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LEAGUE OF NATIONS

CONFERENCE FOR THE REDUCTION AND LIMITATION  
OF ARMAMENTS

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NATIONAL DEFENCE EXPENDITURE  
COMMISSION

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REPORT  
OF THE  
TECHNICAL COMMITTEE

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Volume I

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**COVERING LETTER TO THE REPORT.**

Geneva, April 8th, 1933.

Your Excellency,

I have the honour to forward to you herewith the Report of the Technical Committee set up by the National Defence Expenditure Commission on March 16th, 1932. This report was adopted on April 8th, 1933, the following members or substitute members being present:

M. ANDO (Japan),  
Major-General BARBERIS (Italy),  
M. MENDES GONÇALVES (Brazil),  
M. HÄGGLÖF (replacing M. Sandler) (Sweden),  
M. JACOMET (France),  
Colonel KISSLING (Switzerland),  
Mr. LYON (United Kingdom),  
H.E. M. DE MODZELEWSKI (Poland),  
Lieutenant-Colonel STRONG (United States of America),  
M. WORBS (Germany).

You will find in the body of the report, and particularly at the end of Chapter XXII, the reservations to the text adopted made by certain members of the Committee.

I have the honour to be, etc.

*(Signed) K. LYON,*  
*Vice-President of the Technical Committee.*

His Excellency M. A. DE VASCONCELLOS,  
Chairman of the National Defence Expenditure  
Commission of the Conference for the Reduction  
and Limitation of Armaments, Geneva.

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## DEFINITIONS.

As financial terms are employed in very different senses in different countries, the Committee has felt called upon to adopt a certain number of standard definitions. These definitions are only intended to indicate the general meaning of the financial terms used in the present report. They cannot be regarded as capable of settling in themselves all difficulties of interpretation.

### *Financial or Budgetary Year.*

The financial or budgetary year is the period of twelve months to which a budget relates. In some countries this period begins on January 1st, but in the majority it does not coincide with the calendar year.

### *Financial "Exercice".*

The financial "exercice" is the period of execution of a budget. In some countries this period is twelve months, but in others it comprises, in addition to this period of twelve months, complementary periods granted for the completion of operations relating to the collection of revenue and the liquidation, "ordonnancement", and payment of expenditure in connection with services rendered in principle during the budgetary year.

### *Budgetary Unity.*

Budgetary unity is the rule according to which all State receipts and expenditure must be included in a single general budget and a single general account.

### *Gross Accounts and Net Accounts.*

By gross accounts are meant accounts drawn up on the principle that all revenue and all expenditure must be entered separately in the budget and accounts, without any deduction.

Net accounts are accounts drawn up on the principle that the budgets and accounts should show only the balance of revenue over expenditure—*i.e.*, the net revenue and the balance of expenditure over receipts: *i.e.*, net expenditure.

### *Division of Expenditure.*

Budgetary division of expenditure consists in the more or less detailed classification of credits and expenditure either according to departments or according to the nature of the credit or expenditure, the public services being obliged to employ the amount authorised exclusively for the purpose explicitly laid down when the credit was granted.

### *"Virement".*

"Virement" is the right granted to the public services, in virtue either of the accountancy law or of a special provision in the budget, to utilise a credit for a purpose other than that for which it was originally granted.

### *"Annalité".*

"Annalité" is the rule whereby credits opened for the expenditure of each financial "exercice" cannot be employed in discharge of expenditure of another "exercice".

### *Carry-forward of Credits.*

The carry-forward of credits consists in the right to utilise (*i.e.*, according to the different financial systems, to enter into commitments, to issue orders for payment, or to pay), after the end of the financial "exercice", credits granted during that "exercice" and not consumed on its expiration by the act whereby, according to the respective financial systems, a credit is consumed (*i.e.*, commitment, issue of an order for payment, or payment).



*Authorisation of Commitments.*

The authorisation of commitments is the right given to the services to enter into commitments during a financial year, subject to the condition that the payments in respect of these commitments can only be effected by virtue of a payment credit to be granted during the succeeding financial year or years.

*Commitment.*

This term has two acceptations, one in *law* and the other in *accountancy*.

In its *legal* acceptation, commitment in relation to expenditure consists in any act by a competent authority by which the State or any other public person binds itself to effect expenditure.

In the *accountancy* acceptation of the term, commitment consists in the entry in the books of the amount of a State debt or of any administrative decision which will involve a disbursement on the part of the State.

The entry of the amounts of these commitments in the books has the consequence of reducing the credits available—*i.e.*, of pledging the credits as and when these entries are made up to the total estimated amount of the said sums entered in the books. In addition to the debts created by commitments entered into in the course of a given year, there exist for the same year debts resulting from commitments of previous years, such as appointments of officials, leases, and long-term agreements, which have given rise to claims against the State extending over several years.

*Liquidation.*

The liquidation of expenditure connotes the legal examination of the validity of a claim against the State, the evaluation of the *amount* of such claim, and the recognition of the State's debt.

*“ Ordonnancement ”.*

The “ *ordonnancement* ” of an item of expenditure signifies the issue of an order for payment. This order for payment is addressed either directly to the creditors or to the Office responsible for making the payment or for issuing cheques in favour of creditors.

*Payment.*

The payment of expenditure is the act which discharges the State from its debt, either by the delivery to the creditor of the sum due to him, or by the placing of the amount of the said sum to the creditor's account in a banking institution, or, again, by the delivery of the sum to a third party, if the law recognises such delivery as discharging the debt.

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## Chapter I.

### INTRODUCTION.

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#### 1. Committee's Terms of Reference.

The present report describes the work of the Technical Committee appointed on March 16th, 1932, by the National Defence Expenditure Commission to study the details of application of a system of publicity or limitation of expenditure on armaments.

The terms of reference laid down by the Expenditure Commission were as follows:

"(a) To study the documentation regarding national defence expenditure supplied in accordance with the decision of the League Council dated May 23rd, 1931 . . . ;<sup>1</sup>

"(b) To study the documentation, information and additional explanations to be supplied . . . by the delegations of the States represented at the Conference;

"(c) To study the technical questions in connection with the limitation and publicity of expenditure which the Commission may subsequently consider it advisable to refer to the Committee.<sup>2</sup>

"(d) To submit to the Commission in due course reports on the questions referred to it for examination."

Subsequently, the General Commission's resolution dated July 23rd, 1932, <sup>3</sup> known as the Beneš resolution, further defined the scope of the task assigned to the Committee, describing as follows the final aim of the proceedings of the Expenditure Commission and of its Technical Committee:

" . . . 2. Limitation of national defence expenditure.

"(a) The Conference shall decide, on the resumption of its labours, taking into account the special conditions of each State, what system of limitation and publicity of expenditure on national defence will provide the peoples with the best guarantee of an alleviation of their financial burdens, and will prevent the measures of qualitative and quantitative disarmament to be inserted in the Convention from being neutralised by increases or improvements in authorised armaments.

"(b) With a view to the decisions to be taken under this head, the Conference requests the Committee on National Defence Expenditure and its Technical Committee to continue and complete the work entrusted to these organs and to submit their report as soon as possible. The Conference requests its Bureau to draw up, on the basis of this report, a plan accomplishing the purpose aimed at and taking into consideration the special conditions of the various States."

This resolution shows the connection between the limitation and publicity of national defence expenditure and the questions of qualitative and quantitative disarmament dealt with by other organs of the Conference.

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<sup>1</sup> By a circular letter from the Secretary-General of the League of Nations dated March 30th, 1931 (C.L.63.1931.IX), communicating this decision to Governments, the attention of the latter was directed to Chapter 4 of the Report of the Committee of Experts on Budgetary Questions, recommending the various States to fill in, by way of experiment, and before the opening of the Conference, the Model Statement framed by the experts. The documentary material received in reply to that circular letter before the setting-up of the Technical Committee is reproduced in the printed series "Particulars with regard to the position of armaments in the various countries".

<sup>2</sup> As will be seen from the Minutes of the Expenditure Commission, the questions referred, after discussion, to the Technical Committee cover practically all the points dealt with in the Report of the Experts on Budgetary Questions.

<sup>3</sup> Document Conf.D.136.

**2. Composition of the Committee.**

The composition of the Technical Committee was as follows<sup>1</sup>:

His Excellency M. Savel RADULESCO, *Chairman* (Roumania), Minister Plenipotentiary, Under-Secretary of State for Foreign Affairs, Vice-Chairman of the National Defence Expenditure Commission.

Mr. K. LYON, C.B.E., *Vice-Chairman* (United Kingdom), War Office.

Substitute: Mr. H. FITZ GERALD, M.C.

M. JACOMET (France), *Rapporteur-General*, Comptroller-General of the Army, former Chairman of the Committee of Experts on Budgetary Questions.

Substitutes: { Lt.-Col. STEHLE.  
Capt. Louis PERILLIER.

M. WORBS (Germany), Counsellor at the Reich Ministry of Finance, former member of the Committee of Experts on Budgetary Questions.

Commander R. DE VASCONCELLOS (Brazil), former member of the Chamber of Deputies and Budget Rapporteur in the Brazilian Parliament.

Substitutes: { M. A. A. DE MELLO FRANCO.  
M. Roberto MENDES GONÇALVES, Secretary of the Brazilian Legation at Berne.

The Hon. Norman DAVIS (United States of America), former Under-Secretary of State.

Substitutes: { Brigadier-General George S. SIMONDS.  
Major James B. ORD.  
Lt.-Col. Geo. V. STRONG.

M. Cesare TUMEDEI (Italy), Barrister-at-Law, Member of the Chamber of Deputies, former member of the Committee of Experts on Budgetary Questions.

Substitutes: { M. Hector CAMBI, G.O.;  
M. Eugenio PETRUCCI, G.O.;  
Major-General Luigi BARBERIS, Naval Engineers.

M. Shoji ARAKAWA<sup>2</sup> (Japan), Secretary of the Ministry of Finance

Substitute: M. Yoshiro ANDO, Secretary of Embassy.

His Excellency M. Jean DE MODZELEWSKI (Poland), Envoy Extraordinary and Minister Plenipotentiary, Member of the Supervisory Commission of the League of Nations.

Substitute: Major B. MOKRZYCKI.

His Excellency M. R. J. SANDLER (Sweden), Minister for Foreign Affairs.

Substitutes: { M. U. A. J. BRUNSKOG, Councillor, Chief of Section  
in the Admiralty.  
M. B. G. R. HÄGGLÖF, Secretary to the Swedish Delegation.

Colonel E. M. G. KISSLING (Switzerland), Secretary of the Federal Military Department.

Substitute: Colonel DE LORIOL.

M. F. GROBINE (Union of Soviet Socialist Republics), People's Commissariat for Military Affairs.

*Secretary*: M. Finn T. B. FRIIS, member of the Disarmament Section of the Secretariat of the League of Nations.

*Technical Adviser*: Dr. A. VON SUCHAN, of the Financial Section and Economic Intelligence Service of the Secretariat.

<sup>1</sup> M. Worbs was obliged to interrupt his attendance at the Committee's meetings on September 12th, 1932. When he resumed attendance on January 31st, 1933, the Committee had begun the first reading of the draft report which it had drawn up meanwhile.

M. Grobine and the expert of United States nationality did not take part in the Committee's work after July 22nd, 1932; the latter, however, resumed his collaboration on April 3rd, 1933. M. Radulesco did not attend the meetings after October 20th, 1932.

<sup>2</sup> His Excellency Viscount K. MUSHAKOJI (Japan), Envoy Extraordinary and Minister Plenipotentiary, succeeded M. Arakawa as from September 28th, 1932.

**3. Summary of Previous Work on Limitation and Publicity of Expenditure.** Before explaining the method of work adopted by the Committee and the results at which it has arrived, it will be well to recall the studies carried out and the decisions adopted previously in the domain of the publicity and limitation of national defence expenditure.

During the preparatory work of the Conference for the Reduction and Limitation of Armaments, important studies had been undertaken on this subject. The problem had already been broached in 1926-27 by the *Preparatory Commission* of the Conference which had referred the relevant questions for examination to *Sub-Committees A and B*, to the *Mixed Committee*, and, lastly, to the *Committee of Experts on Budgetary Questions* set up in November 1926, which submitted two successive reports, document C.P.D.40, dated March 17th, 1927, and document C.P.D.90, dated July 1st, 1927.

In the draft Convention framed by the Preparatory Commission and communicated in January 1931 to the States invited to the Conference (document C.687.M.288.1930.IX) the following articles relate to the publicity or limitation of national defence expenditure, as the case may be:

*Article 10* (Limitation of the annual expenditure on material for land armaments).

*Article 24* (Limitation of the annual expenditure on material for naval armaments).

*Article 29* (Limitation of the total annual expenditure of each of the High Contracting Parties on its armed forces and formations organised on a military basis).

*Article 33* (Publicity, by categories of materials, of expenditure on the upkeep, purchase and manufacture of land and sea war materials).

*Article 38* (Publicity of the total expenditure on land, sea and air armaments).

The report of the Preparatory Commission (document C.690.M.289.1930.IX) accompanying the draft Convention contains important commentaries on each of the foregoing articles and also notes the reservations made by some of the States represented.

Moreover, the Preparatory Commission decided, in December 1930, to reconstitute the Committee of Experts on Budgetary Questions and instructed it to enquire into the means by which the publicity and limitation of expenditure laid down in the draft Convention could be carried out, paying special attention to:

- (a) The necessity for limiting all the expenditure in question;
- (b) The variety of ways in which budgets are presented and discussed in different countries;
- (c) The adjustment of the proposed method of limitation to possible fluctuations in the purchasing power of different currencies, especially with regard to the cost of war material;
- (d) The conditions in which credits for one financial year might be carried over to the following year or years.

The Committee of Experts had been requested, further, in connection with the application of Article 29, to enquire into the technical possibility of a separate limitation of the expenditure on land, sea and air forces. During two sessions held in December 1930 and February 1931, the Committee, as reconstituted, engaged in studies which resulted in the report reproduced in document C.182.M.69.1931.IX. In conformity with the Council decision of January 24th, 1931, the report of the Committee of Experts was communicated on March 30th following to all the Governments.

On March 8th, 1932, the General Commission of the Conference decided to refer the following questions to the National Defence Expenditure Commission with a request to deal with them without their having been previously discussed by the General Commission:

- I. Article 29 (Limitation of total annual expenditure).

Proposals on the subject, more particularly:

- (a) Continuous study of the budgetary method in consideration of fluctuations in purchasing power;

- (b) Budgetary limitation, relating to total expenditure and to individual chapters;
- (c) Abolition of secret funds and unification of the military budget.
- 2. Article 33 (Publicity by category of the expenditure on land and naval material).
- 3. Article 38 (Publicity of total expenditure).
- 4. Examination of the report of the Committee of Experts on Budgetary Questions (document C.182.M.69.1931.IX):
  - (a) Part of the report concerning publicity;
  - (b) Part of the report concerning limitation, in so far as this part deals with the questions enumerated under 1.

On the other hand, Articles 10 and 24 (Special limitation of expenditure on the material of land and naval armaments) have not been expressly referred to the Expenditure Commission; but, owing to the close connection between the subject-matter of these articles and the questions which it was instructed to deal with, the Committee was led to consider them in the course of its work.

**4. Information requested from States by the Committee.** By its resolution of March 16th, 1932, the Expenditure Commission requested all the delegations of States represented at the Conference to furnish the Technical Committee with the documentation which it required in order to accomplish its task.

