29
Grand Total		286.5	31.0	4,915	522	135.34	4,068

Proceeds of sales
of imported
supplies

397

242

639++

Flour	15.2	4.1	140.2	4.6	2,115	13	54.8	724	239.6	2,357
Wheat	11.7	5.6	85.1	1.5	995	3	24.0	281	110.6	1,231
Soup, dehydrated	59.6		10.8		643		11.4	673	22.2	1,321
Sugar	17.2	17.5?	11.1	6.9	155	186			23.0	351
Milk	50.0	91.0	5.0	.4	83	38	2.7	89	6.1	207
Vegetables, dry	16.0		5.3		84		11.9	191	17.1	275
Cheese	7.8	7.8?	.3	.6	2	5			.9	7
Stew, M & V	56.0						12.3	691	12.3	691
Other food	17.5?		5.1		88		2.3	40	7.4	128
Total food			280.8	16.0	4,211	222	118.4	2,685	416.2	7,118
Medical	500.0?		1.1		525				1.1	525
Sanitary	500.0?		.2		104				.2	104
Newsprint	17.5		1.5		23		.6	11	1.9	34
Soap	2.7		5.0		6		3.3	9	6.3	17
Matches	20.0?		.04		1				.04	1
Seed potatoes	20.0?	20.0?	15.0			300	12.8	259	27.8	959
Clothing	700.0?						.9	634	.9	634
Miscellaneous	150.0?		.2		45		1.3	456	1.4	510
Total non-foods			5.7	15.0	764	300	18.9	1,374	39.6	2,378
4G oil	.6		?				25.3	14	25.3	14
Casoline	.7		?				15.2	10	15.2	10
Kerosene	.6		?				4.1	3	4.1	3
Lubricating oil	2.4		?				.7	2	.7	2
Grease oil	5.2		?				.1		.1	
Total petroleum							45.4	29	45.4	29
Grand Total			286.5	31.0	4,915	522	130.3+	4,088	459.8+	9,525

Proceeds of sales
of imported
supplies

397

242

639++

+ excluding petroleum.

++ Proceeds from sales in April were 152
million lire, making a total of
1,081 million lire through April.

Page 6 of
Appendix A

Comparison of Receipts for the sale of Imports
and Disbursements for the Purchase of Exports
(in millions of lire)

	Receipts from the sale of imports	Disbursements for purchase of exports	Excess of imports
through December 1943	126	44	82
January	85	24	61
February	151	103	78
March	243	121	122
April	452	122	330
total through April	1,091	414	677

1. An attempt is made in the table on Page 5 to estimate the landed cost of goods imported into Italy for distribution to civilians. The basic data available is the monthly total of goods for civilian consumption scheduled to arrive in Italy containing items, by quantity only, taken from ships' manifests, and a list of estimates of landed costs for some of the items provided by AFHQ. It has been necessary to estimate a number of landed costs at this office. The valuations estimated are marked in the table with a question mark. They are subject to a wide margin of error since insufficient data is available to us, and since many of the items, such as "medical supplies", "clothing", and "other food" cannot be satisfactory priced on a per ton basis. It will also be noticed that the landed cost figures provided to us for identical goods on U.S. and on U.K. account differ widely. No explanation of this difference has been received.

2. The landed cost of imported goods, so estimated, 9.5 billion lire, greatly exceeds the total of 640 million lire which had been deposited with the Allied Financial Agency as of 31 March as the proceeds of goods sold to Italian civilians. This difference results primarily from the fact that prices charged to the Italian public for essential cost-of-living items, particularly bread, have been much lower than landed cost. The landed cost of American wheat, for instance, is 1470 lire per quintal, while the price at which bread is sold to the public after meeting costs of transport, milling, baking, and retailing is 360 lire per quintal. Moreover, substantial stock piles of goods have been accumulated. As of 31 March the landed cost value of stocks of imported food was approximately 2.3 billion lire, or almost 1/3 of the total value of foods imported to that date. Other reasons for the large difference between landed cost value and receipts from sale are errors in ships' manifests, losses by theft or enemy action, and delays in reporting receipts. However, in April 450 million lire was deposited in AFA accounts as proceeds of sales of civilian supplies, making the total through April 1,091 million lire.

3. In comparing the values of imports and exports it should be remembered that goods exported from Italy are bought locally by the Economic and Supply Division at prevailing local prices and sold abroad at prices ruling in the country of sale. The foreign exchange obtained is then held in dollars or sterling in the U.S. or U.K. for later disposition. The values that have been realized from the sale of Italian exports are not known.

1. An attempt is made in the table on page 5 to estimate the landed cost of goods imported into Italy for distribution to civilians. The basic data available is the monthly total of goods for civilian consumption scheduled to arrive in Italy containing items, by quantity only, taken from ships' manifests, and a list of estimates of landed costs for some of the items provided by AFHQ. It has been necessary to estimate a number of landed costs at this office. The valuations estimated are marked in the table with a question mark. They are subject to a wide margin of error since insufficient data is available to us, and since many of the items, such as "medical supplies", "clothing", and "other food" cannot be satisfactory priced on a per ton basis. It will also be noticed that the landed cost figures provided to us for industrial goods on U.S. and on U.K. account differ widely. No explanation of this difference has been received.

2. The landed cost of imported goods, so estimated, 9.5 billion lire, greatly exceeds the total of 640 million lire which had been deposited with the Allied Financial Agency as of 31 March as the proceeds of goods sold to Italian civilians. This difference results primarily from the fact that prices charged to the Italian public for essential cost-of-living items, particularly bread, have been much lower than landed cost. The landed cost of American wheat, for instance, is 1470 lire per quintal, while the price at which bread is sold to the public after meeting costs of transport, milling, baking, and retailing is 360 lire per quintal. Moreover, substantial stock piles of foods have been accumulated. As of 31 March the landed cost value of stocks of imported food was approximately 2.3 billion lire, or almost 1/3 of the total value of foods imported to that date. Other reasons for the large difference between landed cost value and receipts from sale are errors in ships' manifests, losses by theft or enemy action, and delays in reporting receipts. However, in April 450 million lire was deposited in AFHQ accounts as proceeds of sales of civilian supplies, making the total through April 1, 1945 1,090 million lire.

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E. Conclusions

1. Allied expenditures in Italy have increased steadily from a level of about 500 million lire last summer to over 3 billion lire in April. There is every reason to believe that the figures for May and June will be substantially higher. Currently the Allied contribution to Italian inflation is approximately equal to that contributed by the Italian Government deficit, although the cumulative contribution since last summer is still only about 60 per cent as large as the cumulative Italian Government deficit. It should be remembered, however, that a large, but unknown, part of the Italian Government's expenditure is made for Allied purposes.

2. Imports for civilian consumption have also increased greatly, the total for March being over 80 per cent as large as the cumulative total through February.

Page 7 of
Appendix A

The plans in effect called for continued large imports through June with a decline after that date. The landed cost of civilian goods brought in through March off sets, in value, although not in proceeds obtained from sale, 70 per cent of the Allied expenditures made to that date in Italy, and for the month of March the value of imports exceeds Allied expenditures by almost 30 per cent. It is probable that by the end of June the cumulated total of imports will reach 85 per cent of the total of Allied expenditures and decline after that date.

3. The foreign exchange accruing to Italy in March amounted to 122 million lire from exports (if it proves true that prices paid for exported goods in Italy are equal to world prices less cost of transport) and 4 million lire from remittances, while the cost of imports shipped to arrive in March was about 4 billion lire. Thus the landed cost of imports appears to be about 30 times as great as currently accruing foreign exchange.

3. The foreign exchange accruing to Italy in March amounted to 4 million lire from exports (if it proves true that prices paid for exported goods in Italy are equal to world prices less cost of transport) and 4 million lire from remittances, while the cost of imports shipped to arrive in March was about 4 billion lire. Thus the labeled cost of imports appears to be about 30 times as great as currently accruing foreign exchange.

APPENDIX 'B'

Issuance of Government Authorizations to Spend under AMG Conditions in Campobasso

(The following description was provided by the Regional Finance Officer of Region V on the system of issuing authorizations to spend which is used in Campobasso. It is given here for its informational value to the provincial finance officers in the newly-liberated areas. The procedure generally used in AMG regions has been to utilize the Intendente as the chief provincial Treasury official in the process of approving orders on the provincial Treasury. The system in Campobasso using both the Intendente and the Prefect appears to be more in accord with Italian practice).

In ordinary circumstances, every State provincial administration requested authorizations to spend from the respective central headquarters, ministries, and General Directorates (Direzioni Generali) and according to the various budget categories (capitoli di spesa). The authorizations to spend (ordini di accreditamento or mandati diretti) were transmitted directly to the Royal Provincial Treasury sections through the General Directorate (Direzione Generale) of the Treasury in Rome in order that the payments be made.

When the communications with the Central Italian government were interrupted in September 1943, it became necessary to organize a system for the provision of funds or credits based on the requests of the highest functional in each of the State provincial administrations. There already existed a government decree, 15 June 1943, No. 488, providing for the possibility of interruption of communications with the central government. This decree states that in case of a province being cut off from the central administration each provincial administration is ordered to take care of the payments necessary for its respective services, is authorized to obtain an extension of credit from the Royal Provincial Treasury section in favour of the highest official of the administration resident in the province.

Immediately after the Armistice the province of Campobasso found itself cut off from the central Italian government and to be completely autonomous for the time being, so far as any other superior control was concerned.

The Prefect of the Province, availing himself of the powers conferred upon him by his office in virtue of Article 19 of the Code of Communal and Provincial Laws (T.U. della Legge Comunale e Provinciale) in which he is defined as the highest official of the State in the province with the duty of coordinating the action of all the public offices, decided to substitute himself for the central administration at Rome.

For this purpose, the Prefect called a meeting of all head financial officials of the Province (Intendente di Finanza, Director of the Treasury, Director of the Banca d'Italia and Controller of the Provincial Treasury). At this meeting, it was pointed out that the Intendente di Finanza like any other State Provincial officer, does not have any control over the service of payments of the other officers and that he provides only for his own special services. The procedure was established that the Prefect would examine, jointly with the Intendente di Finanza, the requests of every responsible head of an agency and would issue the relative authorizations for expenditure (ordini di accreditamento) on the Royal Provincial Treasury Section. Such authorizations would be counter-signed by the Intendente di

process of approving orders and the Prefect appears to be more in accord with Italian practice).

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The first authorizations to spend were issued by the Prefect on 21 September 1943. With the arrival of the Allied Military Government officials, the approval of the Provincial Finance Officer of AMG was also required on the authorizations to spend. Every authorization to draw on the Banca d'Italia must thus bear the approval of both the Prefect and the Intendente di Finanza and must be counter-

904

15 Nov.	n.d.	69	69	64	67	67	53	54	55	57	60	65
27 Nov.	n.d.	57	57	53	55	57	61	n.d.	n.d.	n.d.	65	70
6 Dec.	n.d.	59	59	54	57	59	72	n.d.	n.d.	n.d.	65	70
11 Dec.	n.d.	60	60	56	59	61	75	n.d.	n.d.	n.d.	65	70
13 Dec.	n.d.	62	62	56	61	64	77	n.d.	n.d.	n.d.	65	70
24 Dec.	n.d.	65	65	59	64	69	77	n.d.	n.d.	n.d.	65	70
31 Dec.	n.d.	70	70	65	69	69	82	n.d.	n.d.	n.d.	65	70
1944												
15 Jan.	n.d.	34	34	77	82	90	90	84	74	74	74	74
22 Jan.	n.d.	30	30	74	80	90	90	81	70	70	70	70
29 Jan.	n.d.	81	81	74	81	91	91	84	72	72	72	72
6 Feb.	n.d.	77	77	70	79	89	89	80	68	68	68	68
14 Feb.	n.d.	79	79	71	80	91	91	81	69	69	69	69
21 Feb.	n.d.	80	80	69	80	92	92	81	68	68	68	68
28 Feb.	n.d.	80	80	70	80	93	93	81	67	67	67	67
5 Mar.	94	81	81	70	80	93	93	81	66	66	66	66
12 Mar.	95	84	84	72	83	93	93	84	69	69	69	69
27 Mar.	97	88	88	77	86	97	97	87	70	70	70	70
2 Apr.	98	88	88	77	86	97	97	87	69	69	69	69
10 Apr.	98	92	92	81	90	99	99	91	75	75	75	75
16 Apr.	98	96	96	82	90	99	99	92	76	76	76	76
23 Apr.	98	95	95	85	94	100	100	95	84	84	84	84
1 May	98	95	95	83	92	100	100	93	80	80	80	80
7 May	97	93	93	83	92	100	100	94	80	80	80	80
15 May	97	93	93	83	92	100	100	94	80	80	80	80

(Source: Banca di Napoli, Ufficio Controllo Servizi, Lettere Circolari)

Page 2 of
Appendix C

Table 2

Number and Value of Real Estate Sales
(other than forced sales)

Reported to Bari Office		Reported to Palermo Office	
Number of sales declared	Total value (Millions of Lire)	Number of sales declared	Total value (Millions of Lire)
1,910	15	2,620	15
2,132	22	2,763	19
1,381	14	2,337	16
1942			
October	15	2,620	15
November	22	2,763	19
December	14	2,337	16
1943			
January	23	2,374	23
February	25	2,329	17
March	26	2,939	16
April	34	2,337	22
May	30	2,215	19
June	25	1,606	16
July	32	861	9
August	29	265	2
September	9	207	1
October	6	256	2
November	10	n.d.	n.d.
December	12	n.d.	n.d.
1944			
January	10	n.d.	n.d.
February	16	n.d.	n.d.
March	17	n.d.	n.d.
April	16	n.d.	n.d.

Source: Italian Government Imposta di Registro.

Table 3

Investment in Buoni del Tesoro Ordinari
(Millions of Lire)

1 July 1943 through 30 April 1944		April 1944	
Issued	Paid	Issued	Paid
54	64	17	14
121	162	15	11
90	76	15	7
Salerno	-10		3
Lucania	-41		4
Calabria	14		8

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Source: Italian Government Imposta di Registro.

