

C. 643. M. 211. 1927 II.

## ANNEX 1006.

REPORT ON THE WORK OF THE FINANCIAL COMMITTEE  
DURING ITS TWENTY-NINTH SESSION

*held at Geneva from November 29th to December 7th, 1927*

## INTRODUCTION.

The Financial Committee has the honour to submit to the Council the following report on the work of its twenty-ninth session, held in Geneva from November 29th to December 7th, 1927

The following members were present

Sir Otto NIEMEYER (*Chairman*),  
M. ARMANNI (in place of M. BIANCHINI),  
M. DE CHALENDAR,  
M. DUBOIS,  
M. JANSSEN,  
M. MELCHIOR,  
M. TER MEULEN,  
M. POSPISIL,  
Mr. Jeremiah SMITH,  
Sir Henry STRAKOSCH,  
M. Jakob WALLENBERG (in place of M. Markus WALLENBERG),  
M. YAMAJI (in place of M. TSUSHIMA).

The following also attended part of the meetings

1. M. ADOR, Chairman of the Economic and Financial Committee.
2. *For Bulgarian questions*
  - (1) Financial reconstruction in Bulgaria
    - M. MOLLOFF Minister of Finance.
    - M. BOUROFF Minister for Foreign Affairs.
    - M. Assen IVANOFF Governor of the Bulgarian National Bank.
    - M. Boris IVANOFF Chief of Budget Section in Ministry of Finance.
  - (2) Settlement of Bulgarian refugees
    - M. CHARRON, Commissioner of the League of Nations in Sofia.
    - M. SARAFOFF Director-General for the Settlement of Refugees.
3. *For Greek questions*
  - (a) Representative of the National Bank of Greece
    - M. TSOUDEROS, Sub-Governor of the National Bank.
  - (b) Representative of the Greek Refugee Settlement Commission
    - Mr. Charles EDDY Chairman of the Commission.
4. *For questions relating to the balance of the Austrian Reconstruction Loan*
  - Mr. ROST VAN TONNINGEN, representative in Vienna of the Trustees of the Loan.
5. *For questions relating to the balance of the Hungarian Reconstruction Loan.*
  - Count BETHLEN, Prime Minister.
  - M. BUD, Minister of Finance.
  - Mr. Royall TYLER, representative in Budapest of the Trustees of the Loan.
6. *For the Mixed Greco-Bulgarian Emigration Commission*
  - Colonel DE REYNIER, Chairman of the Commission.
  - Colonel CORFE, Member of the Commission.
  - M. LAGRANGE, General Secretary of the Commission.
  - M. BRÖNIMANN, Chief Accountant of the Commission.

## 7. For questions regarding the Danzig Municipal Loan 1925

Dr. SAHM, President of the Danzig Senate.  
Dr. FERBER, Government Counsellor.

## 8. For the question of financial reconstruction in Portugal.

General J. J. SINEL DE CORDES, Minister of Finance.  
M. I. RODRIGUES CAMACHO, Governor of the Bank of Portugal.  
M. A. J. MALHEIRO, Director-General of Public Accountancy.  
Dr. A. F. CARNEIRO PACHECO, Professor of Law.

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## I. BULGARIA.

(a) Settlement of Refugees.<sup>1</sup>

The Committee has examined the Fifth Quarterly Report of the League Commissioner for the Settlement of Bulgarian Refugees, M. René CHARRON, dealing with the period from August 15th to November 15th, 1927 (document C. 573. 1927. II). The Committee discussed the questions raised in the report with M. Charron and with M. SARAFFOFF, Director of the settlement work.

The allocation of land has made very satisfactory progress. It is expected that the work of surveying and of staking out the individual plots will be completed in the course of 1928.

It will thus be possible to give a new impetus — as soon as the winter months are over — to the definite allocation of lands to the refugees and to the building of houses. The Committee hopes that the next year will show more rapid progress in these parts of the work than has been possible during the preparatory period.

The members of the Committee who recently visited Sofia expressed their satisfaction at the efficient manner in which the offices of M. Charron and M. Saraffoff were run.

The report does not require any decisions from the Council.

## (b) Financial Reconstruction.

On September 15th, 1927, the Council — at the request of the Bulgarian Government — asked the Financial Committee and the Secretariat “to undertake an examination of the financial position of Bulgaria.”