At its first meetings, on March 17th and 18th, the Technical Committee endeavoured to define the nature of the documentation which it required. A list of the essential documents to be produced (document Conf.D./C.D.5)<sup>1</sup> was sent for this purpose to the various Governments on March 19th, with a request to forward the documentation to the Committee without delay and, if possible, before April 11th. The Expenditure Commission drew particular attention to the necessity for obtaining as complete information as possible on the budgetary systems in force in the various countries (preparation, presentation, adoption, execution of the budget and supervision of execution), and the Committee, at the Commission's request, drew up a special questionnaire which was also forwarded to the delegations (document Conf.D./C.D.6).<sup>2</sup>

**5. Scope of the Committee's Work.** The Technical Committee's work, in conformity with the terms of reference received from the Expenditure Commission, comprised on the one hand the examination of the documentary material supplied by the States represented at the Conference and, on the other, in the light of this documentation, a study of the technical questions relating to limitation and publicity of national defence expenditure. The Committee also examined the various proposals submitted by the different delegations during the preliminary discussion which took place in the Expenditure Commission from May 6th to 26th, 1932.

While the immediate object of the Technical Committee's proceedings was to determine whether the Model Statement proposed by the Committee of Experts was a practical instrument for purposes of publicity and limitation, the examination of the questions referred to the Committee by the Expenditure Commission necessarily involved a fresh examination by it of the report of the Committee of Experts on Budgetary Questions, which report, moreover, the Expenditure Commission had adopted as the foundation for its work. The Technical Committee considered all the problems dealt with by the Budgetary Experts, but having a much wider field of investigation it was able, thanks to the abundant documentation at its disposal, to make a more complete study of the facts. This study led it to propose certain modifications in the conclusions of the experts. The Committee's report will also contain a large number of supplementary proposals. The Committee desires, however, to point out that it seemed to it premature, at the present stage of its work, and in the absence of a decision of principle regarding the limitation or publicity

<sup>1</sup> Annex 1.

<sup>2</sup> Annex 2.

of expenditure, to prepare a revised text of the "instructions" drawn up in the report of the Committee of Experts on Budgetary Questions.

**6. Procedure.** The point of view from which the Committee undertook the examination of the documentation of the different States is clearly shown by the following preamble to the Rules of Procedure adopted by the Committee on April 14th, 1932, and communicated to all the delegations represented at the Conference (document Conf.D./C.D.7):<sup>1</sup>

"The purpose for which the Technical Committee, under its terms of reference, is called upon to examine the documents supplied by the various Governments concerning their expenditure on national defence is as follows:

"(i) *Generally.*

"To ascertain whether the Model Statement as drawn up by the Committee of Experts on Budgetary Questions (although not yet accepted by the Conference for the Reduction and Limitation of Armaments) is a practical instrument by means of which States can set out all the expenditure on national defence incurred by them in a given recent year.

"(ii) *In particular.*

With the above end in view, to ascertain:

"(a) Whether the statements of expenditure to be examined are compiled on a sufficiently uniform basis and whether the instructions and recommendations contained in the report of the Budgetary Experts, in particular those which concern the setting out of every item of expenditure on national defence and the classification of the items, have been followed.

"(b) What difficulties arising out of differences in budgetary systems or otherwise have been met with by States in filling up the Model Statement.

"(c) Whether the statements of expenditure to be examined are capable of verification either from the audited and published accounts of the State or from other authoritative documents.

"(d) Whether the relations between the figures given in the Model Statement and the figures shown in the accounts published by the State within the country are adequately explained in the reconciliation tables."

The procedure adopted by the Committee in order to accomplish this task may be summarised as follows:

The Committee based its work on the principle of the *simultaneous exchange of information*. It considered that, by forwarding the documents which they were requested to furnish, the States would provide unprecedented means of investigation into their national defence expenditure, and that hence it was logical and equitable that *all* the Powers should have deposited a complete set of documents before the various documents were examined. Subsequently, a large number of Powers, with a view to accelerating the Committee's work, agreed, however, in practice, to forgo the application of the rule of simultaneity, as far as they were concerned.

A sub-committee—consisting of M. SANDLER (Sweden) and M. KISSLING (Switzerland)—was instructed to examine the documentation submitted by the various countries, in order to ascertain whether it was complete and of a nature to enable the Committee to begin its examination.

The Rules of the Committee provided that, when the examination had begun, there should be a written stage, followed by an oral stage, in the procedure for each country. All the delegations to the Conference were informed that they could transmit to the Bureau of the Committee, within a period fixed by it (generally about twenty days), any observations which they desired to make on the information supplied. All these observations were subsequently classified by the Bureau of the Committee and forwarded to the Power

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<sup>1</sup> Annex 3.

concerned. After the replies had been received from the latter and communicated to the members of the Committee, a discussion on the entire documentation took place in the Committee, in the presence of a delegate of the Power concerned. After this oral examination, a sub-committee of rapporteurs drew up, in agreement with the representative of the Power concerned, and on the basis of the documents examined, a " Summary " of the characteristics of its budgetary system and of the most important facts relating to its national defence expenditure.<sup>1</sup>

Each of the summaries is divided into five chapters:

- A. Budgetary system.
- B. Identification of expenditure.
- C. Expenditure included in the Model Statement.
- D. Distribution of the expenditure between the tables, heads and sub-heads of the Model Statement.
- E. Tables annexed to the Model Statement.

The following members of the Committee acted as rapporteurs for these various chapters:

- A. M. JACOMET (France);
- B. M. WORBS (Germany), subsequently replaced by Mr. LYON (United Kingdom);
- C. M. SANDLER (Sweden);
- D. Mr. LYON (United Kingdom);
- E. General BARBERIS (Italy).

This procedure, which was laid down by the Technical Committee so as to permit of a thorough examination of the documents furnished by the Governments, met with some difficulties in practice. Certain Governments were only able to transmit their documents to the Committee after considerable delay and, further, the combined procedure (written and oral) in itself required a considerable time.

The procedure adopted had, however, the great advantage that all the special situations and outstanding features of each country were taken into consideration. During the examination of the documents, the Committee was in a position to note very many questions raised by the interpretation of the report of the Committee of Experts on Budgetary Questions and various difficulties encountered by the Governments in complying with the recommendations contained in this report.

The experience gained in the course of these examinations afforded the Committee a valuable basis of information which enabled it in October 1932 to begin a detailed study of the recommendations contained in the report of the Committee of Experts on Budgetary Questions and the various cognate proposals.

In addition to the rapporteurs mentioned above, the following members of the Committee were appointed rapporteurs on special subjects:

- M. ANDO (Japan) (acting as substitute for M. Arakawa)—(Article 33 of the draft Convention).
- M. KISSLING (Switzerland): Reconciliation tables.
- M. DE MODZELEWSKI (Poland): Publicity of estimates of expenditure on the basis of parliamentary votes. Date for sending in statements. Final accounts. Communication of certain laws and regulations relating to national defence.
- M. Eugenio PETRUCCI (Italy): Transfers between the limits of the three forces.
- M. SANDLER (Sweden): Fluctuation of the purchasing power of different currencies.

**7. Nature of Present Report.** The Technical Committee now submits to the Expenditure Commission the conclusions arrived at.

It is regrettable from the point of view of the universality of its work that the Committee has not yet been able to examine the documents of all the countries represented at the Conference and it is therefore necessary to make all reservations regarding the application of the system of limitation and publicity to these countries. It must, however, be emphasised that among the nineteen countries whose documents

<sup>1</sup> These " Summaries " will be found in Volume II of the report.

were studied by the Committee—Belgium, United Kingdom, Czechoslovakia, Denmark, France, Germany, India, Irish Free State, Italy, Japan, Netherlands, Norway, Poland, Roumania, Sweden, Switzerland, United States of America, Union of Soviet Socialist Republics, Yugoslavia—are found almost all the great military Powers, and that, including the ten countries the examination of whose statements has been begun but not yet completed,<sup>1</sup> the Committee has been able to form an opinion regarding the position in twenty-nine States whose expenditure represents together about 90 per cent of the total expenditure of the world on national defence.

It may not be without interest to observe that the States whose documents have been found complete are distributed by continents as follows: Europe 22; Africa 1; Asia 2; America 2; Oceania 2.

The list of those which have sent no documents or whose documents are incomplete includes 7 countries in Europe, 3 in Africa, 5 in Asia and 16 in the American continent<sup>2</sup>.

The Committee wishes to state that some documents supplied to it show certain omissions. These will be referred to in the course of the report. Although an enquiry on this extensive scale, in the course of which difficulties in securing information were experienced as a result mainly of the diversity of the national languages, necessitated more than a year's work, the Committee has naturally not been able to obtain full particulars of the practical working of the financial and administrative institutions of the various countries. It has, however, been able to secure the essential elements for preparing its report in accordance with the practical instructions given to it.

The Committee desires to tender its sincere thanks to all the Governments which co-operated in its work with the greatest good-will. Indeed, the production of the documents requested by the Technical Committee and the replies to the very large number of questions which it asked (in certain cases as many as 300 or 400) entailed very considerable material labour on the part of the various countries.

In order to accomplish its task, the Technical Committee has been in session almost continuously since its appointment on March 16th, 1932 (March 17th and 18th; from April 7th to July 28th; from September 15th to December 22nd, 1932; from January 10th to April 8th, 1933). It has held about 130 plenary meetings in addition to numerous meetings of its sub-committees. In order to be able to present its report at a date sufficiently early to enable the Expenditure Commission usefully to continue its work, the Committee has been obliged provisionally to discontinue the examination of the documents furnished by the Governments.

It intends to submit a subsequent report on the essential facts relating to countries the examination of whose documents is not yet completed and other countries which may subsequently send in their documents.

It should be pointed out in this connection that a number of States have not yet sent the Bureau of the Conference any particulars regarding their national defence expenditure. The Committee feels bound to draw the Expenditure Commission's attention to the necessity for appealing to the Governments of these countries in order to enable it to complete the work it has undertaken. The subsequent report mentioned above will indicate any modifications in the conclusions of the present report which an examination of the documents submitted may lead the Committee to propose.

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<sup>1</sup> South Africa, Albania, Australia, Austria, Bulgaria, Canada, Finland, New Zealand, Portugal, Spain.

<sup>2</sup> A list of documents supplied by these latter countries is to be found in Annex 4.



## Part I.

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# GENERAL PRINCIPLES

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## Chapter II.

### WHAT IS TO BE UNDERSTOOD BY NATIONAL DEFENCE EXPENDITURE ?

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#### 1. General Considerations.

In order to determine the juridical basis of the Convention, the detailed application of which it was instructed to investigate, the Technical Committee deemed it necessary at the very outset of its enquiries to define as accurately as possible what was to be understood by national defence expenditure *for the purposes of the future Convention*.

In the modern world, the military strength of a country does not reside exclusively in the military formations which it has at its command in time of peace. The defence of its territory calls for the concentration, co-operation and utilisation of all the physical and moral forces of its people, of all branches of industry, of all means of transport, of all the nation's financial resources.

Such being the case, all expenditure incurred by a country for the purpose of promoting the physical, intellectual and moral education of the rising generation or of imbuing its citizens with respect for order and discipline increases its means of defence. All funds devoted to the improvement of the nation's equipment, to enhancing productive power, or to strengthening the State's financial system, have their bearing upon national defence.

Is it possible to ground a convention for publicity or limitation in the matter of national defence expenditure on such a comprehensive conception of national defence? Is it possible to devise criteria sufficiently accurate to gauge the relative military value of each branch of national activity in the general economic life of a country? The Technical Committee has been obliged to renounce all thought of assuming such a task and to limit the sphere of application of the future Convention to less elusive objects. True to the spirit in which the preparatory work for the Conference was carried out and in compliance more especially with the basic conceptions of the report of the Budgetary Experts, the Committee set itself a practical and attainable object. It has endeavoured to determine expenditure which, in its view, was incontestably of a specifically military character. It is this category of expenditure alone which the Committee proposes should be taken by the Conference as the juridical basis of the Convention.

The Committee is aware that such a conception is not without its arbitrary element. It has, on the other hand, the great advantage of defining with adequate precision the common obligations which the contracting parties are to be invited to accept and of eliminating any doubts which might exist as to what exactly the Convention is intended to cover.

**2. Attempt at a Definition of National Defence Expenditure for the Purposes of the Draft Convention.**

For the sake of clarity and with a view to defining the object of the Convention, the Committee considered the possibility of drawing up a definition of national defence expenditure.

In its opinion, it is the following definition which most clearly conveys the general conception emerging from the Committee's work:

*"For the purposes of the Convention, national defence expenditure shall be deemed to be all expenditure necessitated or entailed by the creation, maintenance and training, in time of peace, of land, sea and air armed forces and formations organised on a military basis and by measures immediately connected with preparations for national mobilisation."*

The Committee is, however, of opinion that, though this definition is valuable as a means of throwing the character of the future Convention into immediate relief, like all other definitions it lacks, taken alone, the precision necessary for determining the legal obligations of the signatory States. In practice, the interpretation of such a definition would give rise to endless disputes.

**3. Conventional List of National Defence Expenditure.**

Like its predecessors, the Technical Committee considered that, in order to define more strictly the contractual obligations of the signatory States, it was necessary to draw up a conventional list of expenditure complying with the general definition formulated above and to be considered as national defence expenditure for

the purposes of the future Convention.

The Technical Committee has taken advantage of the previous enquiries of the Committee of Budgetary Experts with regard both to actual military activities and their financial expression; it has made the utmost use of the voluminous documentation which it has had at its disposal, and, by a process of analysis, has endeavoured to ascertain what categories of expenditure are to be included within the sphere of application of the Convention. On this basis, it has compiled the list of this expenditure annexed to the present chapter (Appendix I).

The Committee has endeavoured to include in this list all expenditure which, in its opinion, is covered by the general definition formulated above. This enumeration cannot, however, be regarded as strictly limitative. It is indeed possible that, while the Convention remains in force, new services of a military character or new classes of war material may be created or invented. It is also conceivable that the terms used to describe the various classes of expenditure included in the list may not correspond to the terms normally employed in certain countries to denote services or war material already in existence.

The foregoing definition, the enumeration in a conventional list of expenditure to be regarded as national defence expenditure for the purposes of the Convention and, lastly, the "instructions" which the Committee proposes to draw up later, will make it possible to settle the questions of interpretation which might arise during the execution of the Convention.

Perusal of the list of national defence expenditure to be included in the Convention will suffice to show the specifically military character of the items enumerated. According to the conception embodied in the general definition given above, all expenditure included in the list is necessitated or entailed by the existence of armed forces and military formations in time of peace and by measures immediately connected with preparations for national mobilisation—that is to say, by the various measures taken in time of peace to facilitate the calling-up of effectives intended to supplement the armed forces of the peace-time establishment and to constitute the initial equipment of the mobilised units in all classes of material.

It is the duty of the Technical Committee, however, to draw the Expenditure Commission's attention to the manner in which it has distinguished between expenditure to be regarded as national defence expenditure within the meaning of the Convention and expenditure which, though capable of contributing in certain circumstances to the war strength of the various States, is not to be subjected either to publicity or limitation.

**4. Line of Demarcation between Specifically Military Expenditure included in the Conventional List and Expenditure which, though of Military Importance, has not been so included.**

The explanations given below on the manner in which this line of demarcation has been drawn relate to the following groups of expenditure:

- (a) Expenditure of a general nature;
- (b) Subsidies to private armaments undertakings;
- (c) Expenditure on preparations for industrial mobilisation;
- (d) Expenditure on pensions;
- (e) Expenditure on formations organised on a military basis;
- (f) Expenditure of certain associations;
- (g) Expenditure on services of a mixed character employed for both civil and military purposes.