Table 3

Investment in Buoni del Tesoro Ordinarî
(Millions of lire)

1 July 1913 through 30 April 1914		April 1914									
Net		Issued		Paid		Issued		Paid		Investment	
Salerno	54	54	-10	17	14	17	14	3	3		
Lucania	121	162	-41	15	11	15	11	4	4		
Calabria	90	76	14	15	7	15	7	8	8		
Puglia (less Foggia)	937	663	274	136	106	136	106	30	30		
Sardinia	154	53	101	14	4	14	4	10	10		
Sicily	2,121	1,121	1,000	556	355	556	355	301	301		
Campania (less Salerno)	949	530	569	513	443	513	443	409	409		
Foggia	73	61	12	36	18	36	18	18	18		
Campobasso	48	46	2	13	13	13	13	2	2		
Total	5,567	2,846	1,721	1,120	641	1,120	641	779	779		

Table 4

Banca d'Italia Credit Outstanding
in Central Italy

	31 December 1942	31 December 1943	29 February 1944	31 March 1944	30 April 1944
Rebillscounts	845	604	473	453	243
Advances	951	1,025	917	796	837
Total	<u>1,796</u>	<u>1,629</u>	<u>1,390</u>	<u>1,249</u>	<u>1,080</u>

Table 5

Current Publications of the Bureau of Tropical
29 February, 31 March, and 30 April 1944.

(in millions of lire)

By Regions	29 Feb.	31 Mar.	30 Apr.	By Type	29 Feb.	31 Mar.	30 Apr.
Salerno	246	299	367	Due to banks			
Lucania	236	226	265	Current accounts			
Calabria	556	532	533	Non-interest bearing	229	1	8
				Interest bearing			
Puglia (less Foggia)	2,111	2,594	3,163	Residual	5,856	8,026	9,693
Sardinia	398	1,155	1,253	available on advances			
Sicily	2,927	3,126	3,760		2,647	2,991	3,003
Total Italian Gov't Territory	7,174	8,222	9,361	Sub-total	8,732	11,012	12,704
Campania (less Salerno)	2,866	4,202	4,984	Due to Other			
Foggia	89	141	115	Current accounts			
Campobasso	69	126	140	Non-interest bearing	754	957	1,109
				Interest-bearing	210	228	292
				Residual available			

Total 1,727 2,149 1,380 2,232 1,080

Table 5

Current Liabilities of the Banca d'Italia
29 February, 31 March, and 30 April 1944

(in millions of lire)

	By Regions			By Type		
	29 Feb.	31 Mar.	30 Apr.	29 Feb.	31 Mar.	30 Apr.
Salerno	246	299	307	Due to banks		
Lucania	235	226	265	Current accounts		
Calabria	596	532	533	Non-interest bearing	229	8
				Interest bearing	5,856	9,693
Puglia (less Foggia)	2,111	2,504	3,163	Residual available on advances	2,647	3,003
Sardinia	998	1,155	1,253			
Sicily	2,927	3,428	3,760			
Total Italian Gov't Territory	7,174	8,222	8,361	Sub-total	8,732	12,704
Campania (less Salerno)	2,866	4,202	4,984	Due to Other		
Foggia	89	141	115	Current accounts		
Casapobasso	69	126	140	Non-interest bearing	754	1,109
				Interest bearing	210	292
				Residual available on advances	502	495
Total AMG Territory	3,025	4,468	5,239	Sub-total	1,466	1,896
Current Total Liberated Italy	10,198	12,690	14,600		10,196	14,600

Page 4 of
Appendix C

Table 6

Postal Savings
April 1944

(thousands of lire)

Province	Postal Savings Bonds	Postal Savings Books	Current Accounts	Total
Cosenza	2,199	1,583	1,569	5,451
Brindisi	-1,708	343	10,654	8,294
Imperia	-2,674	43	5,277	2,638
Taranto	-2,423	1,935	8,932	7,604
Salerno	-11,713	-2,163	4,097	-9,779
Grigento	-20,807	n.d.	n.d.	-20,807
Caltanissetta	-7,762	n.d.	n.d.	-7,762
Catania	-33,016	n.d.	n.d.	-33,016
Rama	-3,660	n.d.	n.d.	-3,660
Mosina	-33,521	n.d.	n.d.	-33,521
Felerno	-20,311	n.d.	n.d.	-20,311
Agusa	-10,944	n.d.	n.d.	-10,944
Siracusa	-16,616	n.d.	n.d.	-16,616
Trapani	-8,326	n.d.	n.d.	-8,326
Cagliari	1,175	6,434	24,837	34,446
Sassari	871	4,899	n.d.	5,770
Nuoro	-738	3,704	n.d.	2,966
Ennevento	329	270	n.d.	599
Napoli	-7,004	11,124	1,032	5,152
Total	-175,719	29,429	69,922	-76,368

Page 5 of
Appendix C

Table 7

Postal Savings
March 1944
(Thousands of Lira)

Province	Postal Savings Bonds	Postal Savings Books	Current Accounts	Total
Matera	-702	535	n.d.	-177
Potenza	-4,546	2,073	n.d.	-2,473
Catanzaro	-6,168	1,873	-104	-4,299
Cosenza	-5,121	1,177	n.d.	-3,944
Reggio Calabria	-2,504	4,836	-611	-5,079
Bari	-3,698	2,671	-73,699	-77,726
Brindisi	-1,236	678	15,976	15,418
Lecce	-3,435	1,713	-1,661	-3,383
Taranto	-2,143	1,995	8,908	8,840
Salerno	-8,302	-3,139	-281	-11,722
Cagliari	-514	4,731	-2,519	1,698
Nuoro	-1,074	1,851	n.d.	-787
Sassari	-775	4,250	25,832	29,307
Agriente	-	-676	10,024	9,348
Caltanissetta	-	-423	3,577	2,944
Catania	-	506	2,011	2,517
Enna	-	-1,064	8,127	7,043
Messina	-	3,262	-9,433	-6,176
Palermo	-	-2	1,540	1,538
Siracusa & Ragusa	-	254	-1,065	811
Trapani	-	n.d.	n.d.	n.d.
Comobasso	n.d.	n.d.	n.d.	n.d.
Foggia	n.d.	n.d.	n.d.	n.d.
Avellino	-398	-2,840	198	-3,040
Benevento	-215	-205	n.d.	-420
Napoli	-14,906	5,974	-33,827	-42,759
Total	-66,127	-30,100	-44,112	-82,169

Table 8

Postal Savings
February 1944
(Thousands of Lira)

Province	Postal Savings Bonds	Postal Savings Books	Current Accounts	Total
Matera	-1,470	588	n.d.	-882
Potenza	-6,797	2,316	570	-5,903
Catanzaro	-10,046	231	-971	-10,786
Cosenza	-6,941	1,562	n.d.	-5,379
Reggio Calabria	-14,196	1,021	-220	-13,395
Bari	-3,680	7,531	112,788	116,639
Brindisi	-1,495	1,374	16,156	16,035
Lecce	-2,386	3,768	13,597	14,979
Taranto	-2,083	2,010	1,398	1,325
Salerno	-606	637	-674	643
Cagliari	850	7,008	24,124	31,982
Nuoro	-195	1,500	n.d.	1,305
Sassari	-125	8,491	12,101	15,341

Cosenza	-3,121	1,177	n.d.	-3,804
Reggio Calabria	-3,304	4,336	-611	-5,079
Bari	-2,698	2,671	-70,699	-77,726
Brindisi	-1,236	678	15,976	15,418
Lecce	-3,435	1,715	-1,661	-3,383
Taranto	-2,143	1,998	0,908	8,840
Salerno	-8,302	-3,139	-231	-11,722
Cagliari	-514	4,751	-2,519	1,698
Nuoro	-1,074	1,851	n.d.	787
Sassari	-775	4,250	25,532	29,307
Agrigento	-	-676	10,024	9,348
Caltanissetta	-	-125	3,377	2,944
Catania	-	-	-	-
Enna	-	506	2,011	2,517
Messina	-	+1,064	8,127	7,043
Palermo	-	5,262	-9,456	-6,176
Siracusa & Ragusa	-	-2	1,540	1,538
Trapani	-	254	-1,055	811
Campobasso	n.d.	n.d.	n.d.	n.d.
Foggia	n.d.	n.d.	n.d.	n.d.
Avellino	-396	-2,840	198	-3,040
Benevento	-215	-205	n.d.	-420
Napoli	-14,986	5,974	-33,827	-42,759
Total	-63,127	-30,160	-144,142	-82,169

Table 8

Postal Savings
February 1954
(Thousands of Lira)

Province	Bonds	Books	Current Accounts	Total
Matara	-1,470	580	n.d.	-882
Potenza	-6,797	2,316	578	-3,903
Catanzaro	-10,046	831	-971	-10,786
Cosenza	-6,941	1,562	n.d.	-5,379
Reggio Calabria	-14,496	1,021	-290	-13,765
Bari	-3,680	7,551	112,786	116,657
Brindisi	-1,495	1,374	16,035	16,035
Lecce	-2,386	3,768	13,597	14,979
Taranto	-2,083	2,010	1,398	1,325
Salerno	-606	637	-674	643
Cagliari	850	7,008	24,124	31,982
Nuoro	-195	1,500	n.d.	1,305
Sassari	429	2,491	12,421	15,341
Agrigento	-	79	6,543	6,622
Caltanissetta	-	-3,269	5,757	2,488
Catania	-	-	-	-
Enna	-	-3,110	2,125	-985
Messina	-	-844	5,685	4,841
Palermo	-	n.d.	847	847
Siracusa & Ragusa	-	-3,491	4,227	5,264
Trapani	-	-4,696	362	-3,834
Campobasso	n.d.	n.d.	n.d.	n.d.
Foggia	n.d.	n.d.	n.d.	n.d.
Avellino	n.d.	-1,720	53	-1,665
Benevento	n.d.	-457	n.d.	-457
Napoli	-13,985	4,782	-7,385	-17,088
Total	-62,901	-13,311	-144,988	-145,528

Page 6 of
Appendix C

Table 2

Cash Position of the Banca d'Italia
(including I.L. & A.M.S. accounts)
30 April 1944
(millions of lire)

Branch	Bank notes	State notes	A.M. Liab.	EM. Liab.	Dollars	Emergency Italian Currencies	Total
	n.d. n.d.	n.d. n.d.	n.d. n.d.	n.d. n.d.	n.d. n.d.	n.d. n.d.	n.d. n.d.
Matera	124	6	162	21	-	-	313
Potenza	56	5	92	5	-	-	160
Total Lucania	180	11	254	26	-	-	461
Catanzaro	41	1	58	1	-	-	102
Cosenza	27	2	50	2	-	-	84
Reggio Calabria	126	8	230	12	-	-	376
Total Calabria	254	11	542	38	-	-	844
Bari	162	28	112	9	-	-	311
Barletta	29	1	86	10	-	-	126
Brindisi	13	-	58	-	-	-	51
Lecco	20	7	11	-	-	-	38
Taranto	40	32	56	7	-	-	142
Total Puglia (less Foggia)	264	75	363	26	-	-	668
Salerno	163	6	179	24	1	-	389
Cagliari	23	-	20	-	-	-	43
Nuoro	14	1	30	-	-	2	47
Sassari	70	5	145	-	-	16	236
Total Sardinia	107	6	195	-	-	18	326
Agrirento	19	3	115	-	-	-	137
Calterisetta	71	43	37	-	-	-	201
Catania	128	4	227	2	-	-	361
Enna	25	5	52	-	-	-	82
Messina	146	1	260	-	-	-	409
Peloro	236	8	388	-	-	-	632
Ragusa	3	1	52	-	-	-	55
Siracusa	7	1	71	-	-	-	79
Trapani	5	-	157	-	-	-	162
Total Sicily	634	68	1,416	2	-	-	2,110
Campobasso	66	4	10	7	-	-	87
Foggia	38	2	81	6	-	-	127

Catanzaro	58	5	10	2	102
Cosenza	41	1	55	84	
Rogio Calabria	57	2	50	116	
Total Calabria	156	8	110	346	
Gari	162	28	112	311	
Barletta	23	1	86	136	
Brindisi	13	-	38	51	
Lecco	23	7	11	38	
Taranto	40	23	56	142	
Total Puglia (less Foggia)	264	75	203	668	
Salerno	183	6	179	369	
Cagliari	23	-	20	43	
Nuoro	14	1	30	47	
Sassari	70	5	145	236	
Total Sardinia	107	6	125	326	
Agiricento	19	3	115	137	
Chitanisicotta	71	43	87	201	
Catania	128	4	227	361	
Enna	25	5	52	82	
Mossina	142	1	260	409	
Palermo	236	8	388	632	
Ragusa	3	1	51	55	
Siracusa	7	1	71	79	
Trapani	5	-	157	162	
Total Sicily	634	63	1,416	2,118	
Campobasso	66	4	10	87	
Foggia	38	2	81	127	
Avellino	40	2	50	97	
Benevento	49	7	48	106	
Caserta	40	-	31	85	
Napoli	1,185	-	464	1,702	
Total Campania (less Salerno)	1,323	9	613	1,992	
Grand Total Liberated Italy	2,865	142	3,159	6,336	

APPENDIX 'D'

VALUE OF AM LIRE IN HANDS OF ITALIAN BANKS AND PUBLIC

(Excluding Deposits of AFA with banks and Cash Funds held by Accounting Officers of AGS/AGC)

	30 April (Revised)	31 March (Revised)
New AM Liro received (after deduction of shortages)	42,589,726.920	42,588,127,520
Less - Liro held by AFA in current cash, reserve cash, provision against credits granted to banks, and current accounts (including mutilated)	12,847,271.367	15,404,554.582
AM Liro Outstanding	<u>29,742,455.553</u>	<u>27,183,572.938</u>
Deduct -		
AM Liro Held by Finance Officers of Armed Forces:		
U.S. Finance Officers:-		
Funded through AFA Palermo - Army	162,028,960	211,181,238
" " " - Navy	53,192,781	34,891,233
" " " Naples	2,465,573,017	3,085,578,998
" " " Bari	829,446,314	644,714,075
" " " Sassari	102,250,563	75,701,959
Total U.S. Finance Officers	<u>3,612,491,635</u>	<u>4,052,067,501</u>
British Paymasters, Italy ++	1,340,771,191	1,455,000,000
French Paymasters	<u>787,170,683</u>	<u>263,123,476</u>
Total Held by Finance Officers of all Allied Armed Forces	<u>5,740,435,509</u>	<u>5,770,190,979</u>
AM Liro Held by Accounting Officers of AMG/AGC in Cash +	400,000,000	642,745,056
Total Deductions	<u>6,140,435,509</u>	<u>6,819,936,035</u>
Total AM Liro in Hands of the Banks and the Public	<u>23,602,022,044</u>	<u>20,563,636,903</u>
AM Liro Held by Bank of Italy, after deduction of AFA's current accounts with Bank of Italy	<u>2,289,123,900</u>	<u>2,270,000,000</u>

Total Value of AM Liro in Hands of all Italian Banks and the Public, August 1943 to date.