In consequence of this decision, a delegation of the Financial Committee, consisting of Sir Otto NIEMEYER (*Chairman*), M. ALBERTI (replacing M. Bianchini), M. DE CHALENDAR, M. JANSSEN and Dr. POSPISIL, paid a visit to Sofia, in order to investigate on the spot the financial and economic problems of Bulgaria. Preliminary information had been obtained by members of the Secretariat who had arrived in Sofia some weeks earlier. The Bulgarian Government and the Bulgarian National Bank have given all possible assistance in this enquiry.

The information obtained in Sofia has been discussed during the present session of the Financial Committee. During its discussions the Committee had the advantage of hearing on more than one occasion the representatives of the Bulgarian Government, M. BOUROFF, Minister of Foreign Affairs, and M. MOLLOFF, Minister of Finance, and also M. IVANOFF, the Governor of the National Bank.

While considerable progress has been made towards a plan of reconstruction, there are certain questions which still require elucidation. The Financial Committee proposes therefore to consider the matter further in collaboration with the Bulgarian Government and to report at its next session.

<sup>1</sup>The Council took note of this part of the Financial Committee's report at its meeting of December 9th, 1927.

## II. GREECE.

(a) *Settlement of Refugees.*

The Financial Committee, after considering the Sixteenth Quarterly Report of the Settlement Commission, supplemented by oral explanations from Mr. EDDY its President, has no special comments to make. It recommends the Council to adopt the report.

(b) *Stabilisation Loan.*

The Protocol approved by the Council at its last session and signed on behalf of the Hellenic Government on September 15th, 1927 as also the Convention between the Hellenic Government and the National Bank regarding the creation of a new Bank of Issue, together with the Statutes of the new bank, have been ratified by the Hellenic Parliament in the form approved and have been duly promulgated.

The Committee have learnt that certain difficulties which might have prevented the service of the proposed loan from being effected through the International Financial Commission at Athens have now been removed. They understand that it now only remains for the Annex to the Protocol to be signed, which provides that the representatives on the International Financial Commission of the Governments concerned shall undertake this service. All prior conditions will then have been satisfied and the Hellenic Government will be in a position to begin negotiations for the issue of the loan.

## III. BALANCE OF THE AUSTRIAN RECONSTRUCTION LOAN.

The Committee was informed by M. DUBOIS of the present position as regards this balance. The Committee also heard M. ROST VAN TONNINGEN, the League's agent in Vienna.

## IV BALANCE OF THE HUNGARIAN RECONSTRUCTION LOAN

The Committee examined the memorandum of the Hungarian Government requesting that the Council of the League should authorise the use of the unexpended balance of the Reconstruction Loan for capital investments under the budget for the financial year 1928-29. This balance will at July 1st, 1928, amount to approximately 33.9 million gold crowns or 39.3 million pengos.

The Committee discussed this proposal with Mr. Royall TYLER, the League representative in Budapest, who stated that he had examined the programme of expenditure before its submission to the Committee and was in agreement with it.

The Committee recommends the Council to approve the proposal of the Hungarian Government, it being understood that the conditions as to release and supervision will be the same as those in force since July 1st, 1926, in connection with previous releases for similar purposes.

## V DANZIG MUNICIPAL LOAN 1925.

On August 15th, 1927 the Senate of the Free City of Danzig requested that the Council should approve certain changes in the programme of expenditure of the Danzig Municipal Loan 1925. In September, during the examination of this request, the Financial Committee was informed by the Danzig Senate that the latter desired that the decision as to one of these changes, involving a sum of £159,701 3s. 2d., might be postponed in order that the Senate might consider certain modifications in its proposal.

This the Senate has now done. In its letters of November 17th and 22nd (document C. 581. 1927 II), the Senate requests the Council's approval to the employment of the sum of £159,701 3s. 2d., for the following purposes

(a) Construction of the main road from Danzig to the suburb of Neufahrwasser	£	s.	d.
	40,000	0	0
(b) Linking up of the sewerage of Danzig-Neufahrwasser with the sewage filter-bed at Saspe	20,000	0	0
(c) Enlargement of the municipal slaughterhouse and stock-yard	20,000	0	0
(d) The building of dwelling-houses	79,701	3	2

The Financial Committee has examined this proposal and considers that the expenditure contemplated is essentially of a constructive character.

The Committee therefore recommends to the Council to approve, in accordance with its powers under Article 18 of the Loan Contract, that, in modification of the programme of expenditure, a sum of £159,701 3s. 2d. from the proceeds of the Danzig Municipal Loan 1925 may be employed for the above purposes.