(a) *Expenditure of a general nature.* The modern State no longer confines itself to dispensing justice, to providing for the security of its territory, to maintaining order through the police and to the administration of national property. To an extent varying from country to country, its activities embrace the most varied forms of the nation's intellectual, economic, social and financial life. The State, for example, carries out works of general utility, facilitates the movements of persons and goods by maintaining means of communication and organising transport at prices fixed or approved by itself. Its influence is felt in the sphere of production as, for example, when it controls or regulates mining operations. It performs services of a commercial character by setting up institutions for the protection of trade and agriculture as well as by its Customs system. It takes action in social matters through the public health and relief organisations and also through the foundation of public welfare bodies. It directs the education of the rising generations. It must, lastly, procure the funds which this general activity entails, and the public finances are associated to a constantly increasing extent with the general development of national production and national wealth. These various manifestations of the part played by the State in the nation's intellectual, economic and social life—which are characteristic of the tendencies of the modern State—involve it in expenditure which may sometimes increase the nation's potential fighting strength.

Thus, State expenditure on the merchant marine (especially in countries with State-owned commercial lines),<sup>1</sup> expenditure on the development of civil aviation, on such major public works as railways, canals, roads, commercial ports, the constitution of stocks of imported raw materials and expenditure on the development of public education may all help to increase a country's potential military strength.

The Committee considered that, though such expenditure of a general nature might have a certain military value, it was impossible accurately to determine its relative worth. Such being the case, it decided not to include such items in its list of national defence expenditure. The decision not to include expenditure on civil aviation in this list can, however, be only provisional, since it is very closely related and, as it were, subordinate to the solutions ultimately to be adopted by the Conference in regard to the general problem of the regulation of civil aviation, the investigation of which has been entrusted to a special body. The Committee's list nevertheless comprises expenditure similar to that described above in cases where its direct military importance admits of no doubt. If, for example, a country builds a road or a railway in frontier districts for purely strategical reasons and for the sole purpose of facilitating the transport or the movements of the armed forces, and if, moreover, the road or railway is not regularly used for ordinary purposes, the Committee considered that the expenditure thus incurred should be inserted in its list of national defence expenditure.

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<sup>1</sup> Canada, United States of America, U.S.S.R., Netherlands Indies.

On the same analogy, the Committee classes as national defence expenditure funds expended by the State on the military training of men not serving with the colours, such as expenditure for military training in national schools and subsidies to rifle clubs and physical culture societies having a military object.

(b) *Subsidies to private armaments undertakings.* The modern State tends to exert a constantly increasing control over private activities and the public utility conception is tending to extend more and more to all such private undertakings as are of value to the community at large. It even happens in certain countries that the State itself directs all economic and industrial activities.

In many countries whose economic structure is based on private initiative, the State, in its desire to regulate production, nevertheless tends to intervene in the management and financial administration of private undertakings. As a result of the principle of mixed economy which is thus developing to a degree which differs according to cases and which determines the relations of the public authorities with private undertakings, public bodies frequently acquire financial interests in private companies, receiving in return supervisory rights and a share in the management. Such participations may take the most varied forms: the subscription of ordinary stock, the acquisition of shares for some consideration other than cash, the subsequent purchase of shares, the transfer by concession of rights of property or exploitation in certain plant, rights and privileges of all kinds granted in return for supervisory powers and a share in profits, long- or short-term subsidies.

Such co-operation between public and private capital undoubtedly constitutes in the case of certain States a powerful means of developing national equipment for a given purpose. Where the general activity of the private undertakings in which the States acquire participations of the kind described above is of direct importance to national defence, it would appear essential that such participation by the State or public bodies should be subjected to publicity or limitation—this, moreover, irrespective of whether the interests have been acquired through direct subsidies or through subsidies granted through the agency of banking institutions. The Committee of Budgetary Experts expressed the opinion that, if the State acquires financial interests in private firms manufacturing armaments in peace-time, these participations should be regarded as national defence expenditure. When, for the first time in history, the problem of a limitation of expenditure on armaments was raised, the Committee considered that, if these participations were not included, expenditure of a special nature, the importance of which might become very much greater during the actual period of the disarmament Convention, would remain outside the scope of the limitation.

The Technical Committee expressed the same opinion. In order, however, to make it impossible that the inclusion of such participations in the list of national defence expenditure should give rise to disputes during the period of application of the Convention, the Committee thought it necessary to draw up strict conventional rules. The conception which forms the basis of the system of publicity and limitation in regard to expenditure derives from the general definition given above, and it was by it that the Committee was guided in its decision on this delicate question. As the Convention is to refer exclusively to expenditure necessitated or entailed by the existence of military formations and formations organised on a military basis in time of peace, the Committee decided to apply the limitation and publicity provisions only to participations acquired by public bodies in undertakings manufacturing military material in time of peace for the use of the armed forces and formations organised on a military basis. In order to avoid any difficulty of interpretation, a special list of this expenditure has been drawn up. This list is annexed to the present chapter (Appendix II).

(c) *Expenditure on the preparation of industrial mobilisation.* According to the general definition given above, publicity and limitation of expenditure apply in equal degree to all measures which constitute an immediate preparation for mobilisation. If, therefore, a State sets up bodies or institutions for this purpose, if it grants subsidies under any form to private undertakings with a view to the creation of stocks of raw materials or semi-finished articles and to the

adaptation, in the event of mobilisation, of the plant and equipment of such undertakings to an immediate change-over to the manufacture of war material, the Committee's view is that such expenditure should be regarded as expenditure on national defence.

In order to avoid any difficulties of interpretation, the Committee has also included in its conventional list subsidies of this kind, which should be regarded as national defence expenditure.

(d) *Expenditure on pensions.* The Committee recognised that ordinary pensions granted at the end of a certain period of service—such as seniority pensions—are part of the soldiers' emoluments if their career is considered as a whole. The certainty of drawing a pension after a certain period of service on the active list may undoubtedly, owing to the security it confers, facilitate recruiting. This remark, however, does not apply to war pensions, which represent a considerable part of the pension budget of certain countries and can only be looked upon as a reparation for the personal injuries sustained by the pensioners.

The Committee of Budgetary Experts excluded ordinary pensions from its conventional list owing to the apparent difficulty, in view of the existence of combined pensions, of distinguishing war pensions from other pensions. Examination of the documentation showed, however, that, contrary to expectation, such a distinction was comparatively easy to draw.

The Committee considers that, from certain points of view, it is of the greatest importance that the Convention should contain provisions regarding publicity of expenditure for ordinary pensions. Nevertheless, the Committee draws attention to the fact that a reduction of armaments might lead to the discharge of personnel and hence to an increase in pensions expenditure. This increase might be regarded as evidence of the efficacy of the disarmament measures adopted in the various countries. There might, therefore, be some danger from the point of view of interpretation of national defence expenditure if the same publicity were required for pensions expenditure as for other expenditure on national defence. In view of these various factors, the Technical Committee considers that the proposed machinery of publicity should allow of the inclusion of pensions together with other expenditure on national defence, but that, on the other hand, expenditure on pensions should not be made subject to any provisions laid down regarding limitation of expenditure.

(e) *Expenditure on formations organised on a military basis.* In accordance with the terms of the general definition given in paragraph 2 of the present chapter, expenditure arising out of or caused by the existence of formations organised on a military basis should, for purposes of the Convention, be regarded as expenditure upon national defence.

It will be for the Conference to decide what formations should be regarded as organised on a military basis.

It is obvious that the inclusion in the conventional list of expenditure drawn up by the Committee of expenditure on formations organised on a military basis will likewise be conventional in character and will not cover expenditure on certain formations or associations which, although they may be of military value, have not been regarded as organised on a military basis by the competent Committee of the Conference.

(f) *Expenditure of certain associations.* It is possible that certain associations not recognised as formations organised on a military basis may incur certain expenditure for national defence purposes.

An association such as the Red Cross, for instance, may give free treatment to soldiers who have been the victims of an accident, although the general activities of such an association have nothing to do with national defence. This may

also be the case with certain associations designed to promote the military spirit in a country.

The Committee considered the possibility of ascertaining in cases of this kind the proportion of the expenditure of these associations which might be of military value. It took as an example the case of Sweden, in which there are a large number of associations of this kind. The Swedish delegation obtained statements of the internal accounts of all national rifle clubs, the Red Cross Society, the Red Star Society and automobile associations which in that country comprise more than 100,000 members. It was found that only a portion of the expenditure of those associations was for national defence purposes. Their general activities are mainly directed towards humanitarian and educational objects. After a considerable amount of work, the Swedish delegation ascertained that the total expenditure of these associations represented 277,465 Swedish crowns—*i.e.*, 0.2 per cent of the total national defence expenditure of that country. This shows that, even if associations of this kind incur expenditure for national defence purposes, the proportion of that expenditure to the total expenditure on national defence is negligible. The Committee therefore thought that the labour of ascertaining the portion of the whole expenditure of such associations which is of military value would be out of all proportion to the importance of these figures.

However, it is obvious that, if such associations collect sums which they place at the disposal of the armed forces, the expenditure effected out of those sums should be regarded as national defence expenditure and included in the Model Statement. Thus in the U.S.S.R., for instance, the associations known as "Ossoaviakhim" and "Avtodor" have paid over sums to the Red Army, and this expenditure has been inserted in the U.S.S.R. Model Statement. In Switzerland, funds collected by certain groups of persons have been placed at the disposal of the national defence services. Moreover, in certain countries, donations and bequests have been made by private individuals to the armed forces. It may also happen that, instead of paying the sums collected direct to the national defence services, the associations may give certain material to the armed forces. In such cases the expenditure effected out of those sums and the value of the material supplied should obviously be inserted in the Model Statement.

(g) *Expenditure on services made use of to some extent by the armed forces in time of peace.*

In nearly every country, there are services which serve both civil and military purposes—*e.g.*, the geographical, topographical, hydrographical, surveying and meteorological services, the harbour and coast services, organisations for the regulation of fisheries, record and historical research services.

Expenditure on these services is sometimes shown in the military and sometimes in the civil budgets. It is often difficult to determine what proportion of these common services serves military purposes, but the Committee does not consider that this difficulty is insuperable and thinks that each State should show, with supporting documents, what portion of the expenditure on these services was effected for military purposes.

Similarly, it has been observed that certain budgets contain expenditure which is of both military and civil importance. In the United Kingdom, in France and in Italy for instance, the Air Ministries are concerned with both military and civil aviation. Certain expenditure on common services is thus of a mixed character. In view of the fact that decisions will later on be taken by the Conference regarding publicity of expenditure on civil aviation,<sup>1</sup> the Committee confined itself to enquiring whether it was possible in every case to distinguish expenditure for military aviation from expenditure for civil aviation. The results of this enquiry will be found in another portion of the report (Chapter VII).

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<sup>1</sup> Article 37 of the draft Convention.

5. Interpretation,  
for Purposes of  
the Convention,  
of the Conventional  
List of Expenditure  
on National  
Defence.

(a) *Expenditure  
arising out of  
certain exceptional  
and unforeseen  
events.*

The Committee of Budgetary Experts had specially referred to the possibility of excluding from the heading of national defence expenditure any expenditure arising out of assistance given in cases of emergency by armed forces to civilian populations in the event of natural disasters, such as floods, earthquakes, forest fires, etc. In the opinion of the Committee of Budgetary Experts, such expenditure, which is in some cases repaid wholly or in part by those on whose behalf it was effected, should not be regarded as expenditure on national defence. <sup>1</sup>

The exception proposed by the Experts concerned a limited and definite subject. The National Defence Expenditure Commission, however, and its Technical Committee received from the Japanese delegation a proposal for the extension of this exception to all cases in which the armed forces of a country are called upon to protect the lives and property of its nationals. The Japanese delegation further proposed that, if such extraordinary expenditure was incurred for the reconstruction or restoration of plant or material destroyed by earthquakes or other public disasters, it should not be regarded as expenditure on national defence.

To this proposal was added a proposal submitted by the Chinese delegation. <sup>2</sup> The latter expressed the opinion that difficulties of interpretation might be encountered should demands for such exclusion actually arise. The Chinese delegation therefore considered that, though there might be no objection to considering such possibilities, it should nevertheless be clearly understood that any exclusion clause should be strictly confined to cases in which services were rendered to the civilian population by the national army in the course of its ordinary duties within the territory of the country, on the occasion of internal civil disturbances or natural disasters.

The Technical Committee considered, from a general and purely technical point of view, the whole question raised by the exclusion proposal put forward by the Budgetary Experts and by the extensions of this clause suggested by the Japanese delegation. The Committee recognised the danger, from the point of view of the efficacy of the system for budgetary limitation or publicity, of admitting that the State concerned might independently decide that such extraordinary expenditure might be excluded *a priori* from the Model Statement of national defence expenditure which would be subject to publicity or limitation. There would indeed be no guarantee that, under such a procedure, a portion of the expenditure thus excluded might not have served to increase the armaments of that State. If such expenditure were excluded from any publicity or limitation, it would, for instance, be impossible in cases of destruction by earthquake to ascertain whether the plant or material reconstructed or repaired was not of greater value than that destroyed.

The Committee found, however, that these exceptional circumstances might involve unforeseen expenditure which would not increase the armaments of the countries concerned. The effect of fixing limitation figures might be to prevent a State from meeting these requirements. This also applies to other exceptional expenditure and expenditure that could not be foreseen. For instance, the fixing of limits might prevent a State from suppressing internal disorder or revolts in distant colonies or possessions, or from replacing a vessel lost or accidentally destroyed, although the effect of such unforeseen expenditure would not be to increase the armaments of the State concerned.

Consequently, in all cases of this kind, the Committee recognised the necessity for a special procedure which would allow of the exclusion of such expenditure. This procedure will be detailed in another part of the report. <sup>3</sup>

<sup>1</sup> See page 11 of the Report of the Committee of Experts on Budgetary Questions.

<sup>2</sup> See *Minutes* of the National Defence Expenditure Commission, pages 35 and 36.

<sup>3</sup> See Chapter XV.

(b) *Expenditure arising out of the reduction of armaments.*

The Committee enquired whether certain special expenditure actually caused by the reduction of armaments should be regarded as expenditure on national defence. Though the reduction of armaments ought to lead to economy, it may nevertheless involve certain temporary increases of expenditure of a particular kind.

As already mentioned, the Committee decided to exclude ordinary pensions from the limitation of expenditure, as an increase in such pensions might be caused by a reduction of armaments. It has also pointed out the importance of a special publicity for pensions.

Reduction of armaments may, however, involve expenditure of a different nature. Thus, a reduction in effectives may involve the withdrawal of certain garrisons, and the municipalities which had previously incurred expenditure for the housing of the troops would be entitled to demand certain compensation.

Similarly, the reduction of armaments might lead to the cancellation of certain contracts for supplies or construction—*e.g.*, the cancellation of a contract for the construction of a war vessel might involve the payment of heavy compensation. In cases of this kind in which the States could prove that the expenditure incurred could not lead in any way to an increase of armaments, some procedure of exclusion should be considered on the lines of that indicated above for expenditure of an unforeseen and exceptional character.

The Committee is, however, of opinion that such exclusion should not be allowed in the case of expenditure on the re-grouping of forces or the setting-up of new military establishments in certain districts following upon a reduction in armaments. It would be almost impossible to ascertain in every case whether expenditure of this kind was really a consequence of a reduction in armaments, or whether it was not in fact an increase in the armaments of the country.