(Excluding cash deposits of AFA with Italian Banks, and Funds Held by Accounting Officers in the Field in the Form of Cash)

Change During
Previous Month

Total

Liro

Liro

1,023,510,401
1,309,476,121
1,630,028,403
3,288,922,110

1,023,510,401
2,832,986,522
4,463,014,925
7,758,917,556

31 August 1943
30 September 1943
31 October 1943
30 November 1943

shortages)
 Loss -- Lire held by AFA in current cash,
 reserve cash, provision against
 credits granted to banks, and
 current accounts (including mutilated)
 AM Lire Outstanding

12,347,271.367
29,742,455.553

15,404,524.582
27,183,572.938

Deduct --

AM Lire Held by Finance Officers
 of Armed Forces:

U.S. Finance Officers:-
 Funded through AFA Palermo - Army
 " " " " - Navy

162,028,960
 53,152,781

211,181,238
 34,891,233

" " " " Naples
 " " " " Bari
 " " " " Sassari

2,465,573,017
 829,446,314
 102,250,563

3,085,578,998
 644,714,075

Total U.S. Finance Officers
 British Paymasters, Italy ++
 French Paymasters

3,612,491,635
 1,340,771,191
 787,170,683

4,052,067,501
 1,455,000,000
 263,123,478

Total Held by Finance Officers
 of all Allied Armed Forces

5,770,190,979

AM Lire Held by Accounting Officers
 of AMG/ACC in Cash +
 Total Deductions

420,000,000
6,140,433,509

849,745,056
6,619,938,035

Total AM Lire in Hands of the Banks and
 the Public

23,602,022,044

20,563,636,903

AM Lire Held by Bank of Italy, after
 deduction of AFA's current accounts
 with Bank of Italy

2,289,123,000

2,270,000,000

Total Value of AM Lire in Hands of all Italian Banks and the Public, August 1943
 to date.
 (Excluding cash deposits of AFA with Italian Banks, and funds held by Accounting
 Officers in the Field in the Form of Cash)

Total

Change During
 Previous Month

Lire

Lire

31 August 1943
 30 September 1943
 31 October 1943
 30 November 1943
 31 December 1943
 31 January 1944
 29 February 1944
 31 March 1944 (revised)
 30 April 1944 (revised)

1,023,510,401
 2,832,986,522
 4,463,014,925
 7,751,937,255
 10,925,748,386
 14,102,572,167
 17,439,133,879
 20,563,636,903
 23,602,022,044

1,023,510,401
 1,809,476,121
 1,630,028,403
 3,288,922,330
 3,173,811,131
 3,176,824,081
 3,336,561,412
 3,124,533,024
 3,638,385,141
23,602,022,044

200

* Estimated

++ Excludes small amount held by R.N., R.A.F., and Empire forces,
 estimated at not more than 50 million lire.
 + Excludes receipts for funds disbursed but not yet allocated to
 expenditure accounts, which included in this item on the
 Statement of Receipts and Disbursements.

Of the total outstanding, it is estimated that 2,289,000,000 lire was held by the Banca d'Italia, in addition to 871 million lire held as cover for AFA's working deposits with the Banca d'Italia. That is to say, about 21313 million lire of AL currency was in the hands of the Italian commercial banks and the Italian public as of 30 April. Of the total held by the Bank of Italy 200 million lire was held as reserve against a special account of AFA, into which the Bank of Italy is depositing currency, in the form of AL lire, in order to effect the gradual withdrawal of AL lire currency.

During the month the Bank increased its total cash reserves by 747 million lire to 6366 million lire, a rise equivalent to about 29 percent of the AL lire put into circulation, and about 14 per cent of the total expenditures of the allied forces and the Italian government taken together. However, 478 million lire of this total increase of 747 million lire had to be set aside as reserve against AFA's current accounts with the Bank of Italy, so that the free reserve available to the Bank rose only 269 million lire during the month.

SECRET

ALLIED FINANCIAL AGENCY

CONSOLIDATED STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR PERIOD TO 30 APRIL 1944

(Expressed in Lire)

Item No.	Schedule No.		Total to 31 March 1944	Current month	Total to 30 April 1944
1	-	CASH ON HAND AND IN BANKS AT BEGINNING OF PERIOD (including mutilated and unfit A.L. Lire Notes)	Nil	15,953,717,941	Nil
2	I	RECEIPTS DURING PERIOD			
3		NEW A.L. LIRA NOTES RECEIVED	42,588,127,520	1,599,400	42,589,726,920
4	II	NEW A.L. LIRA NOTES RECEIVED	169,336,000	-	169,336,000
5	III	DEPOSITS BY A.L./A.S.C. DIVISIONS (pending allocation to revenue or other accounts)	294,707,145	310,715,245	605,422,390
6	IV	FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS IN THE FIELD	15,814,417	(7,912,977)	7,901,440
7	-	DEPOSITS	57,485,079	18,601,098	76,086,177
8	V	FUNDS PROVIDED TO A.L. BY ITALIAN GOVERNMENT (see Schedule XVIII).. (5)	200,000,000	-	200,000,000
9	VI	PROCEEDS OF SALES IN ITALY OF SUPPLIES (4)	344,739,085	140,799,879	485,538,964
10	-	RECEIPTS IN RESPECT OF A.L./A.S.C. REVENUE (3)	124,392,896	10,738,077	135,130,973
11	-	DISBURSEMENTS	43,754,642,142	475,540,720	44,230,182,862
12	-	UNRECORDED DISBURSEMENTS	19,343,250	9,875,950	29,219,200
13	X	CORRECT. ACCOUNTS (1)			
14	-	TOTAL RECEIPTS DURING PERIOD	43,813,990,492	485,415,670	44,299,406,162
15	-	TOTAL FUNDS AVAILABLE	43,813,990,492	16,439,137,611	60,253,128,103

668

PAGE 1 of APPENDIX E.

ALLIED FINANCIAL AGENCY

P/T 20

CONSOLIDATED STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR PERIOD TO 30 APRIL 1944

(Expressed in Lire)

	Total to 31 March 1944	Current month	Total to 30 April 1944
CASH ON HAND AND IN BANKS AT BEGINNING OF PERIOD (including undistributed and Unfit A.M. Bank Notes)	Nil	15,253,717,941	Nil
RECEIPTS DURING PERIOD			
NET A.M. LIRA CASH RECEIVED	42,538,127,520	1,999,400	42,539,726,920
NET A.M. STAMPS RECEIVED	169,336,000	-	169,336,000
DEPOSITS BY A.M./ACC DIVISIONS (Sending allocation to revenue or other accounts)	294,707,145	310,715,245	605,422,388
FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS IN THE FIELD	15,814,417	(7,912,977)	7,931,440
DEPOSITS	57,455,079	19,601,098	77,096,177
FUNDS PROVIDED TO A.M. BY ITALIAN GOVERNMENT (see Schedule XXVIII).. (5)	200,000,000	-	200,000,000
PROCEEDS OF SALES IN ITALY OF STAMPS (4)	344,739,085	140,799,879	485,538,964
RECEIPTS IN RECEIPT OF A.M./ACC REVENUE (3)	124,392,396	10,738,077	135,130,973
	43,794,642,112	475,540,720	44,270,182,862
COUNTER ACCOUNTS (1)	19,315,350	9,675,250	29,221,300
TOTAL RECEIPTS DURING PERIOD	43,813,990,492	485,416,670	44,299,407,162
TOTAL FUNDS AVAILABLE	43,813,990,492	16,439,137,611	44,299,407,162

SECRET

Fig. No.	SansGole No.		Total to 31 March 1944	Current Month	Total to 30 April 1944
		<u>DISBURSEMENTS DURING PERIOD</u>			
		<u>*</u>			
21	XI	FIELDS HELD BY ACCOUNTING OFFICERS IN THE FIELD (pending allocation to expenditure or other accounts)(2)	1,210,365,945	(602,531,041)	607,832,904
22	XII	A.M. STAMPS ISSUED TO POST OFFICE AND ON HAND	169,336,000	-	169,336,000
23	XIII	PURCHASES IN ITALY OF SUPPLIES ..	306,917,355	124,230,545	431,147,900
24	XIV	ADVANCES (no maturity date and no interest rate fixed in advance)(2)	5,816,308,523	404,755,350	6,261,063,873
25	XV	LOANS	54,121,964	(43,801,004)	5,320,960
27	XVII	PAYMENTS TO PERSONS IN ITALY ON ACCOUNT OF REFINANCING FROM ALLIED COUNTRIES	-	4,246,000	4,246,000
28	XVIII	PAYMENTS IN RESPECT OF SUBJECTS OF ALLIED RAISING (2)	4,576,106	1,436,698	6,012,804
29	XIX	PAYMENTS CHARGEABLE TO ITALIAN STATE IN RESPECT OF ITALIAN REFUGEES, ETC. (2)	48,440	-	48,440
31	XXI	ADVANCES TO ALLIED ARMED FORCES (3)	20,220,693,308	3,085,410,150	23,306,103,458
32	XXII	DISBURSEMENTS IN RESPECT OF AM/ACC EXPENDITURE (3)	58,558,480	19,531,616	78,090,096
			27,840,924,201	3,028,278,314	30,869,202,515
36	XVII	CONTRA ACCOUNTS	19,348,350	9,875,950	29,224,300
39	-	TOTAL DISBURSEMENTS DURING PERIOD	27,860,272,551	3,038,154,264	30,898,426,815
40	XXVIII	CASH ON HAND AND IN BANKS AT END OF PERIOD	15,947,063,937	(2,554,676,103)	13,392,387,834
41	XXVIII	REUTILIZED AND UNFIT A.M. LIRA NOTES	6,654,004	1,938,509	8,592,513
42	-	TOTAL CASH ON HAND AND IN BANKS (in- cluding mutilated & unfit A.M. Lira notes)	15,953,717,941	(2,552,737,594)	13,400,980,347

() = Red figure

PAGE 2 of APPENDIX E.

	Total to 31 March 1944	Current Month	Total to 30 April 1944
SE REVENUE DURING PERIOD			
RECEIVED BY ACCOUNTING OFFICERS IN FIELD (pending allocation of expenditures or other accounts) (2)	1,210,363,945	(602,531,041)	607,832,904
ISSUES ISSUED TO POST OFFICE OF ITALY	169,336,000	-	169,336,000
ISSUES IN ITALY OF SUPPLIES ..	306,917,355	121,250,545	431,167,900
ISSUES (no maturity date and no interest rate fixed in advance) (2)	5,816,308,523	444,755,350	6,261,063,873
.....	51,121,964	(48,801,004)	5,320,960
ISSUES TO ITALY IN ITALY (2)	-	4,246,000	4,246,000
ISSUES OF REVENUES FROM ALLIED FORCES	-	1,436,698	6,012,884
ISSUES IN RESPECT OF SUBJECTS OF ALLIED FORCES (2)	4,576,166	-	48,440
ISSUES CHARGEABLE TO ITALIAN STATE IN RESPECT OF ITALIAN REFUGEES, ETC. (2)	46,440	3,085,410,150	23,306,103,458
ISSUES TO ALLIED ARMED FORCES (3)	20,220,693,308	19,531,616	78,090,096
ISSUES IN RESPECT OF AIC/ACC EXPENDITURE (3)	58,558,480	3,028,278,314	30,869,202,515
.....	27,840,924,201	9,875,950	29,224,300
ISSUES ACCOUNTS	19,348,350	3,038,154,264	30,858,426,815
ISSUES DISBURSEMENTS DURING PERIOD ON HAND AND IN BANKS AT END OF PERIOD	27,860,272,551	(2,554,676,103)	13,392,387,834
ISSUES CASH ON HAND AND IN BANKS (in- cluding mutilated & unfit AM Lira notes)	15,947,063,937	1,938,509	8,592,513
.....	6,654,004		
ISSUES CASH ON HAND AND IN BANKS (in- cluding mutilated & unfit AM Lira notes)	15,953,717,941	(2,552,737,594)	13,400,980,347

SECRETNOTES

*There is a lag of at least one month between (i) the time transactions of Accounting Officers take place and (ii) the allocation of such transactions in this Statement; however, advances made by Allied Financial Agency and refunds made by them to Allied Financial Agency are reflected in this account currently.

1. The amounts shown as "CONTRA ACCOUNTS" at 31 March 1944 under "RECEIPTS DURING PERIOD" and "DISBURSEMENTS DURING PERIOD" appeared in the March 1944 Statement of Assets and Liabilities as "DEPOSITS - For Remittances BALANCES WITH BANKS - Foreign Exchange Credits", respectively.

2. The following items were reclassified from "ADVANCES" as of 31 March 1944:

To Item No. 28	Lire	4,576,186	
do 29		48,140	
do 21		165,000	(Imprest Funds)
From Item No. 24	Lire	<u>4,789,626</u>	

3. The item "PAYMENTS ON ACCOUNT OF OCCUPATION COSTS" in the 31 March 1944 Statement of Assets and Liabilities is broken down and is shown as Items Nos. 9, 31 and 32 in the above Statement of Receipts and Disbursements.

4. In addition to this amount of sales, there are included in "DEPOSITS BY AIC/AOC DIVISIONS" (see Item 10, Schedule No. II "a" and "c") collections totalling Lire 582,043,389, the major portion of which represent "SALES IN ITALY OF SUPPLIES" and will be reclassified accordingly as soon as the individual amounts are received from the Economic and Supply Division and allocated to the Sub-Heads shown on Schedule V.

5. These funds represent currency of the Italian Government placed to the credit of Allied Financial Agency program to sterilize surplus currency.

(sgd) H. G. CRAWSHAW,
Colonel,
CHIEF ACCOUNTANT.

(sgd) JAMES H. PENICK,
Major,
CHIEF OF AFA.

PAGE 3 of APPENDIX E.

F/T 20

NOTES

lag of at least one month between (i) the time transactions of Accounting Officers take place and (ii) the inclusion of such transactions in this Statement; however, advances made by Allied Financial Agency to such officers are made by them to Allied Financial Agency are reflected in this account currently.

As shown as "CICRA ACCOUNTS" at 31 March 1944 under "RECEIPTS DURING PERIOD" and "DISBURSEMENTS DURING PERIOD" appeared in the March 1944 Statement of Assets and Liabilities as "DEPOSITS - For Remittances" and "OTHER DEPOSITS - Foreign Exchange Credits", respectively.

Following items were reclassified from "ADVANCES" as of 31 March 1944:

To Item No. 28	Lire	4,576,186	
do 29		48,740	
do 21		165,000	(Imprest Funds)
From Item No. 24	Lire	<u>4,789,626</u>	

"PAYMENTS ON ACCOUNT OF OCCUPATION COSTS" in the 31 March 1944 Statement of Assets and Liabilities has been included and is shown as Items Nos. 9, 31 and 32 in the above Statement of Receipts and Disbursements.