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This part of the Financial Committee's report was approved by the Council at its meeting of December 6th, 1927.

## NOTE BY THE SECRETARIAT.

For purposes of record, some further documents are printed herewith relating to questions with which the Financial Committee was concerned at its twenty-ninth session.

## I. PORTUGAL.

The following letter was received from the Portuguese Government. The Council decided, on December 5th, to refer the matter to the Financial Committee and to the Secretariat, with a request that they should study the financial situation of Portugal and submit a report at the next session of the Council.

Lisbon, November 24th, 1927.

*To the President of the Council of the League of Nations.*

The Portuguese Government is desirous to carry out a complete scheme of financial reconstruction, currency stabilisation and economic development.

The Government believes it impossible to meet these three objects without concluding an external loan of considerable amount and, besides, thinks that important advantages could be obtained in case the operation should be carried out with the acquiescence of the Council of the League of Nations.

For the reasons stated above, I have the honour, on behalf of the Portuguese Government, to request you to be so good as to ask the Council to authorise the Financial Committee of the League of Nations to examine the question and thus enable the Council to give its opinion with regard to the wishes of the Portuguese Government that the loan should be floated under the auspices of the Council of the League of Nations.

(Signed) JOÃO J. SINEL DE CORDES,  
*Finance Minister of the Portuguese Republic.*

## 2. MIXED GRECO-BULGARIAN EMIGRATION COMMISSION.

The Financial Committee, at its twenty-ninth session, discussed the general lines on which a settlement might be reached with regard to the financial obligations of the Bulgarian and the Greek Governments resulting from this emigration.

After the end of the session of the Financial Committee, the two Governments signed an Agreement, which is appended, together with the relative documents.

(a) *Letter from the Chairman of the Financial Committee to the President of the Council.*

Geneva, December 9th, 1927.

On September 3rd last, the Council, on the proposal of the Rapporteur, Sir Austen Chamberlain, requested the Financial Committee to give advice to the President of the Mixed Greco-Bulgarian Emigration Commission (if the latter so desired) on any technical aspects of the problem how the financial obligations of the Bulgarian and Greek Governments arising in connection with the Greco-Bulgarian emigration were to be met.

The President of the Mixed Commission submitted the whole problem to the Financial Committee, which, after agreeing on certain general lines of a settlement, asked its Chairman to negotiate in detail with the parties concerned.

To-day after the Financial Committee has dissolved, the Finance Ministers of the two Governments and the President of the Mixed Commission arrived at an agreement, on the basis suggested by the Financial Committee, which has my concurrence as Chairman of the Committee.

The Chairman of the Greek Refugee Settlement Commission and the Commissioner for the Settlement of Refugees in Bulgaria have been consulted in regard to Article 6 of the Agreement, in which they concur.

The Greek and Bulgarian Governments will submit this Agreement to the Council, and I venture to hope that the Council will, at its present sitting, feel able to give its approval. I would add that the specific duties which the Council is asked to undertake in connection with the Agreement do not appear to me to give rise to any objection.

(Signed) O. E. NIEMEYER,  
*Chairman of the Financial Committee.*

(b) *Letter addressed to the President of the Council of the League of Nations by the Bulgarian and Greek Ministers of Finance.*

Geneva, December 9th, 1927

Your Excellency

We have the honour to enclose herewith copy of an Agreement which we have signed on to-day's date and the original of which is deposited in the archives of the Secretariat of the League of Nations.

Section 9 of the said Agreement provides that the latter "shall be subject, as far as the League of Nations is concerned, to the acceptance of the Council"

We accordingly have the honour to request you to submit the Agreement to the Council in conformity with this clause.

(Signed) Wl. MOLLOFF  
Bulgarian Minister of Finance.

(Signed) G. CAPHANDARIS,  
Greek Minister of Finance.

(c) *Agreement.*

[Translation.]