The Committee considers, therefore, that expenditure entailed by a reduction in armaments should be regarded as expenditure on national defence and as subject to publicity and limitation, but that in certain cases, with special reference to payments of compensation of any kind to third parties, a special procedure might be instituted. This procedure will be indicated later.<sup>1</sup>

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Having thus drawn attention to and solved the difficulties that might arise in connection with the utilisation for the purposes of the Convention of the conventional list of national defence expenditure—at any rate in so far as its decisions are not subordinate to the work of other bodies of the Conference—the Committee is of opinion that the definition and the conventional list of expenditure which it has drawn up may serve as a legal basis for the conclusion of a Convention for the publicity and limitation of national defence expenditure.

It would draw the attention of the Commission on Expenditure to the fact that this list corresponds very closely to the current conception of military expenditure with which the national budgets are permanently burdened. The Committee is clearly of opinion that such expenditure alone is referred to by the resolution adopted by the General Commission on July 23rd, 1932, which laid down the lessening of financial burdens as the goal to be aimed at by the Commission on Expenditure and its Technical Committee. It would appear, therefore, that the conception which formed the basis of the conventional list is in agreement with the aims of the Conference.

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<sup>1</sup> See Chapter XV.



## Appendix I.

### CONVENTIONAL LIST OF ITEMS OF NATIONAL DEFENCE EXPENDITURE.

National defence expenditure is expenditure in respect of military, naval and air formations, services and establishments in the home country and colonies, in particular:

Central administrations;  
Missions;  
Military, naval and air attachés;  
Headquarters staffs and staffs of commands;  
Various arms and branches of the armed forces:

Infantry, cavalry, artillery, engineers and signal corps, tanks, anti-gas units, combatant and non-combatant personnel of all categories of the naval armed forces, flying personnel and auxiliary personnel of the air armed forces and all services, formations and establishments of the land, naval and air armed forces;

Supply corps, transport troops,  
Pay and accountancy technical services,  
Recruiting service,  
Medical and hospital services,  
Remount and veterinary services,  
Chaplains,  
Military police,  
Justice and prisons,  
Colleges, schools and training centres;

Scientific services: records, libraries, museums.

Geographical service, hydrographical or coastal surveys, cartographic service.

Meteorological service and astronomical service.

} in so far as these services work for the army, navy or air force.

This expenditure includes:

#### A. *In respect of expenditure on personnel:*

1. Pay, half-pay, salaries, allowances of all kinds, bonuses, gratuities, remuneration, grants, family allowances, travelling and mission allowances, contributions by the State to pension and social insurance funds, in respect of military or civilian personnel whether normally forming or not forming an effective part of military, naval and air formations, services and establishments (personnel with the Colours, unattached or on leave, persons undergoing preparatory military training, territorials, reservists during periods of training or not).

2. Expenditure on maintenance, viz.:

(a) Expenditure for meeting the immediate requirements of the effectives normally forming part of formations, services and establishments, and of personnel called up for periods of training, more especially expenditure on subsistence, clothing, equipment, bedding, furniture, heating, light, washing of linen, sanitation and medical attention, religious services, office work, military physical and athletic training and education and amusements, together with expenditure in respect of compensation for losses and damage caused by military formations, services and establishments;

(b) Expenditure in respect of the creation and maintenance for military purposes of reserves of goods, foodstuffs, raw materials or products relating to the aforementioned requirements;

(c) Subsidies paid to private associations and institutions with a view to meeting these same requirements (Red Cross, pigeon fanciers' societies, etc.) together with expenditure relative to shooting clubs and physical culture societies so constituted as to be of military importance, fees and allowances granted to individuals for services rendered (doctors, dentists, pharmacists, nurses, barristers, etc.).

#### B. *In respect of expenditure on transport:*

Expenditure relating to horses and other animals, the purchase of raw materials, hand tools, finished articles and their repair by private industry irrespective of whether such materials and

products (forage, shoeing material, harness, bicycles, motor and horse-drawn vehicles, liquid fuel and lubricants, etc., spare parts and accessories) are intended for stock or current use, together with expenditure relating to workmen or to transport and communication services (post, telegraph, telephone, radio) rendered by non-military, non-naval or non-air force organisations and to all other services rendered by private individuals (veterinary surgeons, civilians, etc.).

Subsidies of a military nature for horse-breeding, subsidies to the owners of horse-drawn and motor vehicles, subsidies relating to the organisation of communications of a military character and, generally speaking, all other expenditure in respect of liquid fuel, transport and communications.

*C. In respect of expenditure on buildings :*

1. Expenditure relating to the construction, repair and upkeep of fortifications and defensive works.

2. Expenditure relating to the purchase and hire of land and buildings, building operations, water supply, gas, electricity, the improvement, extension, upkeep and repair of all kinds of buildings, including expenditure on fixed machinery and heavy plant (barracks, accommodation, schools, hospitals, stud farms, State establishments for meeting the material needs of military, naval and air units, store-houses and depots, hangars, aerodromes, training and musketry camps, sheds for stores, etc., marine works in naval ports and naval bases including repair docks, landing stages and floating docks and all other works for the land, sea and air forces and formations).

3. Expenditure relating to the construction, modification or upkeep for specifically military purposes of roads, bridges, railways, landing stages, jetties, platforms, semaphore signal apparatus, canals, together with drainage or forestry works.

4. Subsidies granted for military purposes with a view to the purchase, hire, improvement, extension, upkeep and repair of the buildings, objects and articles mentioned in paragraphs 2 and 3 above, or any similar expenditure.

*D. In respect of expenditure on war material :*

This expenditure comprises for all categories of war material specified below:

(a) Expenses of upkeep and repair, purchases from private traders or manufacturers and manufactures in State factories of ships, goods, materials and ammunition, whether complete or in parts, intended either for purposes of training in time of peace or for the equipment, armament or endowment of forces on a war footing with material of all kinds, and replacements for these forces, and also the expenses relating to the creation or maintenance (in State or private hands) of stocks and plant useful only for the construction of warlike stores.

(b) Cost of scientific research and experiment, inspection of material delivered and preparation of plans for material, manufacturers' subsidies or other similar expenditure, such as that relating to the preparation of industrial mobilisation (subsidies granted to undertakings which do not normally manufacture material in peace-time in the event of these subsidies being intended to equip them in peace-time for producing war material as soon as mobilisation begins), subsidies to the mercantile marine and all other expenditure for the construction and maintenance of vessels held at the disposal of the State for use for military purposes in time of war, or for strengthening the decks of merchant ships.

The categories of material are as follows:

1. Arms, ammunition and fighting material, engineering material and other armaments of war; small arms and automatic fire-arms: rifles, muskets, carbines, revolvers and pistols, quick-firing rifles and pistols, machine-guns, apparatus and appliances for throwing projectiles, including vehicles for transport.

Long and short guns, howitzers, mortars, infantry guns, anti-aircraft guns.

Ammunition for small arms, automatic weapons and guns, bombs, grenades, torpedoes and other kinds of projectiles, explosives, mines, paramines, including the electric apparatus connected with all this material, ammunition wagons, carriages, boxes, etc., for their transport.

Cutting weapons, such as swords, sabres, lances, bayonets and daggers.

Tanks, armoured cars, armoured trains.

All other arms, ammunition, apparatus and appliances for throwing projectiles, accessory equipment and spare parts.

Tractors.

Railway material, searchlight equipment, pioneer equipment, bridging equipment, signalling and radio stores, boats, acoustic and optical instruments, anti-gas stores, mining stores, accessories and spare parts, vehicles connected therewith and all other categories of material.

2. Warships of all kinds, aircraft carriers, victualling craft, fuelling craft, naval armament vessels, repair ships, tugs, barges and lighters, floating docks, including material of all kinds connected with these vessels, and all other craft intended for naval use.

3. Aeroplanes and airships, free and captive balloons, instruments, engines, and stores—wireless, electrical, photographic—oxygen, material for heating purposes, parachutes, ground electrical equipment, hydrogen and helium, accessories and spare parts.

*Note.* — 1. The enumeration contained in this list is not exhaustive.

2. The various categories of expenditure included in this list and relating to formations organised on a military basis must also be considered as national defence expenditure in so far as the formations are designated as such by the Conference.

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## Appendix II.

SPECIAL LIST OF SUBSIDIES TO PRIVATE FIRMS HAVING AMONG THEIR OBJECTS THE MANUFACTURE OF WAR MATERIAL IN PEACE-TIME, AND SUBSIDIES FOR THE PREPARATION OF INDUSTRIAL MOBILISATION (paragraphs (b) and (c) of Chapter II).

These subsidies include:

(a) Subsidies to industries, firms and workshops which normally manufacture war material in peace-time, granted for the purpose of installing, maintaining or increasing plant and equipment intended for the manufacture of war material or of creating or maintaining stocks of war material.

(b) Subsidies to industries, firms and workshops which do not normally manufacture war material in peace-time, granted with a view to preparing for industrial mobilisation—*i.e.*, with a view to equipping them in peace-time to produce war material as soon as mobilisation begins.

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### Chapter III.

## NEED FOR UNIFORM PRESENTATION OF THE FIGURES OF NATIONAL DEFENCE EXPENDITURE.

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In its investigation of national defence expenditure contained in the budgetary material submitted to it, the Committee has found that the internal accounts of the different countries vary greatly in form. The proportions in which national defence expenditure is borne by the State, by regional or local public authorities, or colonies, or in some cases even by private organisations or individuals, vary in the different countries.

**1. Expenditure by the State.** In the case of expenditure by the State, annual accounts relating to the execution of the budget show, alongside the votes granted, the use made of these votes—*i.e.*, the payments actually effected. The structure of these accounts, the relative reliability of which will appear later, differs very widely, and their interpretation requires a knowledge of the rules of public accountancy of each country. Side by side with the statements relating to the execution of the budget, which show the payments made out of the credits voted and record almost all public expenditure, the Committee also occasionally finds special funds formed by the appropriation, for one special national defence purpose, of a part of the general or special resources of the State. The separate accounts for these funds are sometimes included in the general State accounts themselves; in this case their interpretation is generally no more difficult than the interpretation of budgetary accounts strictly so called, though occasionally they are less easy to follow. Cases, however, also occur where certain special funds constitute real entities or distinct "accountancy persons" with a separate existence and separate sets of accounts. This is the case, for instance, with foundations or trust funds for national defence purposes. Expenditure defrayed out of such special funds must be taken into account in a Convention for publicity and limitation in the same way as expenditure entered in the general accounts of the State.

Most of the national defence expenditure of all countries is shown in the budgetary accounts of the military departments. It has been found, however, that certain specifically military expenditure is entered in the budgets of civil departments—*e.g.*, expenditure on recruiting or the military training of the young, on housing accommodation for military personnel, and expenditure on the purchase of horses for the army. The figures for such expenditure, which, incidentally, is relatively small, are shown in the statements relating to the application of the budgets for the civil departments. Occasionally, however, they are found lumped together with certain similar payments made for other than national defence purposes, in which case it is sometimes difficult to separate the military expenditure entered in civil budgets.

In some countries payments for military pensions or grants to pension funds are shown in the budgets of national defence departments, whereas in other countries this expenditure is included in the accounts of the Finance Ministry or another civil department.

Lastly, certain expenditure not of a specifically military character is occasionally included in the accounts of national defence departments for practical or traditional reasons; publicity or limitation should not apply to such expenditure.

**2. Expenditure by Regional or Local Public Authorities.** Regional or local administrative units are sometimes responsible for certain national defence expenditure. In some cases, these authorities make direct contributions to the State, the utilisation of which is indicated in the published accounts of the State; in other cases they defray the expenditure themselves but are repaid at least in part by the State, which then shows these payments in its own accounts; lastly, the total expenditure may be borne entirely by the authorities mentioned above and be entered in their accounts. This is undoubtedly in some countries a survival of an old system under which the central authority was obliged, before it could wage war, to call for contributions from the regional and local authorities. However unimportant such contributions may be as compared with the national defence expenditure defrayed by the State, they cannot be overlooked in a Convention for publicity or limitation. In the event of expenditure on formations organised on a military basis having to be included in a publicity or limitation Convention, the relative importance of the military expenditure shown in the budgets of federal States and other regional authorities would certainly tend to increase.

**3. Expenditure by Colonies.** In accordance with the juridical nature of the relations between the colonies and the parent State, expenditure on the defence of the colonies may be entered in the accounts of the parent State (*e.g.*, this applies to the Spanish colonies and to nearly all the military expenditure of the French colonies) or in the colonies' accounts (the Belgian Congo, the Netherlands East Indies, the Italian and Portuguese colonies). In the case of the colonies, mandated territories, etc., of the United Kingdom, the cost of local troops is entered in the local accounts, whereas most of the expenditure on the regular army is chargeable to the home country. The defence expenditure for India and the Dominions is shown in the accounts of these countries.

**4. Expenditure by Organisations and Individuals.** Expenditure by organisations or individuals on national defence in the form of donations or legacies is sometimes included in the published accounts, but sometimes not. However small such expenditure may be, it should nevertheless be subject to publicity and limitation.

**5. Different Methods of Accounting.** The accounts of some States show the total cost of national defence services without any diminution or deduction. The national defence services receive supply votes out of which they have to pay all their expenses, and they are not allowed to augment the amounts of these votes from private sources. Receipts earned by defence services—*e.g.*, the proceeds from the sale of waste or scrap in manufacturing establishments, from the sale of old material or buildings no longer needed by the armed forces, or from deliveries of supplies to civilian departments or private individuals—are paid over to the Treasury and these amounts cannot be refunded to the services to increase their expenditure. It is seldom, however, that there are not some exceptions to this rule. In certain countries like Denmark, the Irish Free State and the United Kingdom, the defence services have the right to collect direct certain receipts, the amount of which is added to the budgetary credits and is used like the latter for the operation of the services in question. The budgetary votes in accordance with which defence services are authorised to obtain funds from the Treasury do not, therefore, form the whole of the resources used by the defence services. The expenditure defrayed out of sums received by the services must be added. In certain countries, however, and particularly in the United Kingdom, the public authorities fix alike the maximum amounts for which the defence services may draw on the public Treasury and the limits within which they can use their own receipts. It is therefore possible, with the help of the public accounts, to reconstitute the amount of the gross expenditure—*i.e.*, the total amounts actually expended for national defence. The

reconstitution, however, of the gross expenditure involves calculations which are all the more indispensable inasmuch as there are frequently very substantial differences between the total net and the total gross expenditure.

**6. The Model Statement.** The considerations briefly set out above show how difficult it is to suppose that States can prove by means of budgetary accounts very dissimilar in character that they have fulfilled any undertakings they may have assumed in regard to publicity or limitation, undertakings which would necessarily have a common legal basis. In order to reckon all the expenditure which is really subject to publicity or limitation by taking the budgetary accounts as a basis, it would be necessary to proceed to investigations, interpretations and calculations which would entail a knowledge in each country of the administrative practice and institutions both of the State itself and of the regional and local public authorities. It would also be necessary to ascertain whether, and to what extent, the national defence expenditure incurred by organisations and individuals is included in the public accounts. This would, in the Committee's opinion, be a very difficult, and indeed practically impossible, task for any organ of supervision and control. Moreover, as the previous chapter has shown, the national defence expenditure subject to limitation or publicity has been enumerated in a list which the Committee has drawn up with a view to defining with all possible precision the scope of the Convention. But the dividing line between such expenditure and expenditure which, though of military value, is not to be regarded as national defence expenditure within the meaning of the Convention does not appear from the accounts. The budget accounts cannot in themselves therefore furnish proof of the observance of the contractual engagements assumed by States.