In addition to this amount of sales, there are included in "DEPOSITS BY AMG/ACC DIVISIONS" (see Item No. 4 and b. II "a" and "c") collections totalling Lire 582,043,389, the major portion of which represent "PROCEEDS OF SALES OF SUPPLIES" and will be reclassified accordingly as soon as the individual amounts can be checked with reference to the Economic and Supply Division and allocated to the Sub-Heads shown on Schedule V.

These represent currency of the Italian Government placed to the credit of Allied Financial Agency under an agreed plan to sterilize surplus currency.

(sgd) H. G. CRAWSHAW,
Colonel,
CHIEF ACCOUNTANT.

(sgd) JAMES H. PENICK,
Major,
CHIEF OF AFA.

SECRET

E/F 21

Page No. 14

of Appendix B

ALLIED FINANCIAL AGENCYSCHEDULE TO STATEMENT OF RECEIPTS AND DISBURSEMENTSFOR THE PERIOD TO 30 APRIL 1944

(expressed in lire)

()=red figure

SCHEDULENo.CURRENT MONTHTOTAL TO DATEI NEW A.M. LIRA NOTES RECEIVED

As Notified to Washington
Shortages Revealed on Opening
Boxes

42,589,728,000

Lire

(1,080)

42,589,726,920

II DEPOSITS BY AHC/ACC DIVISIONS

(a) Economic and Supply

Division

305,808,113

(b) Economic and Supply

Divisions - Deposits

on Returnable Cont-

ainers

(5,755,587)

(c) Public Health Division

(d) Legal Division

(e) Other Divisions

Lire

17,914,299

24,974,318

5,437,000

27,700

605,422,388

III FUNDS OBTAINED FROM BANKSAND OTHERS BY ACCOUNTINGOFFICERS IN THE FIELD

(a) From Banks

(b) " Post Offices

(c) " British Paymasters

(d) " Others

Lire

182,800

-

6,430,000

1,318,640

7,931,440

IV DEPOSITS

(a) By Controller of Property

(1) Psychological Warfare

Board-Film Section

(2) A.G.I.F.

(3) Moharwas & Son

(4) Changimal Co.

916,103

-

117,219

-

916,103

10,000,000

117,219

108,714

NEW A.M. LIRA NOTES RECEIVED		CURRENT MONTH	TOTAL TO DATE
As Notified to Washington		-	42,509,728,000
Shortages Revealed on Opening Boxes		1,539,400	(1,050)
Lire		1,522,400	42,509,726,920
=====			=====
II DEPOSITS BY AHC/ACC DIVISIONS			
(a) Economic and Supply Division	305,808,113	557,069,071	
(b) Economic and Supply Divisions - Deposits on Returnable Containers	(5,755,567)	17,914,299	
(c) Public Health Division	8,265,977	24,974,318	
(d) Legal Division	2,369,040	5,437,000	
(e) Other Divisions	27,700	27,700	
Lire		310,715,243	605,422,388
=====			=====
III FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS IN THE FIELD			
(a) From Banks	(15,000)	182,800	
(b) " Post Offices	(6,679,173)	-	
(c) " British Paymasters	-	6,430,000	
(d) " Others	(1,218,004)	1,318,640	
Lire		(7,912,277)	7,931,440
=====			=====
IV DEPOSITS			
(a) By Controller of Property			
(1) Psychological Warfare			
Board-Film Section	916,103	916,103	
(2) A.G.I.P.	-	10,000,000	
(3) Moharwas & Son	117,219	117,219	
(4) Changinal Co.	-	108,714	
(5) Goods Ex German Steamers	-	846,500	
(6) Unione Militare	-	2,400,000	
(7) Miscellaneous	168,582	455,023	
C/F		1,201,904	14,843,559
Lire			

SECRET

SCHEDULE

No

I/P 21
Page No 5
of Appendix E

	CURRENT MONTH	TOTAL TO DATE
(b) By U.S. Army Units	1,291,904	14,843,559
(c) By Others	19,364,569	60,744,602
(1) "A" Force	430,000	960,000
(2) Command Paymaster No 8	(170,525)	283,505
(3) Com'd Pay Office, CMF	-	108,600
(4) Pasquale Esposito	(1,254,850)	155,911
(4) Various	19,601,098	77,096,177
Lire		

V

PROCEEDS OF SALES IN ITALY
OF SUPPLIES

(a) Economic and Supply Division	
(1) Supplies Imported or Drawn from Armies	131,319,486
(2) Supplies Purchased Locally	6,260
(b) Public Health Division	
(1) Supplies Imported or Drawn from Armies	9,042,133
(c) Agriculture Division	
(1) Supplies Imported or Drawn from Armies	432,000
Lire	140,799,872
	432,000
	435,238,964

VI

RECEIPTS IN RESPECT OF AMG/ACC
REVENUE

(a) AFA Revenue	
Interest Received from Banks	105,466
Miscellaneous Receipts	545
(b) AMG Revenue) to close of	3,091,650
(c) ACC Revenue) previous mth	3,092,195
(d) AMG/ACC Revenue received by AFA direct in current month	124,820,840
Lire	7,163,372
	54,566
	132,130,973

X

CONTRA ACCOUNTS

DEPOSITS FOR REMITTANCES

(1) U.S. Dollars (\$ 292.143)	9,865,950
(2) Sterling (£ 292.143)	10,000
	29,214,300
	10,000

(2) COMPANY PAYMASTER, Hqs		
Com'd Pay Office, CEF	(170,525)	283,505
(3) Paquale Esposito	-	108,600
(4) Various	(1,254,850)	155,911
	<u>12,601,098</u>	<u>77,096,177</u>
		<u>=====</u>
		<u>=====</u>

PROCEEDS OF SALES IN ITALY
OF SUPPLIES

(a) <u>Economic and Supply Division</u>		
(1) Supplies Imported or Drawn from Armies	131,519,486	470,325,838
(2) Supplies Purchased Locally	6,260	4,981,228
(b) <u>Public Health Division</u>		
(1) Supplies Imported or Drawn from Armies	9,042,133	9,799,898
(c) <u>Agriculture Division</u>		
(1) Supplies Imported or Drawn from Armies	432,000	432,000
<u>Fire</u>	140,799,879	405,538,984

RECEIPTS IN RESPECT OF MFG/ACC
REVENUE

(a)	<u>ATA Revenue</u>		
	Interest Received from		
	Banks	105,466	3,091,650
	Miscellaneous Receipts	-	542
(b)	AMC Revenue) to close of	105,466	3,092,195
(c)	ACC Revenue) previous mth	7,511,916	124,820,240
(d)	AMC/ACC Revenue received by	3,066,129	7,163,372
	ATA direct in current month	54,566	54,566
	Line		
		10,738,677	135,130,213
		==	==

CONTRA ACCOUNTS
DEPOSITS FOR REMITTANCES

(1)	U.S. Dollars (\$)	292.143)	9,865,950	29,214,300
(2)	Sterling (£25)		10,000	10,000
			<u>19,875,950</u>	<u>29,224,300</u>

A.M. STAMPS ISSUED TO POST
OFFICE AND ON HAND

(a) A.M. Stamps issued to Post Office	-	21,254,000
(b) Balance on Hand	-	148,082,000
Lire	-	169,336,000

SECRET

SCHEDULE
No.

R/F 21

Page No. 6

of Appendix

CURRENT MONTH TOTAL TO DATE

XIII PURCHASES IN ITALY OF
SUPPLIES

(a) For Export to:

- (1) United States of America
- (2) Great Britain
- (3) North Africa
- (4) Corsica
- (5) Malta

7,606,758 35,385,989
91,250,321 268,929,544
710,033 22,863,520
297,475 385,875
22,310,274 86,730,222

(b) For Re-sale in Italy

122,174,861 414,295,150
2,055,684 16,852,750

Lire

124,230,545 431,147,900

XIV

ADVANCES

(a) To Italian State

Treasury, Armed Forces
and State Institutions

297,047,766 4,575,905,376

(b) To Provinces

45,686,327 492,429,665

(c) To Communes

121,239,566 1,182,808,593

(d) To Others

453,973,659 6,251,143,634

(1) Items included in Sub-
Accountants' Reports
not yet allocated
pending receipt of
proper vouchers or
more complete inform-
ation

(19,724,200) 3,388,837

(2) Advisory Council for
Italy (pending account
of disbursements by
Council)

650,000 650,000

(3) Library of Congress for
purchase of books

64,573 211,134

(4) Società Acquedotto -
Napoli

- - 3,000,000
1,000,000

(5) Sanotoda Caputa

(6) Expenditure in connect-
ion with Refugee Camps
(pending allocation)

178,315 213,647

(2) Great Britain 22,305,500
 91,250,321 268,929,544
 (3) North Africa 710,633 22,863,520
 (4) Corsica 297,475 365,875
 (5) Malta 23,310,274 86,730,222
 122,174,861 414,295,150
 2,055,684 16,852,750
 124,230,545 431,147,900
 Lire

(b) For Re-sale in Italy

XIV ADVANCES

(a) To Italian State
 Treasury, Armed Forces
 and State Institutions 297,047,766 4,575,905,376
 (b) To Provinces 45,686,327 492,429,665
 (c) To Communes 121,239,566 1,182,808,593
 463,973,659 6,251,143,634
 (a) To Others

(1) Items included in Sub-
 accountants' Reports
 not yet allocated
 pending receipt of
 proper vouchers or
 more complete inform-
 ation (19,724,200) 3,388,837
 (2) Advisory Council for
 Italy (pending account
 of disbursements by
 Council) 650,000 650,000
 (3) Library of Congress for
 purchase of books 64,573 211,134
 (4) Società Acquedotto -
 Napoli - - 3,000,000
 (5) Sanotoda Caputa - - 1,000,000
 (6) Expenditure in connect-
 ion with Refugee Camps
 (pending allocation) 178,315 213,647
 (7) Villa Rosa Mental
 Hospital - - 1,000,000
 (8) Casa della Madre e
 del Bambino "Principes-
 sa Maria Gabriella"-
 Ischia - - 100,000
 (9) Miscellaneous Advances
 under Lire 100,000 each (386,997) 356,621
 Lire 444,755,350 6,261,063,873

SECRET

SCHEDULE

No

IV

LOANS

E/F 21

Page No 7

TOTAL TO DATE

(a) To Banks
(b) To Others5,320,000
950
5,320,950

CURRENT MONTH

(48,565,664)
(235,340)
(48,801,004)

Lire

XVII PAYMENTS TO PERSONS IN
ITALY ON ACCOUNT OF
REMITTANCES FROM ALLIED
COUNTRIES(a) From United States
of America Lire

4,246,000

XVIII

PAYMENTS IN RESPECT OF
SUBJECTS OF ALLIED NATIONS(a) Emergency Financial
Assistance to:-

(1) U.S. Nationals	679,550	2,258,620
(2) British Nationals	350,500	1,152,550
(3) Greek Nationals	-	49,300
(4) Yugoslav Nationals	-	172,105
(5) Montenegrin Nationals	-	2,400
(6) French Nationals	-	97,060
(7) Polish Nationals	3,000	98,675
(8) Canadian Nationals	8,000	8,000
(9) Czechoslovak Nationals	-	27,535
(10) Belgian Nationals	-	17,930
(11) Paraguayan Nationals	-	4,500
(12) Russian Nationals	-	11,200
(13) Colombian Nationals	-	1,800
(14) Brazilian Nationals	-	18,000
(15) Peruvian Nationals	-	2,000
(16) Swedish Nationals	-	1,200
(17) Norwegian Nationals	-	3,000
(18) Netherlands Nationals	-	9,700
(19) Iceland Nationals	-	7,100
(20) Swiss Nationals	-	600
(21) Egyptian Nationals	-	1,200
(22) Albanian Nationals	-	16,833
(23) Lettonian Nationals	-	5,700
(24) Italian Nationals ex Yugoslavia	-	4,000
(25) German Nationals	-	10,000

PAYMENTS TO PERSONS IN
ITALY ON ACCOUNT OF
REMITTANCES FROM ALLIED
COUNTRIES

(a) From United States of America	Live	4,246,000	4,245,000
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XVIII
PAYMENTS IN RESPECT OF
SUBJECTS OF ALLIED NATIONS

(a) Emergency Financial Assistance to:-

(1)	U.S. Nationals	679,550	2,258,620
(2)	British Nationals	350,500	1,152,550
(3)	Greek Nationals	-	49,300
(4)	Yugoslav Nationals	-	172,105
(5)	Montenegrin Nationals	-	2,400
(6)	French Nationals	-	97,050
(7)	Polish Nationals	3,000	98,675
(8)	Canadian Nationals	8,000	8,000
(9)	Czechoslovak Nationals	-	27,535
(10)	Belgian Nationals	-	17,930
(11)	Paraguayan Nationals	-	4,500
(12)	Russian Nationals	-	11,200
(13)	Columbian Nationals	-	1,800
(14)	Brazilian Nationals	-	18,000
(15)	Peruvian Nationals	-	2,000
(16)	Swedish Nationals	-	1,200
(17)	Norwegian Nationals	-	3,000
(18)	Netherlands Nationals	-	9,700
(19)	Iceland Nationals	-	7,100
(20)	Swiss Nationals	-	600
(21)	Egyptian Nationals	-	1,200
(22)	Albanian Nationals	-	16,833
(23)	Lettonian Nationals	-	5,700
(24)	Italian Nationals ex Yugoslavia	-	4,000
(25)	German Jewish	-	19,320
(26)	Austrian Jewish	-	18,200
(27)	Jewish	-	10,000
(28)	Stateless	-	19,400
(29)	Unknown	8,000	24,689.6
		<u>1,049,050</u>	<u>4,062,613</u>

SECRETSchedule
NoT/F 21
Page No. 2
of 4 pages E

	CURRENT MONTH	TOTAL TO DATE
Brought Forward	1,049,050	4,062,613
(b) Expenses in connection with Refugee camps	223,648	247,271
(c) Payments to Allied Nations Missions		
(1) Czechoslovak Military Mission	50,000	150,000
(2) Norwegian Military Mission	24,000	76,000
(3) Royal Yugoslav Military Mission	-	400,000
(4) Belgian Military Mission	5,000	8,000
(5) Netherlands Mission	60,000	115,000
(6) Polish Military Mission	20,000	954,000
	159,000	1,703,000
Lire	1,436,698	6,012,884

XII - ADVANCES TO ALLIED ARMED FORCES

(a) To American Army		
(1) Paid in Lire	839,760,000	11,740,808,000
(2) Paid in Yellow Seal Dollars (\$ 1,505,300)		
Total to date)	-	150,530,000
(b) To American Navy		
(1) Paid in Lire	34,744,000	190,766,000
(2) Paid in Yellow Seal Dollars (\$ 212,000)		
Total to Date	10,400,000	21,200,000
(c) To British Army		
(1) Paid in Lire	1,276,308,000	7,923,651,830
(2) Paid in B.M.A. pounds		
(\$1,902,600-15-6)		
Total to Date)	200,000,000	761,040,310

(c) Payments to Allied Nations Missions

(1) Czechoslovak Military Mission	50,000	150,000
(2) Norwegian Military Mission	24,000	76,000
(3) Royal Yugoslav Military Mission	-	400,000
(4) Belgian Military Mission	5,000	8,000
(5) Netherlands Mission	60,000	115,000
(6) Polish Military Mission	20,000	954,000
	159,000	1,703,000
Lire	1,436,698	6,012,884

XXI

ADVANCES TO ALLIED ARMED FORCES

(a) To American Army			
(1) Paid in Lire	839,760,000	11,740,808,000	
(2) Paid in Yellow Seal Dollars (\$ 1,505,300 Total to date)	-	150,530,000	
(b) To American Navy			
(1) Paid in Lire	34,744,000	190,766,000	
(2) Paid in Yellow Seal Dollars (\$ 212,000 Total to Date)	10,400,000	21,200,000	
(c) To British Army			
(1) Paid in Lire	1,276,308,000	7,923,651,830	
(2) Paid in B.M.A. pounds (£1,902,600-15-6 Total to Date)	200,000,000	761,040,310	
(d) To British Navy			
(1) Paid in Lire	-	14,832,800	
(2) Paid in Francs (Fcs 15,915 Total to Date)	-	31,830	
(e) To Royal Air Force			
(1) Paid in Lire	3,535,000	14,035,000	
(2) Paid in Francs (Fcs 1,319,844 Total to Date)	215,150	2,639,688	
Carried Forward	2,364,962,150	20,819,535,458	

SECRETSCHEDULENo.