In view of the Convention of Reciprocal Emigration signed at Neuilly-sur-Seine on November 27th, 1919

In view of the "Plan de paiements" adopted on December 8th, 1922

Whereas the President of the Mixed Commission provided for in the said Convention has been consulted and has signified his concurrence

The undersigned representatives of Bulgaria and Greece have agreed as follows

In lieu of the existing provisions of Article 9, paragraphs 2, 3 and 4, and Articles 11-19 of the "Plan de paiements" of December 8th, 1922, the following provisions shall have effect

*Article 1.* The "titres définitifs" contemplated by the "Plan de paiements" shall be in the form of consecutively numbered bonds in levas or drachmas (as the case may be), free from all Bulgarian or Greek taxes (as the case may be), carrying interest at the rate of 6 per cent per annum, payable half-yearly on January 1st and July 1st and repayable by a sinking fund as provided below commencing July 1st, 1928. The text of the "titres définitifs" to be issued by each of the Governments shall be identical and fixed by direct agreement between each of the Governments and the Mixed Commission.

The two Governments undertake—so long as any bonds of these issues are outstanding, in each half-year from July 1st, 1928, onwards—to apply to the purchase of bonds for cancellation a sum equal to one-sixtieth of the face value of the total amount of bonds issued (including provisional bonds not yet exchanged for definitive bonds).

For this purpose, a bond shall be considered to have been "issued" one month after the date on which the Mixed Commission notify to the proper organs of the two Governments the name of a claimant and the amount due to him.

In so far as the necessary bonds cannot be purchased, and in any case if the market price is above par, bonds shall be drawn for payment at par. The drawings shall be made by the respective Public Debt Departments. Purchases and drawings for sinking funds shall be carried out by the National Bank of Bulgaria and the Greek Bank of Issue respectively to whom the half-yearly sinking fund allocation shall be transferred by the Government concerned on January 1st and July 1st respectively in each year, commencing with July 1st, 1928. If it is necessary to draw any bonds, drawings must take place not later than one month before the end of the six-monthly period, *i.e.*, the first drawings would be not later than December 1st, 1928, for repayment at par on January 1st, 1929. Particulars of all drawn bonds shall be published in the *Official Gazette* and exhibited at all branches of the Bank of Issue of the country concerned.

The Banks shall notify to the Mixed Commission and to the Council of the League of Nations at the end of each semestral period the amounts paid for interest on the bonds, the amounts received by them for the sinking fund, and the sums applied by them to redemption, (a) by purchase, (b) by drawings.

Either Government will further be entitled to repay at par any time, on giving one month's notice, the whole or any additional part (to be chosen by drawing) of the bonds issued in its own currency and in that event the amounts required for the half-yearly sinking fund payments shall be reduced in the ratio of the face value of the bonds repaid to the face value of the total bonds issued.

The bonds and their coupons shall be exempt from all imposts, taxes, dues or charges whatever, existing or future, in the country of issue, and shall be accepted in that country at par as security for all State contracts.

The two Governments hereby undertake to obtain forthwith any legislative authority necessary to secure the inscription each year in the ordinary budget of the State of the amounts necessary for the service of the above issues.

*Article 2.* As soon as the two Governments have approved this Agreement, the issue of "titres provisoires" shall cease, and the existing "titres provisoires" shall be exchanged as rapidly as possible for "titres définitifs"

*Article 3.* Any "titres provisoires" which it may be necessary to issue after January 1st, 1928, shall be in the amended form shown in Appendices I and II.

*Article 4.* On December 31st, 1927 and at the end of each six months thereafter, until the application of Article 5, the Mixed Commission shall fix, in agreement with the Ministries of Finance in each country the total face value of the bonds (including provisional bonds) issued (as defined in paragraph 3 of Article 1 above).

The Mixed Commission shall compare the totals thus issued in levas and drachmas respectively converting the currency of the debtor country at the average rate on the creditor country for the last month of the six months in question.

Whichever Government is, as the result of this comparison, at that moment in debt to the other Government shall forthwith (and in no case later than one month after the end of the half-year) pay to the creditor Government, in the currency of that Government, the equivalent of the half-yearly interest on the amount of bonds equivalent to its debt, together with the sinking fund, if any due on such bonds. For the first settlement, all interest previously paid or due shall be included in the calculation.

It shall be the duty of the Mixed Commission to obtain promptly from the two Ministries of Finance the information necessary to establish the above comparison and the two Governments hereby undertake to give to the Commission or its representatives every facility to obtain such information, and, further, themselves to take any necessary administrative measures to secure that all necessary information will be promptly available.