It appears that the most effective means of achieving this object would be to draw up a uniform framework to which all countries could transfer all national expenditure within the meaning of the Convention, whatever the nature or origin of the funds out of which such expenditure is met.

Accordingly, the Committee, following the lines of the previous work done by the Preparatory Commission and the Committee of Budgetary Experts, first drew up, as stated in Chapter II, a conventional list of national defence expenditure and then classified it in a very simply designed *Model Statement*, particulars of which will be given in Chapter XVI.

**7. Reconciliation Tables.** After classifying military expenditure, the Technical Committee laid down exact rules for the transference by each State of its expenditure to the international statement. Each State will be required to supply a key to the transfer of the expenditure appearing in its national accounts by means of a uniform *reconciliation table*, showing the exact relation between the figures in the accounts and those in the *Model Statement*.

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The closed accounts, the reconciliation table and the *Model Statement* represent links in the same chain binding all States to observe their contractual obligations under any Convention concluded with regard to the publicity or limitation of expenditure on armaments.

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**8. The Model Statements of Expenditure do not allow of the Comparison of the Armaments of Different Countries.** Although in this way the national defence expenditure of the different countries can be shown in a uniform manner, the Technical Committee desires at once to draw the Commission's attention to an essential point. The *Model Statement* eliminates the differences of *form* in the presentation of accounts, but not the differences of *substance* which are inherent in the nature of things or due to the diversity of institutions. These differences of substance justify the conclusion at which the Committee has arrived *that armaments of the various countries cannot be compared on the basis of the expenditure figures*. This conclusion will be

more fittingly drawn and developed at a later stage of the report, as it derives, not merely from general principles, but also from the actual labours of the Committee of which an account must first be given.<sup>1</sup>

On the other hand, the Committee considers that the successive production of statements of expenditure will make it possible, if the data are properly interpreted and variations in unit prices and in the cost of armaments are carefully observed, to follow year by year the development of the national outlay on defence in the case of each State.

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<sup>1</sup> See, for the development of this conclusion and the reservation made in this connection, Chapter XXI.

## Chapter IV.

### PAYMENTS MADE DURING THE FINANCIAL "EXERCICE" MUST SERVE AS THE JURIDICAL BASIS FOR THE PUBLICITY AND LIMITATION OF EXPENDITURE.

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**1. Object of Limitation.** The conventional conception of national defence expenditure has been dealt with in Chapter II.

The contracting parties will be required to enter in the Model Statement all expenditure falling within this definition, whatever the origin and nature of the resources from which it is met. The Model Statement will thus include, not only the State's expenditure on national defence, but also all expenditure incurred for the same purpose by regional or local public authorities, organisations and even individuals.

The purpose of the limitation of expenditure is to limit all armaments intended for national defence.

**2. Conditions to be fulfilled by the Legal Definition of Expenditure.** If armaments are to be limited through expenditure, two conditions must be fulfilled:

(a) There must be a precise and direct relationship between expenditure and the acquisition of armaments. The expenditure must be contemporaneous, or as nearly so as possible, with the rendering of the services or the delivery of the materials.

(b) It must be possible to ascertain, at very frequent intervals, whether the Convention is being executed. The expenditure must therefore be periodically accounted for in documents on which it is possible to place reliance and which give, in an accessible and satisfactory form, a picture of the financial activities of those responsible for the expenditure.

The definition of the term "expenditure", on which the Convention is to be based, must fulfil the two conditions mentioned above. The Committee has endeavoured to comply with them in regard to State expenditure and, other things being equal, the concept which will emerge from this analysis will also apply to expenditure by public or private bodies and by individuals.

**3. Successive Acts in settling Expenditure.** As is pointed out by the Budgetary Experts, the process by which a *State* procures services or materials consists of a number of successive transactions.

The public authorities authorise the departments to spend a sum for a given purpose.

The departments enter into a commitment for the expenditure; they conclude bargains or contracts with tradesmen or contractors to procure labour or articles; they engage personnel. Thus they create debts payable by the State.

The articles are delivered and the services are rendered.

The bill is received, verified and accepted and the services rendered by personnel are calculated—*i.e.*, the State's debt is thus liquidated and acknowledged at the proper figure.

An order for payment is then issued in virtue of which the authority responsible for the payment is authorised to hand over to the creditor the sums which are due to him.

The payment is made which discharges the State of its debt.



**4. Authorisation  
of Expenditure by  
the Public  
Authorities.**

In ordinary parlance, the expression armaments expenditure is generally taken to mean the amount of the *budgetary credits* allocated to national defence.

From the standpoint of a Convention for publicity or limitation of expenditure, the voting or fixing of the credits by the public authorities is of unquestionable importance. It is, indeed, when expenditure is authorised that the attention of Parliament and public opinion is concentrated upon the financial effort which the nation is called upon to make for the defence of the country. Budgetary credits, however, are merely estimates or intimations of the sums which a Government proposes to spend on armaments. In no case, therefore, can the vote of a credit coincide with the acquisition of the armaments. It sometimes happens, as will be seen below, that, in certain countries, the validity of authorisations for expenditure may extend over several years. The armaments may therefore come into being long after the authorisation. It is also possible that the budgetary credits may remain unutilised, at any rate partially. Credits have, moreover, a very varying significance from country to country; they may limit the commitments, the orders for payment, or the payments, permissible during the financial year. Owing, lastly, to the necessity for voting supplementary or excess credits, the amount of the credits finally granted for a given year is not fully known until after the end of that year. These considerations suffice to show that the credits voted by no means satisfy the first condition recognised to be necessary for the definition of expenditure and that they cannot therefore be taken as a legal basis for a Convention on publicity or the limitation of expenditure on armaments.

**5. Commitments.**

When the defence services have been authorised to spend, they enter into *commitments*. A commitment must necessarily be entered into before any armaments can be made available. When the State or any other administrative authority engages an employee or an official, it binds itself by the very act of engagement or recruitment to provide him with his salary or pay during the whole of his career. Services will be rendered for a long period after liability for the expenditure has been incurred. A long period may also elapse between the commitment and the delivery of material, especially if it is considered that the time during which important orders may be executed may extend over three, four or five years (artillery, buildings, warships). It will therefore be seen that the commitment cannot be simultaneous with the acquisition of the armaments, and cannot for this first reason serve as a legal basis for a Convention on the limitation of expenditure. There is still another reason. Certain countries enter in their annual accounts an estimate of the debts which commitments have created or will create. But among the countries which keep such accounts, many do not indicate the amounts of the annual commitments in their published accounts. Thus the two conditions mentioned as necessary for any legal definition of expenditure are not fulfilled in the case of commitments.

**6. Liquidation<sup>1</sup> of  
Expenditure.**

It is generally after the services have been rendered and the materials delivered and received that the State acknowledges its liability, calculated on the basis of contractual rates or prices. It may, however, happen that certain materials are partially paid for before completion or delivery. Such is more especially true of building or manufacturing operations extending over a period of several years, such as shipbuilding or the manufacture of guns. In such cases the firms obtain successive payments on account to enable them to pay wages and to cover their expenditure on plant and the purchase of raw materials or half-finished products; such payments on account are deducted from the final amount of their claim.

The process of *liquidation* in the case of expenditure on personnel is always simple and may be carried out with great rapidity. This, however, does not hold good for the liquidation of expenditure on material. When delivery has been finally taken or the period of the guarantee has elapsed, the final liquidation often takes some time, especially

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<sup>1</sup> This term is used in the sense of its French equivalent, meaning the acknowledgment of a liability.

if the working out of the accounts involves complicated calculations owing to the combined application of unit prices and serial prices. However, liquidation usually ensues fairly soon after the services have been rendered or the goods have been supplied. It would thus satisfy the first condition laid down for the definition of expenditure, but as a rule very few States enter liquidation operations in their accounts. It is thus impossible to take liquidation as the basis for the Convention, since it does not satisfy the second condition required.

**7. Issue of Orders for Payment.** When the debt has been liquidated, a payment order must be made out to enable the creditor to receive the sums due to him. This payment order is handed to the creditor or to the office responsible for making payment. The payment order is usually issued immediately or shortly after liquidation, and sometimes actually forms part of this latter operation. However, the Committee has found that very few States enter payment orders in their public accounts, and hence the issue of those orders cannot serve as a basis for a limitation Convention either.

**8. Payment of Expenditure.** When a payment order has been issued, the State discharges its liability either by remitting to the creditor the sum due to him or by placing this amount to his credit with some bank. As a rule, the *payment* of sums due follows fairly closely upon liquidation and the issue of the payment order. Although the materials or intermediate products have usually been in the possession of the State for some time when the creditor collects the amount due to him, there are nevertheless everywhere customary time-limits for payment, the duration of which, though varying with the administrative practice of the different States, is short enough to make it possible to establish, if not an immediate, at all events a sufficiently close connection between payment and delivery. Consequently, *if payment is made within the usual time-limits*, it fulfils in a fairly satisfactory manner the first condition laid down for the definition of expenditure. It may be remarked that in certain countries—*e.g.*, the United Kingdom and Japan—the issue of an order for payment takes the form of the issue of cheques to the creditors; such cheques, being immediately payable, are in fact equivalent to disbursements.

All States, even those whose accounts are based upon commitments or orders for payment, enter payments in their published accounts.

This is a necessity which is felt by all alike. Whatever may be the diverse conceptions governing the establishment of general accounts, all such accounts, even those the essential nature of which consists in a comparison of claims and debts, show the annual payments which it is essential to ascertain so that, by comparing them with the receipts actually collected, it may be possible to establish the cash position of the Treasury. Payment is the only act for the settlement of expenditure which has everywhere the same meaning and which appears in all published accounts. Payment is a universal concept. For these reasons, the Committee has felt bound to take *payment*, which is also of great value from the point of view of publicity, as the legal basis of limitation. *For the purpose of the Convention for limitation and publicity, to spend means to pay.*

**9. Coincidence of Date of Payment with Performance of Services or Delivery of Material.** Most States show in their accounts the payments made during a period of twelve months, irrespective of the origin of the credits under which the expenditure was authorised. If, under such a system of accountancy, payments are made within the usual time-limits, the entire payments for twelve months represent approximately the value of the armaments actually acquired during that period.

Other Governments show in their annual accounts, not only payments against budgetary credits for the year during twelve months, but also payments charged against those

credits during an additional period which varies from country to country between one and twelve months. In the majority of cases, this additional period is used solely for the purpose of liquidating, issuing payment orders and paying debts contracted by the State for services rendered and goods supplied during the twelve months of the year.

In this case, the payments entered in the accounts accurately represent the armaments acquired during the year of twelve months. But, at all events as regards goods supplied, the time-limits allowed for delivery may be extended for a certain time after the end of the twelve months. In such cases, payments correspond to armaments acquired not merely during the year of twelve months, but also during the period over which deliveries might still be made.

**10. Deferred Payments.** Subject to these remarks, it may be stated that, when payment is made within the usual periods, the limitation of expenditure involves the simultaneous limitation of armaments. Payment may, however, be made at a date considerably later than that at which the service was rendered or the delivery effected. This is particularly the case when States have recourse to purchases on credit—*i.e.*, when the contracts relating to supplies or to construction works allow of payment over a considerably longer period than that laid down for delivery. In this case, limitation of expenditure on the basis of payments is clearly still possible and effective, as sooner or later payments must be made and will appear in the final accounts for the year or for the years subsequent to delivery. In such cases, however, the armaments would not be limited at the same time as the corresponding expenditure.

The Committee considers that States should not be allowed to use such a system in order to acquire in the course of a given year armaments in excess of the quantity which would be assigned to them. It has accordingly laid down special stipulations which are stated and discussed in Chapter XVI of the report.

**11. Unpaid Services.<sup>1</sup>** There is one objection which might be made to the choice of payment as the legal basis of the Convention. Would not such a choice remove from publicity and limitation unpaid services and payments in kind by which public or private associations or individuals contribute to national defence ?

At this point a distinction must be drawn. On the one hand, there are services and contributions which may be regarded as a part of the military organisation of a country, an organisation which is known and of which account must be taken when the contractual limits are laid down; on the other hand, there is the more or less extensive assistance that can be given gratuitously by associations or individuals for purposes of national defence from motives of national solidarity and patriotism.

There can be no question of estimating for the purposes of the Model Statement the value of the free services given by a soldier in a conscript army. A conscript, it is true, receives only a very small remuneration, whereas a professional soldier is paid in relation to the value of the wages ruling in industry and trade. But the fact that a conscript gives his services without pay is a direct consequence of the military institutions of the country. Such services do not involve any disbursement and could not be regarded as calling for special provisions in a Convention for publicity or limitation of expenditure. To attempt to bring under the limitation of expenditure services which do not give rise to any payment would involve a contradiction in ideas and language.

The position is quite different when we are dealing with services to national defence which associations or private persons render by supplying material. In such cases, the value of these services or material should be shown in the Model Statement of expenditure on national defence. The articles, products or materials placed at the disposal of the armed forces by associations or private individuals have previously been paid for by them, and the inclusion of the purchase price in national defence expenditure is in accordance with the conception of limitation or publicity adopted by the Committee. There

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<sup>1</sup> See Chapter XVI, last part.

can be no such thing as an unpaid service "in itself"; any service which appears as an unpaid service with reference to those benefiting from it, in this case the State, is not unpaid from the point of view of the person rendering such service.

The Committee has also given attention to certain special cases which have been brought to its notice. A State, for instance, may arrange for the unpaid performance of certain work of interest to national defence by workmen employed by a firm or factory which continues to pay them their regular wages during the execution of such work. A State might also conceivably give work on national defence to unemployed workmen, and pay them a sum additional to their unemployment allowance.

In accordance with the fundamental principle of limitation, all expenditure of this kind should appear in the Model Statement, whatever be the origin of the resources from which payments are made.

**12. Material for Consumption taken from Store.** It has been observed that, while the Convention is in course of execution, a State might use part of its consumable material in store in order to avoid expenditure. Such a procedure was noted during the examination of the documentary material concerning France and the United Kingdom, where credits for ammunition for firing practice and for clothing respectively, and also for certain other articles for the current use of troops, were curtailed by Parliament by 109,720,000 francs and £530,000 on account of existing stocks. The Committee wondered whether in this case it would be advisable to add to the expenditure of the year in the course of which such procedure was followed the value of the consumable materials taken from store.

The Committee considered in the first place the case in which the stocks thus consumed had been purchased before the conclusion of the Convention. The inclusion of the value of the stocks consumed in the Model Statement for the year of their consumption would bring into account, as regards the justification of the limit for the year in question, certain expenditure effected prior to the Convention. The Committee also held that such taking of stocks out of store, which might actually be one of the most immediate effects of the limitation of expenditure, would doubtless make it possible for the national defence services to function during one year, but would also diminish the stocks in store, and that the total possessions of a State which adopted this procedure would in fact be decreased thereby in the long run.

If, on the other hand, the material consumed was bought after the conclusion of the Convention, then the expenditure would be shown first in the Model Statement for the year in which the purchase of the consumption materials took place, and then again at the time of their consumption, which would mean a duplication.

For these reasons, the Committee finally discarded all idea of adding to the annual expenditure the value of consumable materials taken from store for the maintenance of defence services. Moreover, the Technical Committee, having been instructed to study the methods by which publicity for and limitation of expenditure could be applied, felt that it would be exceeding its terms of reference if at the present stage of its work it examined the ultimate influence of the limitation of expenditure on armaments themselves, and in particular on existing immovable property, material, and stocks—*i.e.*, in short, on the possessions of the national defence services.

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## Part II.

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### BUDGETS AND ACCOUNTS.