F/P 21
Page No. 9.

of Appendix E
TOTAL TO DATE

Brought Forward	2,364,962,150	20,819,535,458
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(f) To French Armed Forces

(c) Paid in Lire	720,448,000	2,486,568,000
Lira	3,085,410,150	23,306,103,458

XXIII DISBURSEMENTS IN RESPECT OF

AMG/ACC EXPENDITURE

(a) AFA Expenditure

Emoluments of Civilian Personnel	1,000	107,386
Motor Transport	-	-
Maintenance of Vehicles	-	760

Other Administrative

Expenses	1,482	35,496
Printing and Stationery	-	4,410
Maintenance of Offices	-	1,205
Maintenance of Office Equipment	-	1,284
Sundries	-	43,095

Total Other Administrative Expenditure

Special Expenditure	1,482	-
---------------------	-------	---

Purchase of Office

Furniture and Equipment	-	94,799
-------------------------	---	--------

Reconditioning of

Offices	15,700	51,590
---------	--------	--------

Total Special Expenditure

Financial Expenditure	15,700	145,389
-----------------------	--------	---------

Financial Expenditure

Interest Paid to Banks	681	4,555,087
------------------------	-----	-----------

Bank Service Charges

Total Financial Expenditure	681	408,333
-----------------------------	-----	---------

Total AFA Expenditure

Total AMG Expenditure	18,863	4,953,420
-----------------------	--------	-----------

(b) AMG Expenditure to close	5,568,858	5,261,050
------------------------------	-----------	-----------

(c) ACC Expenditure of previous	month	47,229,972
---------------------------------	-------	------------

(d) AMG/ACC Disbursements made	13,391,034	23,065,242
--------------------------------	------------	------------

by ATA direct in previous

XXII DISBURSEMENTS IN RESPECT OF

AMG/ACC EXPENDITURE

(a) AFA Expenditure

Emoluments of Civilian Personnel	1,000	107,386
Motor Transport		
Maintenance of:		
Vehicles	-	760

Other Administrative

Expenses		
Printing and Stationery	1,482	35,496
Maintenance of Offices	-	4,410
Maintenance of Office Equipment	-	1,905
Sundries	-	1,284

Total Other Administrative

Expenditure	1,482	43,095
-------------	-------	--------

Special Expenditure

Purchase of Office Furniture and Equipment		
--	--	--

Reconditioning of		94,799
-------------------	--	--------

Offices	15,700	51,590
---------	--------	--------

Total Special Expenditure	15,700	146,389
---------------------------	--------	---------

Financial Expenditure

Interest Paid to Banks	681	4,555,087
------------------------	-----	-----------

Bank Service Charges	-	408,353
----------------------	---	---------

Total Financial Expenditure	681	4,963,420
-----------------------------	-----	-----------

Total AFA Expenditure	18,863	5,261,050
-----------------------	--------	-----------

(b) AMG Expenditure to close F	5,568,858	47,229,972
--------------------------------	-----------	------------

(c) ACC Expenditure of previous month	13,391,034	23,065,242
---------------------------------------	------------	------------

(d) AMG/ACC Disbursements made by AFA direct in previous month, allocated in current month	(1,980,971)	- 390
--	-------------	-------

(e) AMG/ACC Disbursements made by AFA direct in current month	2,533,832	2,533,832
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Total	19,531,616	78,090,096
-------	------------	------------

Direct		
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SECRET
SCHEDULE
No

XXVII

CONTRA ACCOUNTS

Foreign Exchange Credits

(1) US Dollars (\$292,143)	9,865,950	29,214,300
(2) Sterling (£ 25)	10,000	10,000
Lire	9,875,950	29,224,300

Appendix E - Page No. 10.
F/F 21
CURRENT MONTH TOTAL TO DATE

XXVIII

CASH ON HAND AND IN BANKS

(a) Current Cash - Lire	727,736	883,233
(b) Reserve Cash - AM Lire		
(c) Bank Current Accounts	(2,949,472,000)	11,415,320,000
- Lire	389,522,540	1,422,475,621
Total Lire Funds	(2,559,221,724)	12,838,678,854

(a) Foreign Currency on Hand and in Banks

(1) Yellow Seal Dollars (\$1,411,698.93)	58,249,991	141,169,893
(2) EMA Pounds (£379,138.16.0)	(73,072,879)	151,655,521
(3) Maltese Pounds (£140.2.6)	26,900	56,050
(4) Tripolitania Lire (14,500)	-	12,064
(5) Francs (Fes 35,425)	(22,960)	70,850
Total Foreign Currency	(14,818,945)	292,964,378

(a) Other Balances with Banks

(1) Bank of Italy No.2 account (see item No.7)	-	200,000,000
(2) Funds Deposited by US Army Units	19,364,569	60,744,602
Total Other Balances with Banks	19,364,569	260,744,602
Cash on Hand and in Banks at end of period	(2,554,676,103)	13,392,387,834

MUTILATED AND UNFIT AM LIRE NOTES ON HAND

Total Cash on Hand and in Banks (including mutilated and unfit AM Lire notes on hand)	1,938,509	8,592,513
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XXVIII

CASH ON HAND AND IN BANKS

(a) Current Cash - Lire 727,736 883,233

(b) Reserve Cash - AM Lire

(2,949,472,000) 11,415,320,000

(c) Bank Current Accounts

- Lire

389,522,540 1,422,475,621

Total Lire Funds (2,559,221,724) 12,838,678,854

(d) Foreign Currency on

Hand and in Banks

(1) Yellow Seal

Dollars (\$1,411,598.93)

58,249,991 141,169,893

(2) BMA Pounds

(\$379,138.16.0)

(73,072,879) 151,655,521

(3) Maltese Pounds

(\$140.2.5)

26,900 56,050

(4) Tripolitania Lire

(14,500)

12,064

(5) Francs (Fcs 35,425) (22,960)

70,850

Total Foreign Currency (14,818,948)

292,964,378

(e) Other Balances with Banks

(1) Bank of Italy No.2

account (see item No.7)

200,000,000

(2) Funds Deposited by US

Army Units

19,364,569 60,744,602

Total Other Balances

with Banks

19,364,569 260,744,602

Cash on Hand and in Banks

(2,554,676,103) 13,392,387,834

at end of period

MUTILATED AND UNFIT AM LIRE NOTES

ON HAND

1,938,509 8,592,513

Total Cash on Hand and in

Banks (including Mutilated

and Unfit AM Lire notes

on Hand) Lire

(2,552,737,594) 13,400,980,347

APPENDIX IV

REMITTANCE LISTS SUBMITTED TO THE BANCO DE SICILIA
UP TO 30 APRIL 1944

DOLLAR REMITTANCE LISTS

Bank	Amount	No. of items
(a) items for which credit has been received in an 'A/R' account.		
American Express Company, New York	\$100,353.50	2954
Amalgamated Bank of New York, New York	145.50	7
Bank of America, San Francisco	26,495.-	440
Bank of Manhattan Company, New York	508.-	17
Central National Bank in Chicago, Chicago	11,490.50	654
Chase National Bank of the City of New York	3,736.50	67
" " A/c Apostolic Delegate	25,965.50	2
Continental Illinois Nat. Bk & Trust Co, Chicago	1,884.-	65
Corn Exchange Bank & Trust Co., New York	2,240.-	64
Corn Exchange Nat. Bk & Trust Co., Philadelphia	100.-	1
First National Bank of Boston, Boston	4,690.50	121
First National Bank of Chicago, Chicago	4,431.-	138
Irving Trust Company, New York	3,068.-	65
Liberty Title & Trust Company, Philadelphia	4,104.-	105
Manufacturers Nat. Bank of Detroit, Detroit	317.-	15
Manufacturers Trust Company, New York	66,198.-	1748
Marine Midland Trust Company, New York	2,647.-	61
Merchants Bank of New York, New York	615.-	16
National Bank of Detroit, Detroit	4,743.-	104
National Shawmut Bank of Boston, Boston	2,880.-	44
San American Trust Company, New York	3,896.-	154
Parera Company, New York	2,704.50	73
Philadelphia National Bank, Philadelphia	1,725.-	42
Public Nat. Bank & Trust Co., New York	3,650.50	135
Stabile Bank & Trust Co., Boston	6,906.50	260
Sterling Nat. Bank & Trust Co., New York	5,298.50	173
Whitney Nat. Bank of New Orleans, New Orleans	850.-	13
	292,143.-	7538

(b) items for which credit will be given upon receipt of advice of payment:

Irving Trust Company, New York
National City Bank of New York

1,925.-
39,764.50
\$333,832.50

54
865
9457

STERLING REMITTANCE LISTS

Bank of England

£ 25

Bank of America, San Francisco	145.50	7
Bank of Manhattan Company, New York	26,495.-	440
Central National Bank in Chicago, Chicago	508.-	17
Chase National Bank of the City of New York	11,490.50	654
" " A/c Apostolic Delegate	3,736.50	67
Continental Illinois Nat. Bk. & Trust Co., Chicago	25,965.50	2
Corn Exchange Bank & Trust Co., New York	1,884.-	65
Corn Exchange Nat. Bk. & Trust Co., New York	2,240.-	64
First National Bank of Boston, Boston	100.-	1
First National Bank of Chicago, Chicago	4,690.50	121
Irving Trust Company, New York	4,431.-	138
Liberty Title & Trust Company, Philadelphia	3,058.-	65
Manufacturers Nat. Bank of Detroit, Detroit	4,104.-	105
Manufacturers Trust Company, New York	847.-	15
Marine Midland Trust Company, New York	66,192.-	1748
Merchants Bank of New York, New York	2,647.-	61
National Bank of Detroit, Detroit	615.-	16
National Shawmut Bank of Boston, Boston	4,743.-	104
Pan American Trust Company, New York	2,880.-	44
Parera Company, New York	3,896.-	154
Philadelphia National Bank, Philadelphia	2,704.50	73
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	850.-	13
	292,143.-	7538
Irving Trust Company, New York	1,925.-	54
National City Bank of New York	39,754.50	865
	\$333,832.50	8457
Bank of England	25	

STERLING REMITTANCE LISTS

REMITTANCES FROM U.S. TO STCITY

1. Cumulated total of beneficiaries of remittances who have been referred to the U.S. Consular Office for determination of nationality	394
2. Cumulated total of those certified as nationals	3
3. Cumulated total of those definitely rejected	
4. Cumulated total of those still pending	5

APPENDIX 'C'

Notes on Life Insurance in Italy

A. Background

1. Prior to 1912, life insurance was being conducted by a number of Italian insurance companies, chiefly by the two largest and well-established companies, Assicurazioni Generali di Venezia, and Riunione Adriatica di Sicurtà, both with Head Offices in Trieste, and each with nearly a century of underwriting experience in many European countries.

2. In 1912 there was established in Rome the Istituto Nazionale delle Assicurazioni (National Insurance Institute) as a State monopoly of all forms of insurances dependent on human life. Policies and funds of the Institute were guaranteed by the State, which received a half of the Institute's net yearly surplus. Although organized as a life insurance company, the Institute was and remains an institution guaranteed, owned, and operated by the Italian Government.

3. The Institute's monopoly ended in April 1923, when private companies were permitted to re-enter the life insurance field. This re-entry did not, however, greatly impair the dominating position attained by the Institute during its eleven years of undisturbed monopoly. In fact, its position was confirmed as private companies were compelled to cede to the Institute a proportion of every risk assumed. This compulsory reinsurance quota, termed "cessione legale" was on a sliding scale of from 10% to 40% according to the experience of the ceding company. This arrangement continues at the present time, and means that the Institute holds technical records of every life policy issued by private companies.

B. Present Position

1. Although companies were readmitted to life insurance in 1923, not many seem to have taken advantage of this permission, probably due to the complexity of life insurance and the technical difficulties that small companies experience. Of some eighty - odd Italian insurance companies operating in 1940, only fifteen were transacting life insurance. Of these, the contribution of thirteen was very small, only Assicurazioni Generali di Venezia and Riunione Adriatica di Sicurtà having life portfolios of any size.

2. The relative position of the Institute and the private companies is illustrated by the following figures for 1940/41 of yearly premium income and policy reserves:

	(millions of lire)	
	Premium Income	Policy reserves
Institute (1941)	1149	6699
Two companies (1940) (a)	532	3821
Eleven other companies (1940) (b)	65	366
	1766	10886

2. In 1942 there was established in Rome the Istituto Nazionale delle Assicurazioni (National Insurance Institute) as a State monopoly of all forms of insurances dependent on human life. Policies and funds of the Institute were guaranteed by the State, which received a half of the Institute's net yearly surplus. Although organized as a life insurance company, the Institute was and remains an institution guaranteed, owned, and operated by the Italian Government.