*Article 5.* As soon as all the "titres définitifs" (or sufficient of such titres as in the opinion of the Mixed Commission to justify such a step) have been issued in accordance with the definitions given in paragraph 3 of Article 1 above, the Mixed Commission shall fix a total, subject if necessary to further adjustment later, of the balance due by the debtor State (calculated as in the preceding article). The Mixed Commission shall calculate the half-yearly service (interest and sinking fund) on the above total, and the debtor State shall deliver to a neutral bank to be appointed by the Council of the League of Nations as its mandataire, bonds dated December 15th and June 15th respectively one for each of the half-yearly payments (interest and sinking fund — *i.e.*, one-sixtieth every half-year for 30 years). Such bonds shall be payable in the currency of the creditor country. The mandataire shall present these bonds as they fall due to the debtor State and remit the proceeds to the creditor Government, with a view to the amounts due reaching the creditor Government at least three clear days before January 1st and July 1st respectively. The debtor Government shall pay the charges of the mandataire for this service.

*Article 6.* The League organisations in both countries for the settlement of refugees will make arrangements with the respective Governments to receive the provisional and definitive bonds issued by the respective Governments at par from the refugees for certain payments due by them to the settlement organisations.

*Article 7.* The functions of the Mixed Commission under this Agreement may be transferred to such other person or body as may be approved for the purpose by the Council of the League of Nations if at any time it shall so decide.

*Article 8.* Any differences as to the interpretation of this Agreement shall be settled by the Council of the League of Nations, which shall decide by majority vote.

*Article 9.* The present Agreement shall be subject, so far as the League of Nations is concerned, to the approbation of the Council.

*Article 10.* The present Agreement shall be ratified and the ratification shall be deposited with the Secretariat of the League of Nations.

DONE at Geneva on December 9th, 1927 in a single copy which shall remain deposited with the Secretariat of the League of Nations, and shall be registered by the latter as soon as possible.

For Bulgaria

(Signed) Wl. MOLLOFF  
Minister of Finance.

For Greece

(Signed) G. CAPHANDARIS,  
Minister of Finance.

(Signed) James DE REYNIER,  
President of the Mixed Commission.

## Appendix I.

*Kingdom of Bulgaria Department of Public Debt and of Debts guaranteed by the State.*

## SIX PER CENT BULGARIAN STATE LOAN OF 1923.

Contracted in virtue of the Convention between Bulgaria and Greece concerning the freedom of emigration of minorities signed on November 27th, 1919, at Neuilly, and of the Regulations concerning the application of this Convention published in the *Official Journal* of June 28th, 1922, No. 68.

## Provisional Certificate No.

	One thousand	
Leva	(1,000)	Leva

The present provisional certificate, together with the coupons attached thereto, shall be exempt from all impositions, taxes, duties or charges whatsoever which are or may be imposed hereafter by the Bulgarian laws.

The coupons due for payment attached to this certificate shall be accepted by all the State treasuries in payment of all direct taxes imposed by the State.

The present provisional certificate may be accepted at par as security for all contracts which have been or may hereafter be concluded with the Bulgarian State.

The present provisional certificate shall be exchanged against a final bond provided with half-yearly coupons and redeemable by means of a fixed sinking fund from July 1st, 1928, onwards.

Sofia, January 1st, 1928.

(Reverse blank.  
Coupons as at present.)

## Appendix II.

[No. of Provisional Certificate 007001.]

*Hellenic Republic.*

*Six per cent Greek State Loan of 1923.*

*Hellenic Republic. — Ministry of Finance. — Public Debt Department.*

*Six per cent Greek State Loan of 1923.*

Contracted in virtue of

(1) The Convention between Greece and Bulgaria relating to reciprocal emigration, signed at Neuilly on November 27th, 1919

(2) Law No. 2780 of June 7th, 1922, on the application of the said Convention.

## Provisional Bearer Certificate of a Bond of Dr. 500,

No. 007001.

The present provisional certificate, together with the coupons attached thereto, shall be exempt from all impositions, taxes, duties or charges whatsoever which are or may be imposed hereafter by the Greek laws.

The coupons due for payment attached to this certificate shall be accepted by all the State treasuries in payment of all direct taxes imposed by the State.

It may be given as security for all contracts which have been or may hereafter be concluded with the Greek Government.

The present provisional certificate shall be exchanged against a final bond provided with half-yearly coupons and redeemable by means of a fixed sinking fund from July 1st, 1928, onwards.

Athens, January 1st, 1928.

*Minister of Finance*

*Director of Public Debt.*

Verified.

(Reverse blank.  
Coupons as at present.)