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The payments must constitute the juridical basis of the Convention on publicity and limitation of expenditure. Payments made by the various public bodies are shown in accounts, the most important of which are the budget appropriation accounts. The degree of authenticity of the figures entered in the accounts depends on the general rules governing public accountancy from the preparation of the budget until the completion of its execution: it depends more particularly on the effectiveness of the internal supervision exercised during the execution of the budget over all acts of the financial administration and, after such execution, over the final accounts.

The headings in the accounts are almost always very concise, and are, as a rule, not accompanied by any additional explanation as to the precise nature of the expenditure—that is to say, the exact purpose of the payments; they simply indicate the material fact of payment. Although most of the accounts submitted have the same divisions and subdivisions as the budget itself, some of them are drawn up in a less detailed form, so that their headings do not always clearly show the objects of the expenditure. The account in itself does not always enable the exact purpose of the expenditure to be determined. On the other hand, that purpose is defined more clearly at the time when the expenditure is authorised—that is to say, when the credits are granted. The real purpose of payments can thus be determined more readily by comparing the credits with the payments. But the results of such a comparison are reliable in proportion to the strictness of the internal supervision exercised over the execution of the budget. The certainty that authorisations to incur expenditure have not been diverted from their object and that payments inserted in the budget appropriation accounts really represent the exact value of services rendered and deliveries made depends ultimately on the existence and functioning of this internal supervision.

Such are the reasons which led the Expenditure Commission to instruct the Technical Committee to carry out an enquiry into the different budgetary systems. The present part of the report shows the results of that enquiry.

Since nearly all national defence expenditure is entered in the State accounts, this study is chiefly concerned with the budgets and accounts of the central Government. The budgets and accounts of local authorities, regarding which the Committee has collected less abundant material, are dealt with more generally in an addendum at the end of Chapter VI.<sup>1</sup>

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<sup>1</sup> See page 52.

## Chapter V.

### PREPARATION, ADOPTION, AND EXECUTION OF BUDGETS.

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Most of the payments relating to national defence are made by the departments under authorisations to incur expenditure previously granted by the public authorities. The national defence services are compelled to furnish evidence in support of their applications, in order to obtain these authorisations. In all the countries examined by the Committee, except India, the grant of authorisations to incur expenditure is within the competence of the national representative bodies. Applications submitted by the national defence services are discussed in Parliament, and the proof as to the validity of these applications, together with the public discussions regarding them, generally provide the necessary information for ascertaining the real object of the expenditure. Sometimes, in exceptional cases, Governments are authorised by constitutional or legislative provisions to incur certain expenditure without previous authorisation from Parliament. This is the case in an emergency, when Parliament has been dissolved or is not in session, and the object of these provisions is to leave Governments a certain degree of freedom to incur expenditure required by certain circumstances. In such cases, however, the expenditure mostly has to be submitted to Parliament for ratification within a specified period, whether during its next session or before the end of the financial year.

**1. Drawing-up of Estimates of Expenditure.** Estimates of expenditure, which are drawn up in all countries by the departments concerned, are generally co-ordinated by the Minister of Finance, whose duty it is to ensure a balanced budget.

Sometimes the Minister of Finance is assisted in this task by a committee or council (Budget and Treasury Committee in Belgium; State Council in the Netherland. In the United States of America, the estimates are co-ordinated by the Budget Bureau, which is directly under the orders of the President.

In almost all countries, the Minister of Finance exercises a more or less considerable influence on the estimates of the other Ministers; in exceptional cases, he is entitled, on his own authority, to reduce the other Ministers' applications for credits.

This is the case in Belgium, Germany and Roumania. In the case of the United Kingdom, each several vote of the draft estimates is separately submitted to the Treasury for their sanction. New services requiring express Treasury approval must be submitted to the Treasury before insertion in the draft estimates.

The present financial difficulties, moreover, everywhere tend to increase the powers of the Minister of Finance.

In some cases even the legislature makes its influence felt in this administrative phase of the framing of the estimates.

For instance, in Roumania, proposals for fresh expenditure, before being drawn up in their final form, are submitted to a technical budgetary committee of the Chamber of Deputies, which has the right to accept or refuse the proposed new expenditure.

**2. Draft Estimates.** The draft estimates are as a rule finally drawn up by a Council of Ministers (Government Council).

In the United States, however, they are drawn up by the President of the Republic, in the Netherlands by the Queen, in the Netherlands Indies by the Governor-General, and in India by the Governor-General in Council.

In all countries, the draft estimates are published; in most countries, these documents are on sale and are widely read. Usually the draft estimates contain detailed information

enabling variations in expenditure from one year to another to be followed and giving reasons for new expenditure.

Such information is supplied either in explanatory memoranda (Belgium, France, Italy, the Netherlands, Norway, Roumania, Sweden), in a message from the Executive (Switzerland, United States of America), or in the body of the draft estimate itself (Australia, Germany, Irish Free State, New Zealand, Poland, United Kingdom, Yugoslavia). In Japan, the draft estimates are published; they do not contain either an explanatory memorandum or detailed statements, but the latter are given in Parliament and reports of the discussions are published in the *Official Journal*.

The examination of the draft estimates and of the information they contain is usually of great value for estimating the real significance of the authorisations to incur expenditure under which payments are made.

**3. Discussion of Draft Estimates in Parliament.** In all the countries considered by the Committee, except India, the draft estimates are submitted to Parliament for examination and approval.<sup>1</sup> The fact that the draft estimates are examined by representative national bodies, one of whose essential rights it is to determine public expenditure, constitutes one of the best guarantees for the publicity of expenditure. In another part of the report (Chapter XIX) the great importance of the discussions and votes of credits by Parliament will be indicated from another aspect. It is in fact in the course of these discussions and votes that the public authorities will have to explain how the credits granted agree with the obligations arising out of the Convention. The Committee has therefore attached special attention to the procedure for discussing estimates and voting credits.

The twenty-nine States which supplied documents to the Committee possess a Parliament or a legislative organ. The Parliament consists of two Chambers, except in Albania, Bulgaria, Finland, and Norway, where there is only one. In Norway, however, the Chamber is for certain purposes divided into two sections. In the U.S.S.R. the legislature (the Central Executive Committee of the Union) holds its powers from the Congress of Soviets.

In all countries with two Chambers, the combined draft estimates or the several departmental estimates are nearly always examined first of all by the Chamber of Deputies, which is generally the most directly representative of the nation.

The draft estimates are, however, submitted indifferently either to the Lower or the Upper Chamber in Belgium or to the two Chambers alternately from year to year in Switzerland. In Germany, the draft estimates are first examined by the Upper Chamber (Reichsrat) which consists of representatives of the Governments of the various States. In some countries with two Chambers, the financial powers of the Upper Chamber are in law or in fact extremely limited. This is the case in the United Kingdom, where the Parliament Act of 1911 provides that in certain circumstances a money Bill can pass into law notwithstanding the fact that the House of Lords has not consented to it. Up to the present, however, no money Bill has passed into law under this provision. In Roumania, only the Lower Chamber examines and discusses the budget; the Senate takes no part either directly or indirectly in discussing it. The Senate's approval is necessary only in order to vote special extraordinary credits (special budget) for large-scale works.

**4. Preliminary Examination of Draft Estimates by Parliamentary Committees.** Subject to the above-mentioned powers of the Parliaments, the draft estimates are as a rule first examined by one or more committees, which are constituted in different ways. In the United Kingdom, the entire House of Commons, in order to consider the draft estimates, transforms itself into a committee consisting of all the members of the House (Committee of Supply). In Roumania, a budget commission is appointed only by the Chamber of Deputies, since the

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<sup>1</sup> In the case of India, the budget is finally sanctioned by the Secretary of State for India in Council. This Council consists of persons of distinction who have held office in India and competent persons representing the interests of that country.

Senate takes no part in the discussion of the budget. In the Netherlands, no actual committee is appointed: the draft budget is examined by sections of the Chamber.

The discussions in these commissions, committees or sections are usually not public.

In the United Kingdom, however, the meetings of the Committee of Supply are public. In Japan, representatives of the Press are allowed to attend discussions of the Budget Committee of the Chamber of Deputies.

The reports of the discussions by the commissions or committees are as a rule not published.

In the United Kingdom, however, the debates in the Committee of Supply are published in the same way as those of the other sittings of the House of Commons. In the United States of America, some of the discussions of the commissions which are of special importance for granting authorisation to incur expenditure are also published in the "Hearings". In Japan, Press representatives admitted to the meetings of the commissions sometimes publish accounts of them.

In almost all countries, the commissions or committees for examining the draft budgets draw up reports containing their observations.

In Germany, the financial commission of the Reichstag alone prepares a report; the Reichsrat makes no reports, but draws up a "protocol" recording its decisions. In the United States of America, the commissions do not make reports, nor does the Committee of Supply in the United Kingdom.

When commissions or committees draw up reports, these are almost always published.

In the U.S.S.R., the report of the Budgetary Commission of the Central Executive Committee is not published, but the speech delivered by the rapporteur of that commission to the Plenum of the Central Executive Committee is issued as a publication.

It should be mentioned here that the volume of the reports and records of discussions of parliamentary commissions differs considerably in different countries. They take the form, sometimes of a brief account of the principal observations made in the course of the discussion, sometimes of a complete record giving full details of the proceedings.

**5. Discussion of Draft Estimates at Plenary Meetings of Parliament.** When the draft estimates have thus been examined by the commissions or committees, they are discussed by Parliament in plenary session. In all the countries considered by the Committee except the U.S.S.R., the plenary meetings are public and the parliamentary discussions of the estimates are published in official documents which are more or less widely circulated.

In Yugoslavia, these reports are not officially published, but are kept in the Parliamentary archives, and any person interested may ask the Secretariat to produce them. In Norway, only a summary of the discussions is published. In Switzerland, the verbatim record of the discussions is not always published, but it is supplied on request to any person interested.

In many countries, the members of the legislature have the right to propose measures involving expenditure in the same way as the Government, and the text of their proposals may accordingly contain valuable information as to the object of the expenditure.

This is the case, with differences in detail, in Australia, Austria, Bulgaria, Czechoslovakia, Denmark, France, Germany, Italy, South Africa, Sweden, Switzerland, the United States of America, the U.S.S.R. and Yugoslavia. On the other hand, in the United Kingdom, by a practice embodied in the Standing Orders of the House of Commons, the right of initiating expenditure is reserved to the Government. In Japan, members of Parliament have no right of initiative in financial matters; in Poland that right is limited in practice. In New Zealand, members of Parliament have no right to propose an increase in expenditure.

In almost all countries, Parliament has the right to reduce the Government's estimates.

In the United Kingdom, however, motions in the House of Commons to reduce an estimate are in practice almost always rejected; if such a motion were passed, the Government would in all probability resign. In Japan, Parliament cannot, without the consent of the Executive,



reduce military expenditure provided for under the powers conferred on the Emperor by the Constitution and approved by Parliament in the budget of the preceding year. In the United States of America, if Congress cuts down the President's proposals, the latter may use his right of veto, but Congress may override this by two-thirds majority vote.

In countries with a two-Chamber system—apart from what has already been said in regard to the United Kingdom—the budget is voted by both Chambers, except in Roumania and Finland, where the Lower Chamber alone votes the budget.

**6. Annual Nature  
of Credits.**

In order to be able to make a useful comparison of annual expenditure with authorisations for expenditure, it is essential to know whether such authorisations are granted annually. If so, it will be easy to compare expenditure with credits, for all the necessary data for determining the true nature of the expenditure will certainly be found in the Finance Bill and in the annual discussion of that Bill.

In most countries, public expenditure is fixed each year.

In some countries, however, certain expenditure is authorised permanently or for several years (Consolidated Fund Services in the United Kingdom, Central Fund in the Irish Free State, Permanent and Continuing Credits in the United States of America). But whereas, in the United Kingdom and in the Irish Free State, military expenditure is in no case authorised permanently or for several years, but is voted every year (Supply Services), a fairly small part of the military expenditure of the United States is the subject of permanent authorisations.

It is certainly somewhat difficult to ascertain the true significance of expenditure effected in virtue of these permanent authorisations, for often it is necessary to go back some distance into the past to discover for what purposes these authorisations were granted.

In the same connection, mention may be made of the cases of Belgium and France, where credits for the defensive organisation of frontiers have been voted for several years. Expenditure may be effected in virtue of such authorisations up to the time of completion of the work.<sup>1</sup>

In a fairly large number of States, there also exist credits of which the balance unexpended at the end of the "exercice" is carried forward to the following "exercice" or "exercice".

This is the case in Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Norway, Roumania, Sweden, Switzerland and the United States of America.

The right to carry forward applies sometimes to credits of every kind, but sometimes, and more frequently, only to credits for material for the execution of programmes (Belgium, France, Roumania). Sometimes the carry-forward must be expressly authorised by Parliament; sometimes it operates automatically in virtue of the laws and regulations concerning public accounts; but in this case the estimates generally mention the amount of the credits available for carrying forward, so that expenditure effected out of credits brought forward may always be compared with those credits themselves.

In some countries there is another practice that calls for mention: Parliament may authorise the national defence services to incur expenditure—*i.e.*, to conclude contracts and make purchases for the carrying out of manufacture or constructional programmes with a reservation that payment will be made or orders for payment given out of financial provision for subsequent years.<sup>1</sup>

This occurs, for example, in various ways, in Belgium, France, Germany, the Irish Free State, India, Italy, Japan, and the U.S.S.R. The annual financial credits usually enable the actual purpose of the payments to be determined, but, to obtain more exact information, it will perhaps be desirable to refer back to the actual authorisations to incur expenditure.

**7. Legal  
Significance of  
Authorisations  
for Expenditure.**

In order to determine the object of expenditure at the time of authorisation, it is necessary to know the exact significance of the authorisation to incur expenditure.

Such authorisation always covers each successive stage of payment—*i.e.*, the department so authorised cannot incur or issue orders for expenditure or make payment save within the limit of the credits granted to

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<sup>1</sup> See, on this subject, Chapter XVI.

it. But, if the periods during which these successive steps may be taken are considered, very appreciable differences will be observed:

(a) Thus, in some countries, the vote limits the *payments* that may be made during the financial « *exercice* » (including any period supplementary thereto). These payments are entered in the accounts for the year in question; the relationship between the authorisation and the payment is directly established by the accounts, and the explanations of the accounts may easily be found.

This is the case in the following countries which have no supplementary period: Australia, the United Kingdom, India, Irish Free State, New Zealand, Norway, and the U.S.S.R.; and in the following countries, which have supplementary periods of varying length: Bulgaria, Denmark, Finland, France, Japan, Netherlands, Poland, Roumania, Sweden, Switzerland, and Yugoslavia.

The relation between authorisations for expenditure and arrears of payments appearing either in the budget accounts or in special accounts incorporated in the general accounts (Finland and Yugoslavia) will sometimes be rather difficult to determine, because these arrears of payments, the amount of which is inconsiderable, are shown in the accounts under comprehensive heads. We shall return to this point in Chapter VII.

(b) Sometimes, too, an authorisation limits the amount of the *orders for payment*, that may be issued during a financial « *exercice* ». In that case, the accounts show at the end of the « *exercice* », opposite the authorisations to incur expenditure, the amounts of the orders issued; they also show the amounts of payments side by side with those of the orders for payments, but there will sometimes be appreciable differences between these two figures, because all the orders for payment have not given rise to payments before the end of the « *exercice* ». Arrears of payment are included in the budget accounts for the following years (Austria, Czechoslovakia, Hungary) or in special accounts (Belgium) and it will be impossible to compare them directly with the original credits in virtue of which the expenditure was incurred.