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	(a)	(b)
Institute (1941)		
Two companies (1940)		
Eleven other companies (1940)		
	Premium Income	Policy reserves
	1149	6699
	532	3221
	85	566
	1766	10886

(a) Assicurazioni Generali and Rionione Adriatica. Net of reinsurance with the Institute. **893**

(b) Net of reinsurance. Figures for two minor companies not available.

3. In 1941 the Institute declared a total of over $4\frac{1}{2}$ million policies in force for total sums insured of nearly 25,000 million lire. The number of policies probably closely approximates the total number of persons insured with the Institute and the private companies together, while in proportion to the reserve figures, total sums insured for all Italy would be about 40,500 million lire.

Page 2 of
Appendix G

4. The Institutes total 19,500 annuities, and 1,300,000 "Popolar" policies (a small policy with monthly premiums collected by stamps). 3,700,000 were insurances effected direct with the public, and the balance were the "cessioni legali" from the companies.

5. With 60% of all policy reserves, 65% of all premium income, and a share in every life insurance contract in Italy, the importance of the Institute is apparent, quite apart from any other factors connected with its functions as a State concern. Moreover, although the Institute itself only conducts life insurance, it owns several General Insurance companies, notably Assicurazioni d'Italia (usually known as "Assitalia"), Praevidentia, and La Futura. Through them, and other companies, domestic and foreign, in which it has holdings, it thus also holds a strong position in Italian insurance other than life.

C. Organization of the Istituto Nazionale delle Assicurazioni

1. No considerable information is yet available regarding the internal organization of the Head Offices in Rome. It is known, however, that very few powers are decentralized to agencies, where absence of records of policy status makes administration from a point outside the Head Office (as in liberated territory up to now) a matter of great difficulty.

2. All technical records are maintained in Rome. All bank accounts were under the control of Rome, all policies are issued there, and premium collections accomplished by the issuance to agencies of premium receipts in advance of due dates. The Hollerith system is used for the yearly valuations of the reserves of its four million policies, necessitating bulky and easily disorganized records and machinery, while the appearance of the Institute's policies and premium receipts indicates a high degree of mechanization in other departments.

3. The Institute is represented throughout Italy (and in some places abroad) by about a hundred "General Agents" employed under contract, and distributed about one to each Province. These General Agents are not officials of the Institute, but producing or soliciting agents. They also, however, act as forwarding agents for transactions on existing policies. They employ their own clerical staffs and local commission agents (who are not, therefore, State employees), and their remuneration is dependent on the extent to which they develop their territories. Certain limited powers were conferred on them by the Head Office of the Institute in July 1943 to meet invasion conditions, including powers of acceptance for new proposals, and partial disbursing authority for certain claims, surrogates, etc. These powers, however, visualized only a very temporary interruption of communications, and the extended period over which this interruption has lasted is producing complications not visualized when the instructions were formulated. These powers are now in course of abrogation by the Institute's Commissioner for Liberated Italy, who, in substitution for the management, is establishing a temporary central direction in Naples.

4. Over the General Agents are Inspectors, one for each "Compartimento", whose supervision of the General Agents does not extend to financial matters. Inspectors are the highest salaried officials likely to be encountered outside the Head Office, and experience is that they are competent men.

5. Reference was made above to the "Post Office" functions of General Agents. These have reference to acceptance of new proposals, collection of premiums, and payment of loans, claims and maturities.

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(a) New proposals were formerly sent to Head Office for acceptance. Rome issued the policy, set up the necessary technical records, and sent the policy to the General Agent for delivery. The pre-invasion instructions referred to above gave General Agents limited powers of acceptance, and authority to issue a cover note. In view of the long period of interruption of communications, the absence of, and inability to set up, technical records, is becoming a matter of concern, and unless the Head Offices in Rome are found in reasonably good condition, a stoppage of new acceptances may become necessary.

(b) Collection of premiums was formerly effected by preparing premium receipts by machinery in Rome, in advance of the due date, and despatching them to General Agents, who were responsible for the equivalent in cash or unpaid receipts, the latter being returned to Rome for recording change in policy status.

Page 3 of
Appendix G

Continued severance from Rome has rendered this procedure impossible, with the result that General Agents have had to base their collections on their records of receipts a year ago (this is causing complications by reason of those records not containing any changes in policy status). Collections were formerly deposited in bank accounts under control of Rome, but the Commissioner is at present engaged in centralizing local funds accumulated over the past few months, in order himself to retain control of disbursement and investment.

(c) Policy payments were formerly made by Rome by bank draft payable at any bank. Some disbursing powers were given to General Agents in their pre-invasion instructions, but all powers of payment are now being concentrated in the Commissioner, who is using the best available officials to calculate policy payments from the scanty local records available. The same applies to annuity instalments.

D. Political Influences in the Institute

1. Definite conclusions on political influence in the administration of the Institute must await examination of the Head Office. It is generally believed, however, that the funds of the Institute were utilized for purposes not usually financed by life insurance institutions. More than half the total 1947 funds of 8604 million lire were direct obligations of the Italian State, and no data is published on the valuation of policy reserves to enable an opinion to be formed as to the soundness of the liability calculations.

2. The General Agents of the Institute should, however, be viewed with caution. A General Agent's contract is a valuable one, and gives the General Agent complete charge over his subord's area. There are good grounds for belief that political colour entered large into the securing of General Agents' contracts, and several such agents have already been removed on political grounds.

E. Organization of the Companies

1. What has been said above regarding the Institute applies with little modification to the companies transacting life insurance. In the case of Assicurazioni Generali di Venezia and Rinascente Adriatica di Scurta, the delay in reaching their main offices in North Italy will be more prolonged than in the case of the Institute. The problems facing the Commissioners will accordingly become more complex, especially as they may have to take charge of more local agencies as occupation of the Italian peninsula proceeds. These companies' Commissioners have also to consider their other insurances, but as centralization is not so complete in general insurance, their problems here are simpler. The Commissioners of the smaller life companies are similarly placed, but due to the smaller agencies and absence of skilled staff, will probably find a standstill on all transactions but premium collections their only course of action.

F. Political Influence in the Companies

1. The system of employing agents with exclusive area contracts seems to be a common one in Italian insurance, and undoubtedly leaves the door open for abuse. No detailed information is available on the infiltration of political influences into the companies except that a number of higher officials have undesirable political histories. Assassinated Generali di Venezia in particular has been reported as having been greatly penetrated by such influences, so much so, that its good pro-Fascist name in Continental insurance has suffered. Nat-

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2. Mention may be made of the various political bodies for insurance agents and staffs (not exclusively life insurance). The chief ones were:

- (a) Federazione Nazionale Fascista delle Imprese Assicuratrici e di
- (b) Federazione Nazionale Fascista degli Agenti di Assicurazioni e di Credito
- (c) Federazione Nazionale Fascista dei Dirigenti delle Aziende del Credito e dell'Assicurazione,

with numerous ramifications of "Confederazioni" and "Sindacati". A recommendation

892

Page 4 of
Appendix G

has been made to the Legal Sub-Commission, AGC, that these Regulations be abolished.

3. There are, however, technical bodies for life insurance in which political influence is probably subordinated to technical functions, such as the Italian Institute of Actuaries, Consultative Medical Committee, and the Consorzio per the Life Insurance of Sub-standard Risks, all located in Rome. These will be investigated.

G. The Insurance Advisory Committee

1. An Insurance Advisory Committee was set up by the third Regoglio Government specially to consider problems relevant to insurance. It consists of three Government representatives, and six company commissioners, including those for the Institute and the two largest companies. If qualified personnel are found in Rome - for example, in the Italian Institute of Actuaries - these will undoubtedly be added.

2. The Committee will consider whether the available resources and life records in liberated territory are sufficient to warrant resumption of all normal payments, and by what companies, whether temporary Government assistance is necessary, and whether acceptance of new life insurances is possible or advisable. It will also formulate plans for tying local offices and the Commissioners' organizations to the appropriate main offices when these are reached.

HEAD HEADQUARTERS
ALLIED MILITARY COMMISSION
Finance Sub-Commission
A.F.C. 804

12 May 1944

URGENT Cost of Living Index.

To : Vice-President, Admin. Section,
Director of Administrative Sub-Commissions.

1. The Finance Sub-Commission has maintained a cost of living index since November 1943. The original indices in Italy and Puglia are not exactly comparable to the index which has been maintained since January 1944 due to the change in geographical base and to an improvement in statistical base. In consequence only the figures from Finance Sub-Commission reports of January, February and March are presented below. When reference is made to figures from the earlier index, or to the Italian index, which was kept before the invasion, appropriate corrections have been made. April figures will be available in a few days and will be circulated.

2. Caution should be used in employing this index for any other than its original purpose. The index was devised to provide an indication of trends in food prices and cost of living. While adequate for that purpose, it may not be adequate for other purposes, such as providing an exact standard of cost of living which could be used as an exact yardstick for wage legislation.

3. Retail Prices and the Cost of Living to Jan. 31, 1944.

The collection of information on prices movements was continued during the month. Sufficient returns on food prices have now been received from the provinces of southern Italy to provide an indication of current developments in food prices and the cost of living. These returns have been received in response to a request made last November by this Sub-Commission to each regional headquarters asking that they provide, for each of the provincial capitals in their regions, weekly reports on legal and black market prices of 12 commodities and an estimate of the quantities of each that were available at legal prices.

The data are as yet incomplete and not entirely reliable. For the period 20 November to 15 January, 175 reports were due, but only 81 have been received. Furthermore, on the reports received, over 25% of the price data requested is missing and information on quantities available is very sparse. The reliability of the data is open to question because of the usual difficulties of determining representative retail prices, especially under the black market conditions, because of numerous definition problems, and because the scarcity of data on quantities available at legal prices, makes it difficult to assess the relative importance of the legal and black market.

Sufficient data on bread and olive oil prices are available for 12 of the 28 provinces, on cheese for 12 provinces, on sugar and meat for 11 provinces, on potatoes and pasta for 10 provinces, and for milk and fish for 9 provinces.

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The data are as yet incomplete and not entirely reliable. For the period 30 November to 15 January, 178 reports were due, but only 31 have been received. Furthermore, on the reports received, over 25% of the price data requested is missing and information on quantities available is very sparse. The reliability of the data is open to question because of the usual difficulties of determining representative retail prices, especially under the black market conditions, because of numerous definition problems, and because the scarcity of data on quantities available at legal prices, makes it difficult to assess the relative importance of the legal and black markets.

Sufficient data on bread and olive oil prices are available for 13 of the 20 provinces, on cheese for 18 provinces, on sugar and meat for 11 provinces, on potatoes and pasta for 10 provinces, and for milk and fish for 9 provinces.

1. Bread.

The price of bread is by far the most important factor in the cost of living in this area. It is believed that in Naples expenditure on bread accounts for over 30% of food expenditure, while potatoes and olive oil account for about 20% and 15% respectively. **391**

The price of black market bread in Naples was about 16 lire per kilo in January 1943. It rose to 26 lire in July, and then rose rapidly to 30, 35, 40, 120 and 180 lire in successive months from August 1943 to January 1944.

The difference in bread prices from province to province is very great. In December prices varied from 13 lire per kilo in Matera to 120 in Palermo. In the Italian hotel and innkeeper ruling prices were between 13 and 25, and in Messina about 30. In Sicily and across the Straits in Reggio the price was

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from 50 to 60 and in Naples and Salerno 110 and 120 respectively.

In all of the provinces for which comparative data are available except Salerno, the price of bread rose sharply from December to January. In the heel and instep the rise averaged 60% and was generally the same in each of the provinces of that area. In Trapani and Reggio the rise was 23%, and in Naples and Salerno 18 and almost 20 per cent. In general, provinces in which the price was lowest in December reported the greatest per cent increase from December to January. In January the price in the heel and instep varied from 33 to 43 lire, it was 68 and 78 in Reggio and Trapani, and 130 and 115 in Naples and Salerno.

Legal prices of bread also vary widely from province to province, and unlike black market prices, do not reflect differences in the difficulty of transportation. The lowest legal price is 2 lire in Matera, and the highest is 4 lire in its neighbor, Potenza. The most common price is 3.60. This is the price in Naples, in Sicily other than Reggio, in Reggio and Salerno. Cosenza has a legal price of 5.00 for bread made from imported wheat and 2.80 from that made from local wheat.

Bread rations are 150 grams per person per day in most of the provinces. In Naples it is 200 grams and in Salerno 100, a circumstance that makes the much higher black market price in those two cities an even higher average price for any reasonable budget of bread consumption. (It was announced early in February that the bread ration was being increased to 200 grams throughout liberated Italy.)

2. Potatoes.

Under present conditions potatoes are the second most important item of food expenditure in Naples, although they are of much less importance in Sicily and Sardinia. The rise in potato prices has been even greater than that in bread prices. Indeed the rise has not been so great in some provinces during the last weeks that potatoes are probably no longer considered a satisfactory substitute for bread.

In Naples the black market of potatoes was about 8 lire per kilo in January 1943. It fell subsequently, as the crop came in, to 5 lire in June and to 3 lire in August. Thereafter it rose to 5, 7, 17, 22, and 38 lire in the months from September 1943 to January 1944. This while the price of bread rose 100% from August to January, the price of potatoes rose 80%.

The price of potatoes in Salerno is about the same as in Naples. In December the price was 6 lire in Matera and about 10 lire in the other provinces of the heel and instep. In Catanzaro and Reggio in the toe the price was considerably higher. Recent reports, however, indicate a great rise in the provinces of the instep and the heel. By mid-January the price had reached 8 lire in Brindisi, 24 in Cosenza, and 41 in Salerno.

3. Olive Oil.

Price developments in olive oil are quite different from those of other foods. In the areas where olive production is very small the price of olive oil has been very high for sometime and has risen only moderately. In Naples, for instance, the price was already 50 lire in January 1943. By September it had reached 120, and by January 1944, 200. The rise from August to January was only 65%, in contrast to 100% for bread and 80% for potatoes. In the other areas of low production, Cosenza, Potenza and Salerno, prices were 70, 80, and 189 lire in December and did not rise in January. However, in the areas of high production the heel and the toe the price of olive oil rose sharply in January.

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Bread rations are 150 grams per person per day in most of the provinces. In Naples it is 250 grams and in Salerno 100, a circumstance that makes the much higher black market price in those two cities an even higher average price for any reasonable budget of bread consumption. (It was announced early in February that the bread ration was being increased to 300 grams throughout liberated Italy.)

2. Potatoes.

Under present conditions potatoes are the second most important item of food expenditure in Naples, although they are of much less importance in Sicily and Sardinia. The rise in potato prices has been even greater than that in bread prices. Indeed the rise has been so great in some provinces during the last weeks that potatoes are probably no longer considered a satisfactory substitute for bread.

In Naples the black market of potatoes was about 8 lire per kilo in January 1943, it fell subsequently, on the one hand in, to 3 lire in June and to 3 lire in August. Thereafter it rose to 5, 7, 17, 22, and 28 lire in the months from September 1943 to January 1944. Thus while the price of bread rose 100% from August to January, the price of potatoes rose 50%.

The price of potatoes in Salerno is about the same as in Naples. In December the price was 8 lire in Matera and about 10 lire in the other provinces of the heel and instep. In Catanzaro and Reggio in the toe the price was considerably higher. Recent reports, however, indicate a great rise in the provinces of the instep and the heel. By mid-January the price had reached 20 lire in Brindisi, 22 in Cosenza, and 41 in Salerno.

3. Olive Oil.

Price developments in olive oil are quite different from those of other foods. In the areas where olive production is very small the price of olive oil has been very high for sometime and has risen only moderately. In Naples, for instance, the price was already 60 lire in January 1943. By September it had reached 120, and by January 1944, 300. The rise from August to January was only 50%, in contrast to 100% for bread and 80% for potatoes. In the other areas of low production, Cosenza, Potenza and Salerno, prices were 70, 90, and 130 lire in December and did not rise in January. However, in the areas of high production the heel and the extreme toe, the price was around 80 lire in December, and in each of the provinces of this area the price rose sharply from December to January. The rise was over 100% in Bari, about 90% in Reggio, and about 55% in Taranto. Trapani, an area of high production, is an exception to these statements. The Trapani prices were high in December, 20 lire, and rose 50% in January.

Legal prices of olive oil varied in December from about 15 lire in Sardinia, Cosenza, and Potenza, to 25 lire in Sicily. In the Royal Provinces the price was about 20 lire in December and was raised to about 28 in January. In other provinces for which data are available there has been little change.

A ration of olive oil is distributed in each of the provinces from which reports have been received. In Naples the ration is 2 liters per person per month, but it has not been distributed every month.

4. Pasta.

In Naples the black market price of pasta was 30 lire in January 1943 and 30 lire in July. By September it was 90 lire and then 100, 145 and 280 lire in the months from October to January 1944. The increase from September 1943 to January 1944 was 175%.

In the other provinces January prices were from 20 to 35 in the instep, from 40 to 50 in the heel, 100 in Tarento, and 115 in Reggio. In Lecce no pasta has been available even in the black market for several weeks. The increase of prices from December to January was over 70% in 4 of the 6 provinces for which data are available.

Legal prices vary from 5 to 6 lire. Some pasta is reported to be available at legal prices in Catania, Cosenza, and 5 of the Royal Provinces.

5. Meat, Fish and Cheese.

Naples black market prices of these commodities have increased as follows:

	Jan. 1943	July 1943	Jan. 1944
	(in lire per kg.)		
Meat	20	80	270
Fish	14	22	140
Cheese	30	55	200

In Naples at present fish is about half and cheese about $\frac{2}{3}$ of the price of meat. In most of the other provinces the price of fish is about equal to that of meat, and the price of cheese 2 and $\frac{2}{3}$ times as high. In the instep provinces, meat is approximately 80, fish 70, and cheese 150 to 180 lire. In the heel and toe, meat ranges from 100 to 120 lire, fish is about 130 lire and cheese from 120 to 275 lire.

With very few exceptions the reported data indicate a sharp increase in meat, fish, and cheese prices in all provinces from December to January, but there does not seem to be any particular pattern between the provinces nor any particular relationship between the increase for the three commodities.

6. Milk.

In Naples the black market price of milk is about 24 lire per liter. The same price is reported from Lecce and Tarento, almost twice the December price for these provinces. In Catania the price varies from 10 to 16 lire, representing from 0% to 80% over December.

In the four Royal Provinces, of Puglia the legal price is 10 lire, but no milk is reported to be available at this price. In Salerno the legal price is 12 and in Naples and the rest of Region II it is 7 and 6 lire with small quantities available.

7. Sugar.

Legal prices vary from 3 to 5 lire. Some prices are reported to be available at legal prices in Salerno, Cassano, and 3 of the Royal Provinces.

5. Meat, Fish and Cheese.

Naples black market prices of these commodities have increased as follows:

	Jan. 1943	July 1943	Dec. 1943	Jan. 1944
	(in lire per kg.)			
Meat	30	50	220	270
Fish	24	32	140	140
Cheese	50	65	170	300

In Naples at present fish is about half and cheese about 2/3 of the price of meat. In most of the other provinces the price of fish is about equal to that of meat, and the price of cheese 2 and 1/2 times as high. In the Insubrian provinces, meat is approximately 20, fish 70, and cheese 150 to 180 lire. In the heel and toe, meat ranges from 100 to 180 lire, fish is about 100 lire and cheese from 120 to 270 lire.

With very few exceptions the reported data indicate a sharp increase in meat, fish, and cheese prices in all provinces from December to January, but there does not seem to be any particular pattern between the provinces nor any particular relationship between the increases for the three commodities.

6. Milk.

In Naples the black market price of milk is about 24 lire per liter. The same price is reported from Lecce and Taranto, almost twice the December price for those provinces. In Salento the price varies from 10 to 18 lire, representing from 0% to 30% over December.

In the four Royal Provinces, of Puglia the legal price is 10 lire, but no milk is reported to be available at this price. In Salerno the legal price is 12 and in Naples and the rest of Region II it is 7 and 8 lire with small quantities available.

7. Sugar.

In Naples the black market price of sugar was 18 lire in January 1943. In July it was still 18, but thereafter it rose sharply to 40 in September and 240 in January 1944. The rise from September to January was 500%.

On the heel the price of sugar is from 100 to 120 lire, in the Insubrian from 200 to 250 lire and in Salerno 300 lire.

Legal sugar prices are about 9 lire in most of the provinces, but 18 lire in Naples, Reggio, and Ostia. In most places no sugar is available at legal prices.

8. The Cost of Living.

The prices used in the foregoing discussion have been combined into a composite picture for each province by calculating the cost of purchasing a basket of

Notes

Food, under legal prices to the extent that rations are available and other useful prices for the remainder. The budget used was determined through personal interviews with 26 Haples working during January 1946. The budget (for one person for one week) contains 2.50 kilo of bread, 0.15 kilo of pasta, 1.50 kilo of potatoes, 0.45 liter of olive oil, 8.50 kilo of vegetables, 1.50 kilo of fruits, and very small quantities of meat, cheese, fish and milk.

The results indicate that the cost of living in Naples rose during the year from Jan. 1941 to June 1941 at about 88 per cent. Thereafter, it rose very rapidly as follows:-

(Lire per person per week)

July	48
August	63
September	100
October	111
November	245
December	511
January	548

The results by provisions are approximately as follows:-

Provision	January 1	January 7
Bread	65 - 90	87 - 115
Pasta	70 - 110	122 - 135
Potatoes	170 - 110	75 - 80
Vegetables	100 - 150	150 - 170
Fruits	130 - 170	180
Oil	500	600 - 650

B. Prices and Cost of Living, Development in February, 1946.

1. Increases in bread ration.

The most important development in price and the cost of living during February was an increase in the bread ration to 250 grams per person per day, announced for all of occupied Italy beginning 7 February. Previously the ration was 150 grams in Naples and 150 grams in most of the other provinces. It is not yet known whether this ration is in fact being distributed in provinces other than Naples.

2. The Cost of Living.

In Naples the effect of the increase in the bread ration was to reduce the weekly expenditure necessary for the purchase of 2 kilos of bread nearly 50%, from about 150 lire in the first week of February to about 80 lire after the increase. Increases in the price of other foods over the January average were partially offset by this point, but the cost of purchasing the representative food budget for one person for one week ending 16 February. Comparable figures for other recent dates are as follows:

Week of January
week ending 16

(Lira per person per week)

July
August
September
October
November
December
January

48
52
120
211
243
251
246

The results by province are approximately as follows:-

	January 7	January 7
Bahia	50 - 50	50 - 100
Bombay	74 - 113	100 - 140
Calcutta	140 - 170	100 - 140
Madras	100 - 150	140 - 160
Mysore	130 - 170	125
Other	800	800 - 1000

1. Prices and cost of living developments in February, 1944.
2. Increase in bread ration.

The most important development in prices and the cost of living during February was an increase in the bread ration to 200 grams per person per day, commenced for all of occupied Italy beginning 7 February. Previously the ration was 125 grams in Naples and 150 grams in most of the other provinces. It is not yet known whether this ration is in fact being distributed in provinces other than Naples.

3. The cost of living.

In Naples the effect of the increase in the bread ration was in reason the weekly requirements necessary for the purchase of 2 kilos of bread nearly 500, from about 100 lire in the first week of February to about 80 lire after the increase. Increases in the prices of other foods over the January average have partially offset this gain, but the cost of purchasing the representative food budget for the person for the week ending 16 February. Comparable figures for other recent dates are as follows:

End of January	Week ending 20 January	348
"	" 9 February	281
"	" 13 February	500
"	" 16 February	310
"	" 23 February	354
"	" 29 February	342

388

4. Bread prices.

The price of black market bread in Naples rose sharply during January and the first week of February, reaching 130 lire per kilo. After the increase in the ration the price fell to 100 lire on 16 February and rose again to 120 lire, the current price. Since the price has not declined appreciably it is probable that civilians have continued to spend the bulk of their income for black market bread in order to increase their total bread consumption.

RESTRICTED

HEADQUARTERS
ALLIED CONTROL COM. SLOW
APO 394

27 January 1944

ADMINISTRATIVE ORDER ()
NUMBER 2)ORDERS REGARDING THE EXPENDITURE OF PUBLIC FUNDS BY AMG-ACC OFFICERS1. General

- a. As a general principle, no officer is entitled to expend public funds or incur expenditure chargeable to public funds except where such expenditure is duly authorized by regulations, orders by higher authority, or specific orders from this Headquarters. The only exception to this is in cases of emergency where there is no time for reference to higher authority. In such a case, an Officer may incur public expenditure up to a reasonable amount as a matter of urgent operational necessity and will immediately report such action with full details of the circumstances and the amount incurred or expended.
 - b. If an Officer contravenes the above order, the amount expended will be disallowed and he will be called upon to pay the sum from his own pocket.
 - c. Certain sums incurred in the past have been disallowed and are now outstanding. As a result of further consideration they are to be written off, and amounts already paid by certain Officers are being refunded. Separate orders regarding this have been issued.
 - d. The object of this order is to lay down clear instructions for the future which can be acted upon forthwith. This order will have retrospective effect from 30 October 1943, except as provided in paragraph 6e. below. Any pending cases originating before that date, however, will be considered on their individual merits.
2. Difficulties of an Inter-Allied Organization - Action to be Taken.
 - a. British and American regulations vary considerably. It is not, therefore, always possible in the case of AMG-ACC to make payments, or submit claims, under the procedure prescribed by those regulations.
 - b. Except, therefore, in the case of British Servant Allowance, which is dealt with in paragraph 5 below, and all normal pay and allowance questions, payments will be made from AMFA funds, and the necessary adjustments as between the British and American Army financial authorities will be made by the Finance Sub-Commission through the Chief Accountant.
 3. Out-of-Pocket Expenses.
 - a. It may happen that Officers and EM/OR on detached duty, or on tour in connection with their official duties are unable to arrange accommodation and messing at Government expense and have to make their own arrangements. In such cases, a claim giving full details will be submitted to Regional, or Army AMG, or (in the case of the Chief Officer of a Region, or Army AMG), to this Head-

1. General

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3. Out-of-Pocket Expenses.

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- b. No claims under this paragraph will be submitted by American Officers for expenses incurred in respect of a period during which they were in receipt of "per diem" allowance.

4. Entertainment Allowance

- a. It is not proposed to authorize any fixed scale of entertainment allowance, but it is recognized that occasions may arise where Officers will be out-of-pocket through having to entertain visiting Officers, distinguished per-

886

RESTRICTED

Adm O #2 - 27 Jan 44 (Cont'd)

sonages, or Italian Officials. In such cases, claims for expenses necessarily incurred will be submitted, with full details, and where applicable supporting vouchers, to Regional, Army AMC or to Headquarters for sanction, and if approved, payment.

b. This paragraph is not intended to apply to private or unnecessary entertaining, nor is it applicable to Senior Officers in receipt of Table Money (British) or entertainment allowance (American). All claims will be closely scrutinized by Sanctioning Officers.

5. Personal Servants (British Officers only)

a. The overall British W.E. does not provide specifically for batmen, and only in very rare cases will it be possible to provide general duty men to act in that capacity. The vast majority of Officers will therefore be entitled to servant allowance at two shillings per day, and may if they wish engage personal servants at their own expense. Servants may be shared under private arrangements between Officers concerned.

b. Separate instructions regarding the conditions under which servant allowance may be claimed by Officers not already in possession of it are being issued shortly.

6. Hiring of Civilian Personnel Other than Personal Servants

a. The general principle to be observed is that except where otherwise provided by regulations or orders, civilian personnel can only be employed in authorized vacancies in a WE/TC where soldiers are not provided.

- (1) In an organization such as AMC-ACC however, the rigid application of this rule would lead to a number of hardships and anomalies.
- (2) In Appendix "A" hereto, therefore, details are given of various classes of civilian employees, the conditions under which they may be hired at the public expense, and the authority on which the instructions given in the Appendix are based.
- (3) Appendix "A" is not exhaustive - it deals with classes of employees about which doubt exists, and which are particularly applicable to AMC-ACC. The hiring of laborers of various kinds is well established and is covered by AFHQ instructions. Such labor is usually hired by the Army Labor Service. Cases of doubt not covered by Appendix "A" will be referred to this Headquarters.
- (4) Appendix "B" gives the scale on which Cooks and Mess Servants to supplement or in lieu of soldier personnel may be hired. This scale is based on British Army Council Instruction 761 of 1941, but modified so as to provide for the absence of batmen, who are taken into account by the above quoted - ACI. It is not proposed to take into account, by way of imposing any official limit on the number of mess employees to be engaged up to the scale laid down in Appendix "B," such private servants as

entertaining, nor is it applicable to Senior Officers in receipt of Table Money (British) or entertainment allowance (American). All claims will be closely scrutinized by Sanctioning Officers.