(c) In some countries in which the authorisation limits the *commitments* that may be entered into during the financial year, the final accounts for the « *exercice* » show the commitments entered into during the year, and the difference between credits and commitments is in principle cancelled. With accountancy systems of this kind, the connection between authorisations and payments is much looser. In order to ascertain the original purpose of the payments made during any « *exercice* », the expenditure authorised for several years must be interpreted. Such is the case in Albania, Italy and the United States of America; but the difficulties are lessened owing to the fact that the accounts give each year, opposite the remaining credits, the payments charged against them.

(d) Another factor arises when an attempt is made to determine how far payments may be compared with authorisations for expenditure. It must be ascertained for how long a period it is possible to enter payments under the accounts for a particular year. In some countries, all payments made during a year, irrespective of the origin of the credits, are included in the accounts for the year in question.

Such is the case in Albania, Australia, Austria, the United Kingdom, Czechoslovakia, India, the Irish Free State, New Zealand, Norway, South Africa, the U.S.S.R. and the United States of America.

Comparison of the credits for any given year with the payments during that year will, no doubt, be possible in certain instances only—viz., in countries where the credit limits commitments or the issue of orders for payment (Albania, Austria, Czechoslovakia, United States of America), as payments are necessarily made in the course of the year which relate to commitments entered into under previous authorisations while payments are not made in respect of all the commitments or orders for payment entered into or issued in the course of the year.

In other countries there are additional periods varying from one to twelve months <sup>1</sup>. If the periods are fairly long, the comparison between the credits for the year and the

<sup>1</sup> Belgium . . . . .	10 months	Japan . . . . .	1 month
Bulgaria . . . . .	3 "	Netherlands . . . . .	12 months
Denmark . . . . .	1 month	Poland . . . . .	3 "
Finland . . . . .	2 months	Roumania . . . . .	3 "
France . . . . .	4 "	Sweden . . . . .	2 "
Germany . . . . .	1½ "	Switzerland . . . . .	2 "
Italy . . . . .	1 "	Yugoslavia . . . . .	5 "

payments made out of those credits will be of greater significance, for the longer the period the less is there outstanding to pay at the end of the year.<sup>1</sup>

**8. Date of  
voting Annual  
Expenditure.**

It is also of interest to know at what moment the authorisations to incur expenditure are given: before the beginning of the financial year, during the year (at one single moment or successively) or after the end of the year for the purpose of regularising or rectifying the estimates.

The principle generally followed is that expenditure must be passed before the beginning of the financial year. In certain countries, such as Sweden and Italy, the estimates are as a constant practice passed before the beginning of the financial year, but circumstances may cause a more or less considerable delay in the passing or adoption of the estimates.

In some countries, the estimates are systematically passed during the financial year. This is the case in Australia, Belgium, the United Kingdom, India, the Netherlands, New Zealand, etc.

If occasionally, or owing to a constant tradition, the estimates may not be passed at the beginning of the financial year, the public services must still be provided for. For this purpose, however, very different methods are adopted. These must be known, for we shall be led to a certain extent at least to look for the real significance of expenditure in the provisional authorisations necessitated by the delay in passing the estimates. In some countries, the executive is entitled to authorise expenditure until the estimates are passed or adopted.

This is the case in Norway, where the Government may, without the authority of Parliament, make the payments necessary for the working of the public services.

Sometimes the budget for the preceding year is automatically re-applied.

This is the case in the Netherlands, Poland and Sweden. In Roumania, the budget of the previous year is re-applied by royal decree. In Japan, it is re-applied by Imperial decree and in Switzerland by a decision of both houses of the Legislature.

But more often *douzièmes provisoires* or monthly votes on account (Belgium, France, Italy, Yugoslavia) are voted in various forms.

In the U.S.S.R., expenditure calculated from the budget estimates for the first quarter is effected by a decree of the Central Executive Committee. In the United Kingdom, the working of the administrative services is provided for from April 1st, when the financial year opens, until about the month of August by means of a vote on account. An Appropriation Act is then passed which gives the force of law to the appropriation of the supplies of money granted by resolution of the House of Commons during the session to the services for which they were voted. The procedure in regard to the estimates of the defence departments is different, but leads to a similar result. In Norway the budget is in practice passed before the beginning of the financial year. When the adoption of the budget is delayed in Germany, the Reichsrat and Reichstag vote a preliminary budget (*Nothaushalt*) which is replaced by a normal budget as soon as possible. In quite exceptional cases, however, the President of the Reich can promulgate a provisional budget by decree under Article 48 of the Constitution.

In most countries, supplementary credits are granted or may be granted during the financial year, and it is necessary to look into them to see the significance of the expenditure they authorise. In some countries, towards the ends of the year, excess credits are voted if necessary; an examination of these may also be of interest.

This is the case in the United Kingdom (excess votes), France, India, Irish Free State, the Netherlands, Switzerland. In Denmark, a veritable amending budget is passed towards the end of the year.

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<sup>1</sup> On this subject, see Chapter XIX.

**9. Special Prerogatives of the Executive.** In countries where the authorising of expenditure is a prerogative of the national representative body, it must be ascertained whether still, in exceptional circumstances, the executive may not on its own authority incur expenditure without authorisation of Parliament. In such cases, the guarantees afforded by publicity may be lacking. In almost all countries, when Parliament is prorogued, and in certain circumstances defined by law, the Government is entitled to authorise expenditure, provided, however, that the situation be put in order at the first meetings of the Chambers. In that case, the discussions which take place in Parliament enable the purpose of the expenditure thus incurred by the Government to be sufficiently determined. In some countries, however, the Executive has special prerogatives.

Thus, in Germany, during the execution of the budget, expenditure not provided for in the budget or not sufficiently covered may be incurred, exceptionally and in case of urgency, with the consent of the Minister of Finance. Expenditure not authorised by law must be specially mentioned and accounted for in the accounts and must subsequently be approved by Parliament. Authorisations for such expenditure in the case of sums exceeding 10,000 marks must be notified every quarter to the Reichstag. In Norway, the executive can exceed the expenditure authorised by the budget on its own authority; the law, moreover, places no restriction on the extent to which this right may be exercised. If, however, the sum is large and if Parliament is sitting, the executive must obtain approval for such excess expenditure. In Yugoslavia, expenditure for the current year may be met out of Treasury Funds (Treasury Working Capital Fund) apart from the budget properly so called. Such expenditure may be authorised by law, but may also be authorised by a decision of the executive approved by the Finance Law of the following year. When it is added that such expenditure is given in aggregate figures in the accounts of this Working Capital Fund annexed to the budgetary accounts, it will be realised that it will sometimes prove difficult to ascertain the exact purpose of such expenditure.

**10. Budgetary Differentiation.** The greater the number of subdivisions in the budgets and accounts and the clearer these subdivisions are the easier it is to ascertain the significance of the payments. In almost all countries, national defence expenditure is split up into a fairly large number of divisions and subdivisions the headings of which give a clear idea of the purpose of the expenditure. The degree of differentiation in a budget or account cannot accurately be determined from the mere number of headings composing it. The differentiation lies, not merely in the number of divisions, but in the rational classification of expenditure according to its character and purpose. Many examples might be cited of expenditure on a large scale entered under a single heading of an account, and conversely other expenditure being divided under various headings although the amount is relatively very small.

Thus, in the combined statement of the United States, one item of \$3.44 is shown separately as an appropriation, while another appropriation comprises in itself alone an aggregate sum of \$152,011,650 for pay or emoluments of officers, petty officers and other ratings in the service, in the reserve or on pension. In Yugoslavia, the total sum for pay of officers and civilian personnel employed in the army services is given in a single item ("positie"), the aggregate amount being 111,888,670 dinars, while the sums shown under some headings are no more than 10,000 or 15,000 dinars. Similar examples might be given for most countries.

Although differentiation does not depend solely on the number of subdivisions but also on the clearness of the headings and the judicious allocation of expenditure, it is nevertheless true that the number of headings constitutes an essential factor of differentiation. In this connection, it will be noted that some budgetary accounts contain a very large number of divisions.

This is so, for example, in the case of France. In Italy, the budgetary accounts are presented under fairly numerous chapters, but the subdivisions are few, so that the grand totals of certain chapters sometimes apply to rather different objects. The same is true of Japan and Norway. In the United States of America, the accounts contain a very large number of subdivisions, some of which, however—e.g., that referring to the pay of the Navy—give one single figure for different items: pay of officers, petty officers and other ratings, expenditure on reserves, transport, etc. In Yugoslavia, the budgetary accounts are very detailed, but some headings for the expenditure on personnel or supplies only show lump sums affecting different categories of personnel or supplies. If a limitation Convention were concluded, the Yugoslav delegation intimated that its Government would consider the possibility of supplying the necessary specifications. The

published budgetary accounts of the U.S.S.R. only show one total figure for defence expenditure which gives no idea whatever of the nature of the expenditure. The U.S.S.R. delegation, however, gave the Committee much more detailed accounts than those published, and intimated further that, if a Convention directed towards real disarmament were concluded, there would be no obstacle to the introduction, into the budgetary system and public accounts of the U.S.S.R., of such amendments as would best ensure control of the performance of the obligations assumed under the Convention.

The following table showing the number of subdivisions in the closed accounts of the national defence ministries of States whose returns have been studied by the Committee will give a clearer idea of the differentiation of accounts:

Albania . . . . .	Chapitres . . . . .	47
Australia . . . . .	Subdivisions . . . . .	76
Austria . . . . .	Paragraphs and some- times Posten . . . . .	17
Belgium . . . . .	Articles . . . . .	98 plus the Colonies.
United Kingdom . . . . .	Sub-heads . . . . .	399 plus the Colonies.
Bulgaria . . . . .	Paragrafs . . . . .	85
Canada . . . . .	Votes . . . . .	25
Czechoslovakia . . . . .	Polozka . . . . .	99
Denmark . . . . .	Numre . . . . .	78
Finland . . . . .	Monrenter . . . . .	52
France . . . . .	Chapters, Articles or Subdivisions . . . . .	804 plus the Colonies.
Germany . . . . .	Titeln . . . . .	300
India . . . . .	Sub-heads . . . . .	658
Irish Free State . . . . .	Sub-heads . . . . .	35
Italy . . . . .	Capitoli . . . . .	232 plus the Colonies.
Japan . . . . .	Articles . . . . .	148
Netherlands . . . . .	Artikel . . . . .	220 plus the Colonies.
New Zealand . . . . .	Items . . . . .	271
Norway . . . . .	Articles . . . . .	147
Poland . . . . .	Rozdialy . . . . .	80
Roumania . . . . .	Articolul . . . . .	202
South Africa . . . . .	Sub-heads . . . . .	80
Sweden . . . . .	Anslag . . . . .	170
Switzerland . . . . .	Postes . . . . .	353
United States of America	Heads . . . . .	319
U.S.S.R. . . . .	Article . . . . .	1 <sup>1</sup>
Yugoslavia . . . . .	Posizie . . . . .	306

It should, however, be borne in mind that, though greater differentiation may make it easier to supervise the execution of the budget, it causes administrative complications and delay in submitting the accounts.

The Conference will have to take due note of this consideration. From the point of view of the Convention, the ideal would of course be that, in each country, differentiation should be carried to fairly great lengths, so as to enable the figures given in the closed accounts to be transferred direct into the Model Statements, without any need to compute specially the figures for any subdivision of the accounts.

**11. Virements.** The more strictly the divisions and subdivisions according to which budgets are passed or submitted are adhered to during the execution of the budget—*i.e.*, the fewer the number of *virements* between the budgetary headings—the more accurate will be the comparison between expenditure and credits

<sup>1</sup> Divided into fifty-seven paragraphs in the reconciliation table.

passed. Where *virements* are possible, an endeavour will have to be made to trace in the accounts any changes of allocation of credits made in the course of the execution of the budget.

- (a) *Possibility of virements.* In this respect, wide differences exist between the various countries. In some it is possible to make *virements* from one national defence budget to another.

This is the case in South Africa, where such *virements* can be made only with the approval of the Treasury. In India, *virements* between budgets can be made with the approval of the Governor-General in Council or the Secretary of State for India. In some countries, more particularly in the Irish Free State, this practice is allowed, but is in actual fact very restricted and subject to special supervision. In the U.S.S.R., similar *virements* exist but are governed by very strict rules.

In some countries, again, *virements* may be made between the *divisions* of each budget. By "division" in the varying terminology used in the different budget headings is meant those headings on which a vote is taken in Parliament or by the legislative organ which prepares the budget. The legal significance of such a vote consists in the assignment to a particular object or service of a fixed amount which the Government must not use for another object or service. That is the essence of differentiation. *Virements* between "divisions" so defined are rarely possible, and when permissible are subject to particularly restrictive rules. By a "subdivision" will be meant all lesser categories into which the Government divides the expenditure of each division, fixing the amounts on the basis of the estimates for the various services. These headings are not passed individually or by a special decision of the legislative organ, so that *virements* are generally possible between these subdivisions under certain more or less restrictive conditions.

*Virements* between divisions of the budget are allowed, by various methods of application, in Austria, Belgium (in exceptional cases), United Kingdom (but only in the case of the estimates of the defence departments), Denmark, Germany (where *virements* are possible only in respect of a few closely interconnected items specified in the budget), India, the Irish Free State, Norway, Poland (though in this country votes for personnel cannot be increased out of votes for supplies), South Africa and the U.S.S.R.

On the other hand, in Australia, Belgium, Czechoslovakia, Finland, France, Italy, Japan, the Netherlands, Roumania, Sweden, Switzerland and Yugoslavia, *virements* between budgetary divisions are prohibited. The same applies to the United Kingdom as regards the Civil Estimates.

In almost all countries, *virements* can be made between subdivisions of the budget.

Only in Japan, the Netherlands, Roumania, Sweden, Switzerland and the United States of America are *virements* entirely prohibited. *Virements* used not to be permissible in Yugoslavia, but paragraph 36 of the Finance Act for the financial year 1931-32 authorises *virements* between all the headings for expenditure on army and navy supplies subject to the approval of the Court of Audit.

To obviate *virements*, some budgets have reserve funds which are drawn upon during the year to cover deficiencies in certain credits. This is the case, for example, in Italy, Japan and Yugoslavia; the practice entails no serious inconvenience as regards the reconstitution of actual expenditure figures, since payments made by drawing on the reserve funds are entered in the corresponding chapters of the closed accounts.

- (b) *Possibility of tracing expenditure accounts in respect of which virements have been made.* Where *virements* can be made in circumstances above described, it is generally possible to find in the accounts exact particulars of the changes made in allocating expenditure during the execution of the budget.
- In Australia and South Africa, for example, these particulars can be found in the annual report of the Controller and Auditor-General. In Denmark, the *virements* are authorised by the "rectification budget" submitted at the close of the year. In France, the Irish Free State, Norway and Yugoslavia, the closed accounts give all particulars and the necessary legal or statutory provisions regarding changes made in the allocation of votes. In Poland, in the absence

of exact information in the budgetary accounts, the report of the Court of Audit mentions all re-allocations. In the United Kingdom, the Treasury must report to Parliament the *virements* made between the votes of the defence departments' estimates, and these *virements* receive parliamentary sanction in a subsequent Appropriation Act. Only in Bulgaria and Czechoslovakia do the accounts supply no information regarding *virements*.