5. Personal Servants (British Officers only)

a. The overall British W.E. does not provide specifically for batmen, and only in very rare cases will it be possible to provide general duty men to act in that capacity. The vast majority of Officers will therefore be entitled to servant allowance at two shillings per day, and may if they wish engage personal servants at their own expense. Servants may be shared under private arrangements between Officers concerned.

b. Separate instructions regarding the conditions under which servant allowance may be claimed by Officers not already in possession of it are being issued shortly.

6. Hiring of Civilian Personnel Other than Personal Servants

a. The general principle to be observed is that except where otherwise provided by regulations or orders, civilian personnel can only be employed in authorized vacancies in a WE/TC where soldiers are not provided.

- (1) In an organization such as AMG-ACC however, the rigid application of this rule would lead to a number of hardships and anomalies.
- (2) In Appendix "A" hereto, therefore, details are given of various classes of civilian employees, the conditions under which they may be hired at the public expense, and the authority on which the instructions given in the Appendix are based.
- (3) Appendix "A" is now exhaustive - it deals with classes of employees about which doubt exists, and which are particularly applicable to AMG-ACC. The hiring of laborers of various kinds is well established and is covered by AFHQ instructions. Such labor is usually hired by the Army Labor Service. Cases of doubt not covered by Appendix "A" will be referred to this Headquarters.
- (4) Appendix "B" gives the scale on which Cooks and Mess Servants to supplement or in lieu of soldier personnel may be hired. This scale is based on British Army Council Instruction 761 of 1941, but modified so as to provide for the absence of batmen, who are taken into account by the above quoted - ACI. It is not proposed to take into account, by way of imposing any official limit on the number of mess employees to be engaged up to the scale laid down in Appendix "B," such private servants as may be employed under paragraph 5 of this order. Officers concerned, will, however, bear in mind that they are responsible for exercising the greatest possible economy at all times, and if the presence of private servants renders it unnecessary to engage the full number of staff allowed under Appendix "B," the number of the latter employed will be reduced accordingly to what is reasonably necessary.

b. It must be clearly understood that civilian cooks and orderlies may only be hired under this paragraph for authorized Messes - i.e., Messes authorized by RCAOs / Regional Commissioners, SCAOs, Army AMG, or this Headquarters.

Adm O #2 - 27 Jan 44 (Continued)

RESTRICTED

c. Until the new British overall WE is published and activated, (which will be very shortly) it will not be clear to what soldier personnel a unit or detachment is entitled. Even if entitled, soldier personnel may not be forthcoming. Civilians will, therefore, be hired in accordance with physical facts - on the basis of soldier personnel actually present with the unit and employed in the capacity concerned.

d. All civilians will be hired at current official rates. Any excess over these rates paid must be met from private funds.

e. In cases where civilians employed in Officers' Messes have been paid out of Mess funds, mess accounting officers concerned may submit a claim with a brief statement of the circumstances, to Regional, Army AMG, or this Headquarters, as the case may be, for a refund. Such claims must be strictly limited to what would have been admissible under the terms of this order. Refunds under this sub-paragraph will be effective as from date of arrival in Italy, on or after 30 October 1943. They are not applicable to Sicily except in so far as they may be made under the terms of paragraph c. or d. above.

7. Method of Payment and Accounting Procedure.

a. Civilians hired under the terms of Serials 1-6 of Appendix "A" to this Order may be included on any payroll dealing with other classes of hired civilians if they are certified by the Officer employing them as coming within the terms of this Order, or they may be paid on a separate payroll.

b. Any supplementary instructions which may be required to prescribe the procedure whereby payments are to be made or accounting methods to be adopted will be issued direct to all concerned by Chief Financial Officers of Regions (to Regional Officers), of AMG Armies (to Officers of AMG Armies) and of this Headquarters (to Officers of this Headquarters).

By command of Lieut. General MAC FARLANE:

OFFICIAL:

L. W. Stearns
L. W. STEARNS,
Capt., AGD,
Asst. Adj. Gen.

885
L. W. STEARNS,
Capt., AGD,
Asst. Adj. Gen.

DISTRIBUTION:

12 - Region I
12 - Region II
8 - Region V
1 - C-1
2 - G-4
3 - Exec O
1 - Political Section

excess over these rates paid must be met from private funds.

e. In cases where civilians employed in Officers' Messes have been paid out of Mess funds, mess accounting officers concerned may submit a claim with a brief statement of the circumstances, to Regional, Army AMG, or this Headquarters, as the case may be, for a refund. Such claims must be strictly limited to what would have been admissible under the terms of this order. Refunds under this sub-paragraph will be effective as from date of arrival in Italy, on or after 30 October 1943. They are not applicable to Sicily except in so far as they may be made under the terms of paragraph c. or d. above.

7. Method of Payment and Accounting Procedure.

a. Civilians hired under the terms of Serials 1-6 of Appendix "A" to this Order may be included on any payroll dealing with other classes of hired civilians if they are certified by the Officer employing them as coming within the terms of this Order, or they may be paid on a separate payroll.

b. Any supplementary instructions which may be required to prescribe the procedure whereby payments are to be made or accounting methods to be adopted will be issued direct to all concerned by Chief Financial Officers of Regions (to Regional Officers), of AMG Armies (to Officers of AMG Armies) and of this Headquarters (to Officers of this Headquarters).

By command of Lieut. General MAC FARLANE:

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DISTRIBUTION:

- 12 - Region I
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- 8 - Region V
- 1 - G-1
- 2 - G-4
- 3 - Exec O
- 1 - Political Section
- 1 - Comms Section
- 1 - Economic Section
- 1 - Admin Section
- 4 - Finance Sub-Commission
- 8 - HQ Comdt Naples) Includes copies for Officers
- 6 - HQ Comdt Salerno) Messes and Mess Council
- 6 - Brindisi Detachment
- 4 - O.C. Rear Detachment (Palermo)
- 2 - British Admin HQ
- 2 - HQ 2675 (American) Regt ACC
- 36 - HQ AMG ACMF (for favor of distribution to AMG 5th and 8th Armies, Region III and Region IV).
- 6 - Region VI
- 12 - Spare
- (Distribution controlled by Executive Office)

885

Appendix "A"

Dated...27.

HIRING OF CIVILIAN EMPLOYEES

SERIAL NO <u>a</u>	CLASS OF EMPLOYEE <u>b</u>	CONDITIONS OF HIRING AND AUTHORITY <u>c</u>	WHETHER ENTITLED TO RATIONS & AUTHORITY <u>d</u>	SCALE AND AUTHORITY <u>e</u>
1	Cooks, Officers' Messes.	Up to the scale laid down in Appendix "B" to supplement or replace soldier cooks. (No. 2 District Letter No 21/1A dated 16 December 1943)	American rations may be issued as part of the employees' remuneration under NATOUSA Circular No. 230, dated 26 November 1943. There is at present no corresponding authority to issue British rations, but this matter is being taken up. AFHQ Adv. Echelon letters No 75/Q-1 dated 4 January 1944 and 25/Q dated 14 December 1943 (App. "A") give a certain limited authority.	As per Appendix "A" (ACI 761 of 1941)
2	Cooks, EM/CR Messes & (British) Sergeants Messes	do.		do.
3	Mess Orderlies Officers' Messes	Up to scale laid down in Appendix "B" See also paragraph 6a of this Order.		do. War Department Circular No. 21 dated 15 January 1943 also refers.
4	Mess Orderlies EM/OR and (British) Sergeants' Messes	Up to scale laid down in Appendix "B"		do.

Appendix "A" to Admin Order No.2.....

Dated...27.January.1944.....

HIRING OF CIVILIAN EMPLOYEES

CONDITIONS OF HIRING AND AUTHORITY <u>c</u>	WHETHER ENTITLED TO CONDITIONS & AUTHORITY <u>d</u>	SCALE AND AUTHORITY <u>e</u>	REMARKS <u>f</u>
Up to the scale laid down in Appendix "B" to supplement or replace soldier cooks. (No. 2 District Letter No 21/1A dated 16 December 1943) do.	American rations may be issued as part of the employees' remuneration under NATOUSA Circular No. 230, dated 26 November 1943. There is at present no corresponding authority to issue British rations, but this matter is being taken up. AFHQ Adv. Echelon letters No 75/Q-1 dated 4 January 1944 and 25/Q dated 14 December 1943 (App. "A") give a certain limited authority.	As per Appendix "B" (ACI 761 of 1941) do.	
Up to scale laid down in Appendix "B" See also paragraph 6a of this Order.		do.	
Up to scale laid down in Appendix "B"		War Department Circular No. 21 dated 15 January 1943 also refers. do.	

SERIAL NO <u>a</u>	CLASS OF EMPLOYEE <u>b</u>	CONDITIONS OF HIRING AND AUTHORITY <u>c</u>	WHETHER ENTITLED TO RATIONS & AUTHORITY <u>d</u>	SCALE AND AUTHORITY <u>e</u>	
5	Cleaners for Officers' Billets	(1) If Officers are accommodated in a requisitioned hotel which includes a mess, it may be necessary to engage servants for cleaning of bedrooms, passages, etc. in excess of the scale of mess servants authorized in Appendix "B". (2) Similarly, cleaners may be required for any form of Officers' billet, whether or not a mess is in the same building, if such work cannot be performed by soldier personnel or private servants.	As for Serials 1 - 4	The minimum considered essential by the responsible Officer. Regard will be had to No. of private servants employed under Paragraph 5 of this Order. (Authority: This Order)	for Reg Hea for
6	Civilians employed in the preparation of buildings shortly to be occupied and other classes of temporary employment.	Up to what is reasonably necessary in the circumstances	No	See column <u>c</u> (Authority: This Order)	
7	Office Cleaners	do.	No	As in Serial 6, column <u>c</u>	

CONDITIONS OF HIRING AND AUTHORITY	WHETHER ENTITLED TO RATIONS & AUTHORITY	SCALE AND AUTHORITY	REMARKS
<u>c</u>	<u>d</u>	<u>e</u>	<u>f</u>
(1) If Officers are accommodated in a requisitioned hotel which includes a mess, it may be necessary to engage servants for cleaning of bedrooms, passages, etc. in excess of the scale of mess servants authorized in Appendix "B". (2) Similarly, cleaners may be required for any form of Officers' billet, whether or not a mess is in the same building, if such work cannot be performed by soldier personnel or private servants.	As for Serials 1 - 4	The minimum considered essential by the responsible Officer. Regard will be had to No. of private servants employed under Paragraph 5 of this Order. (Authority: This Order)	Proposed scale will be submitted for each individual case to Chief Regional or Army AMG Officers or Headquarters, to Executive Office for Sanction.
Up to what is reasonably necessary in the circumstances	No	See column <u>c</u> (Authority: This Order)	do.
do.	No	As in Serial 6, column <u>c</u>	

SERIAL NO <u>a</u>	CLASS OF EMPLOYEE <u>b</u>	CONDITIONS OF HIRING AND AUTHORITY <u>c</u>	WHETHER ENTITLED TO RATIONS & AUTHORITY <u>d</u>	SCALE AND AUTHORITY <u>e</u>
8	Clerks	do.	No	As in Serial 6, Column <u>c</u>
9	Civilians not provided for above or under AFHQ or other proper authority.	Prior authority will be requested from this Headquarters, giving details and reasons.	-	-

CONDITIONS OF HIRING AND AUTHORITY <u>c</u>	WHETHER ENTITLED TO RATIONS & AUTHORITY <u>d</u>	SCALE AND AUTHORITY <u>e</u>	REMARKS <u>f</u>
do. Prior authority will be requested from this Headquarters, giving details and reasons.	No	As in Serial 6, Column <u>c</u>	

Appendix "B" to Admin Order No. 21.

Dated.....27 January 1944.....

AUTHORIZED SCALE OF COOKS AND MESS ORDERLIES FOR MESSES IN AMG-ACC

(Based on Army Council Instruction 761 of 1941)

1. OFFICERS' MESSES

<u>No. in Mess</u>	<u>Cooks</u>	<u>Mess Orderlies</u>
1 - 5	1	1
6 - 10	1	2
11 - 20	1	3
21 - 30	2	4
31 - 40	2	5
41 - 50	2	6
51 - 60	2	7
61 - 70	2	8
71 - 80	2	9
81 - 90	3	10
91 - 100	3	11

and thereafter 1 cook for each 50 Officers and 1 Mess Orderly for every

5 Officers.

2. SERGEANTS' MESSES

<u>No. in Mess</u>	<u>Cooks</u>	<u>Mess Orderlies</u>
under 10	1	1
11 - 20	1	2
21 - 24	1	1
25 - 30	2	2
31 - 40	2	3
41 - 50	2	4
51 - 60	2	5
61 - 70	2	6
71 - 74	2	5
75 - 80	3	5

and thereafter 1 additional mess orderly for each 10 or part of 10 in

the mess.

3. EM/OR MESSES

<u>No. in Mess</u>	<u>Cooks</u>	<u>Mess Orderlies</u>
under 1	1	-
10 - 35	1	1

<u>No. in Mess</u>	<u>Cooks</u>	<u>Mess Orderlies</u>
1 - 5	1	1
6 - 10	1	2
11 - 20	1	3
21 - 30	2	4
31 - 40	2	5
41 - 50	2	6
51 - 60	2	7
61 - 70	2	8
71 - 80	2	9
81 - 90	3	10
91 - 100	3	11

and thereafter 1 cook for each 50 Officers and 1 Mess Orderly for every

5 Officers.

2. SERGEANTS' MESSES

<u>No. in Mess</u>	<u>Cooks</u>	<u>Mess Orderlies</u>
under 10	1	1
11 - 20	1	1
21 - 24	1	2
25 - 30	2	1
31 - 40	2	2
41 - 50	2	3
51 - 60	2	4
61 - 70	2	5
71 - 74	2	5
75 - 80	3	5

and thereafter 1 additional mess orderly for each 10 or part of 10 in

the mess.

3. EM/OR MESSES

<u>No. in Mess</u>	<u>Cooks</u>	<u>Mess Orderlies</u>
under 1	1	1
10 - 35	1	1
36 - 75	1	2

and thereafter 1 cook for each additional 50 and 1 mess orderly for each

additional 35.

ALLIED MILITARY GOVERNMENT
SICILY REGION HEADQUARTERS
PALERMO

Subject:- Indennità di Bombardamento

2105/F

30 Oct 43

To:- All SCAOs and FOs in Sicily

By Italian law, indennità di bombardamento payable to governmental employees expires two months after the last bombing. In view of present cost of living conditions, this indennità will continue to be paid.

All State, Provincial and Communal officials charged with the preparation and payment of governmental payrolls will be so notified.

CHARLES FOLETTI,
Lieut-Colonel,
Regional Civil Affairs Officer.

Copies to :- Sicily Region HQ (4)
ALOT HQ (6)
Brig. Hamlyn (10)

PA

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