It will therefore be seen that, as a general rule, it is possible to ascertain the changes made in the allocation of expenditure and thus, by referring to the accounts or to the reports drawn up by the various authorities on those accounts, to determine the real purpose of the expenditure with a view to its being correctly transferred to the Model Statement. For the execution of a Convention for the limitation of expenditure, however, it would be desirable to restrict the power to make *virements* to a degree compatible with the administrative needs of States.

**12. Publication of Budgets.** In almost every country, the budgets passed are officially published.

This is the case particularly in Albania, Australia, Belgium, the United Kingdom, Bulgaria, Czechoslovakia, Denmark, Finland, France, Germany, Irish Free State, Italy, Japan, the Netherlands and Netherlands Indies, New Zealand, Norway, Poland, Roumania, South Africa, Sweden, Switzerland, the United States of America, U.S.S.R. and Yugoslavia.

The extent to which these documents are distributed, however, differs in different countries.

Thus, in the United Kingdom and Norway, the budgets passed are placed on sale to the public. In the U.S.S.R., the budget passed—which contains only one figure for expenditure on national defence—is not placed on sale, but is sent free of charge to public libraries and to certain institutions.

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## Chapter VI.

### SUPERVISION OF THE EXECUTION OF THE BUDGET AND ACCOUNTS.

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The greater part of payments are entered in the budget appropriation accounts. The essential object of these accounts is to show, under the several budgetary divisions, the use made by the public services of authorisations to incur expenditure. Certainty as to whether the sums shown in the final accounts have been employed for the purposes defined in these authorisations and whether their amount represents exactly the value of the services rendered and of the deliveries effected obviously depends on the way in which the successive acts for the settlement of the expenditure (commitment, liquidation, order for payment and actual payment) have been supervised and checked—in a word, on the rules which govern the whole financial administration of the States.

For these reasons the Technical Committee attached great importance to a knowledge of the principles of organisation and of the rules for the working of internal supervision over public finance.

The preparation of a Convention on limitation and publicity of expenditure calls for a knowledge of the relative value of the internal guarantees of supervision; it involved for the Committee the necessity for carrying out a study of the various systems of supervision practised in the different States whose information was submitted to it, with a view to determining the degree of efficacy of those guarantees and the extent to which reciprocity in the matter of obligations contracted by States could be ensured.

Internal supervision of public finance presents in every country two aspects, which will be dealt with in turn: *previous or preventive supervision* during the execution of the budget and *a posteriori supervision—i.e.*, after payment has been made, subsequent to the final act in the settlement of the expenditure.

These two methods of supervision, and the superposition of which is necessary to ensure the proper execution of the budget, are of unequal value from the standpoint of the actual object of the Committee's work. From the point of view of a Convention for the limitation of expenditure and publicity, the legal justification of which is based on the payments effected during the financial year, the essential consideration must be to deduce the guarantees offered by the system of supervision over the public accounts.

The production of the published accounts makes it possible to ascertain at the close of the financial year the figures for actual payments. It also enables the payments made to be compared with the credits passed. If States subscribe to a Convention for the limitation of expenditure, it will be at the moment when these authorisations are established, as the Committee of Experts on Budgetary Questions stated that, presumably, "the competent organs will take the necessary steps to explain publicly how the credits which have been asked for may be reconciled with the limits fixed by the Convention". The credits, the amount of which ultimately determines the volume of payments, will have to be calculated with sufficient accuracy to ensure that there is no risk of contractual undertakings being violated. It is essential then to determine, for each country, whether the national defence services might not disregard the limits thus traced out for them. But the duty of the bodies responsible for preliminary supervision, whose action is extended over the whole period of the execution of the budget, is in fact to prevent the various administrations from exceeding the limits which Parliament has assigned to them. From the standpoint, then, of the Convention itself, it is clear what importance attaches to the rules which govern supervision during the execution of the budget.



The Committee was moved by a further consideration to examine this question of preventive supervision: the audit of the closed accounts is in no case independent of the various forms of supervision during the execution of the budget; it is based to a large extent on the results of the supervision carried out prior to payment over acts relating to commitment, liquidation or orders for payment in regard to public expenditure. For example, should a comptroller refuse to endorse a commitment, this would enable the audit authority later to call to account the authority which had effected the expenditure despite such veto. Preventive supervision stops any irregularity at its source and prevents it, so that it may not be necessary to deal with the matter later.

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<p><b>A. Preventive Supervision during the Execution of the Budget.</b></p>	<p>In order that the function of preliminary supervision may prove effective, it must be entrusted to bodies independent of the authorities whose acts are to be supervised.</p> <p>(a) <i>Degree of independence of the bodies responsible for supervision during the execution of the budget.</i></p>	<p>i. In some countries, a Court of Audit possessing absolute independence as regards the executive and the Legislature is responsible either wholly or in part for the exercise of preventive supervision.</p>
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This is the case in Albania, Belgium, Bulgaria, Italy, the Netherlands, Norway, Poland and Roumania. In Czechoslovakia and Yugoslavia, the Court of Audit exercises supervision during the execution of the budget quite independently of the various ministries, although its members come under the same regulations as other officials.

In the United States of America, this supervision is carried out by the Comptroller-General, a high official who in practice cannot be removed from office. He takes high position in the country and has special offices and agents to carry out his supervision. In the United Kingdom, supervision over exchequer issues during the execution of the budget devolves upon the Comptroller and Auditor-General, who is a statutory officer and cannot be removed from office except by the Crown on an address from both Houses of Parliament. Supervision is carried out in Sweden by the Central Accountancy Office, the members of which are entirely independent both of the Government and of Parliament, and by Audit Sections, the officials of which, appointed by royal patent, may not be dismissed except by judgment of a High Court. In the U.S.S.R., the People's Commissary for Workers' and Peasants' Inspection carries out preventive supervision during the execution of the budget; the Commissary is independent both of the People's Commissary for Military and Naval Affairs and of the People's Commissary for Finance.

2. In various countries, Parliament or the legislative bodies participate in the supervision of the execution of the budget by delegating to some of their members or to a commission the duty of supervising the financial administration as a whole either temporarily or permanently (Austria, Czechoslovakia, Finland, Poland, Switzerland, U.S.S.R.). In many States having a parliamentary system, the finance commissions share in the exercise of preventive supervision, inasmuch as they have the right in certain circumstances to ask the Minister for explanations of commitments in regard to certain expenditure.

3. Almost everywhere, the *Minister of Finance* possesses powers of supervision over acts relating to the execution of the budget. In general, this power is tending to increase, and this tendency inevitably becomes enhanced at periods of economic crisis, when the necessity for balancing the budget calls for constant supervision of the whole financial administration by a centralising organ.

In the United Kingdom, the Chancellor of the Exchequer supervises commitments in respect of expenditure. The Treasury may always agree to the insertion, in the estimates of expenditure relating to the operation of new services, but none of this expenditure can be the subject of a commitment—even if Parliament has approved the estimates in question—without the special authorisation of the Treasury. The same powers are held by the Minister of Finance in the Irish Free State and in India. In the last-named country, the Minister

of Finance also exercises supervision, through agents directly responsible to him, over the Military Accountants-General, attached to the Ministry of Defence but entirely independent of the heads of that Ministry. A similar organisation is found in France since the adoption of the law of August 14th, 1922, where the Controllers of Commitments attached to each ministerial department are appointed by the Minister of Finance and are directly responsible to him alone; and in Germany, where the Minister of Finance can delegate a representative to the various Ministries to obtain from the officials responsible for financial supervision in those Ministries any information he may require. The representative may demand that all financial measures shall be submitted to him for approval. There are, however, no officials of this kind attached to the Ministry of the Reichswehr, where the Minister of Finance nevertheless has an information agent, in the person of the head of the Budget Section. In Yugoslavia, Accountancy Sections, composed of representatives of the Minister of Finance, act on the latter's behalf in the various ministerial departments. In Italy, the Minister of Finance has a General Accountancy Office, and also Accountancy Offices attached to the ministerial departments; by means of these Offices, the Minister of Finance also exercises supervision over all budgetary operations. The Minister of Finance exercises higher supervision in the Netherlands, Poland and Belgium, and, in the last-named country, he delegates to the several Ministries representatives who exercise supervision independently over the execution of the budget.

It may also happen that supervision over commitments is exercised by supervisory bodies responsible both to the Minister of National Defence and to the Minister of Finance.

That is so in Denmark, in the case of the Auditors-General appointed by the King on the proposal of the Minister of Finance, and in Germany in the case of the Rapporteur for the budget, a special official appointed on the proposal of the Minister for National Defence.

4. The *National Defence Ministers* also have certain supervisory organs directly responsible to them.

In the United Kingdom and the Irish Free State, there are Accounting Officers, permanent heads of departments, individually responsible for the proper execution of the budget of their particular ministerial departments. In the United Kingdom, these officials cannot be appointed or dismissed except with the consent of the Prime Minister. They are responsible not only to their Minister, but also to the Public Accounts Committee of the House of Commons. In the Irish Free State, the Accounting Officer of the Department of National Defence is appointed by the Minister of Finance.

In other countries, preliminary supervision is exercised on behalf of the Ministers of National Defence by Supervisory and Accountancy Officers (*e.g.*, in Czechoslovakia, the Netherlands and Poland), or by supervisory bodies (Czechoslovakia, France and Poland), who exercise, quite independently of the command, very strict supervision over the whole administrative system. The general reports of these supervisory bodies (*e.g.*, in France) may even be communicated to Parliament. Similar independent action devolves in Norway on the Intendance Service, which supervises the execution of the budget directly on behalf of the Ministry of National Defence. In the U.S.S.R., the Financial Administration of the Red Army is responsible for supervision over the use of all funds placed at the disposal of the People's Commissaries for the Army and the Navy. Similar duties are entrusted in Switzerland to the Central War Commissariat.

5. In another system of preventive supervision, supervision is carried out by *certain banks* entrusted with the duty of effecting payments (*e.g.*, the State Bank in the U.S.S.R. and the Bank of Japan), or by the *public accountants financially responsible* (*e.g.*, in France, Poland, Roumania or in Yugoslavia) over the issue of payment orders. This last-named method of supervision is certainly no less effective than the other forms of preventive supervision described above and is, moreover, often superposed upon the latter with a view to supplementing their effects. The banks effecting payment exercise supervision over the issue of payment orders quite independently, and ascertain whether credits exist. The public accountants under the authority of the Minister of Finance and financially responsible for the regularity of their payments are entirely independent of the Ministers authorising the payments, in virtue of the fundamental principle stipulating, in the countries concerned, that there shall be no connection between administrators and accountants and that no person may exercise both functions. They ascertain the existence of vouchers, scrutinise the rights of creditors, and make sure that the services

have really been rendered, that the deliveries have really been effected and that credits exist under the budgetary head to which payment is to be charged. In some States, as will be seen later, the Courts of Audit are responsible only for audit subsequent to payment, but they none the less exercise preventive action during the execution of the budget by reason of the fact that the accountants are ultimately answerable to them and that the Courts of Audit possess jurisdictional powers which are often employed against the accountants.

Thus, in every country, though in varying forms, the principle of the independence of the bodies responsible for supervising the budget during execution is applied.

(b) *Powers of the bodies responsible for supervision during the execution of the budget.* It is not, however, sufficient to determine the degree of independence of the bodies responsible for supervision. In order to give a considered opinion on the efficacy of their action, it is essential first and foremost to know the extent of their powers. The Committee accordingly sought to ascertain how supervision was actually carried out during the execution of the budget.

1. The *Minister of Finance*, whose supervisory functions are tending in every country to increase, mostly exercises supervision by means of an examination of the accounts of the Ministries, those accounts being sent to him on fixed dates. In almost every country he periodically allocates funds among the ministerial departments, and this allocation constitutes a kind of intermediate preventive supervision between supervision of commitments and that of the orders for payment, through the general assignment of the funds so allocated to the various categories of expenditure.

2. Supervision, properly so-called, over *commitments, liquidation and the issue of orders for payment* is carried out: in the *United Kingdom and the Dominions* by Accounting Officers, whose degree of independence has been described above and, as regards certain commitments (which are not expressly provided for under a budgetary law and the regularity of which may be open to doubt), by the Treasury itself. In the *United Kingdom*, if the Accounting Officer receives from the head of the Ministry for which he is responsible an order to make a payment which he considers irregular, he must, if his objection is overruled, bring the matter to the notice of the Treasury and the Comptroller and Auditor-General.

In *Germany*, the special official responsible for the budget has the right to object to any commitment or any payment order. The Minister under whose authority he is placed may, however, suppress this right on his own responsibility.

In *Belgium*, supervision over commitments is exercised by delegates of the Minister of Finance attached to the various Ministries. These officials may call for any documents, particulars and explanations relating to commitments, irrespective of the nature of the expenditure. They transmit their observations both to the Minister of Finance and to the Court of Audit. Their independence of the Ministry with which they work is fully assured by a special statute. No disciplinary penalty may be imposed on them without the previous consent of the Court of Audit. It is the duty of the supervisors of commitments to refuse endorsement when the expenditure is not in order. The Council of Ministers may, however, order these supervisors to comply, but a copy of the decision of the Council of Ministers is sent to the Court of Audit. The Court of Audit endorses payment orders after it has ascertained that the expenditure is in order and that credits are available. When the Court refuses to sign, it informs the Council of Ministers of the reasons for this refusal. If the latter considers that payment should be proceeded with, the Court endorses the document with a reservation and at once reports the matter to the Chambers.

In *Denmark*, the Auditor-General appointed by Royal letters patent to each ministerial department supervises all acts connected with the execution of the budget; he may be authorised to carry out administrative investigations.

In the *United States of America*, all settlement warrants signed by the Secretary of the Treasury or by officials appointed by him must be countersigned by the Comptroller-General. All accountable warrants issued to a Disbursing Officer are transmitted to the General Accounting Office, which is immediately under the Comptroller-General, before any action is taken thereon by the Secretary of the Treasury. Cheques issued under these settlement warrants and accountable warrants are charged to the corresponding credits in the books of the General Accounting Office. This office and the Comptroller-General are thus able to see that the credits are not exceeded.

In *France*, the supervisors of commitments may refuse to authorise a commitment. In such case, the authority desirous of entering into that commitment usually gives way. If it refuses to do so, the supervisor of commitments sends back the dossier, without signing it, to the

Director concerned together with an explanatory note. If an agreement is not reached, the Director may either withdraw his application or refer the matter to the Minister, who submits it to the Minister of Finance: the latter's decision is final.

In *Italy*, the Court of Audit is required to endorse commitments and payment orders and also the decrees prepared by the departments. It is entitled to refuse: in this case the text of the Court's decision is transmitted by its President to the Minister concerned. If the Minister is not in agreement with the Court, the decision is examined by the Council of Ministers. If the Council of Ministers is of opinion that the commitment should be entered into, the Court is required to reconsider the matter. If it maintains its opinion, the commitment or the decree in question can only be registered "with a reservation". Commitments registered with a reservation are communicated periodically to Parliament. Moreover, in Italy, the heads of the Accounting Office endorse the commitments and payment warrants prepared by the administrative offices. If a commitment or payment warrant is not in order and the head of the office does not feel able to endorse it, he notifies the Minister to whom he has been attached by the Minister of Finance. If the Minister considers that the commitment or payment order should be carried out, he must issue a written order to the head of the Accounting Office, to which effect must be given. The order must be signed by the Minister himself, and the head of the office must communicate it to the Court of Audit together with the commitment or payment order. But the Minister may issue this order only if credits are available under the chapters concerned and if the expenditure is not charged to a chapter other than that on which it should properly be borne.

In *Japan*, the Bank of Japan, a private institution vested with the powers necessary to effect State payments in accordance with the provisions of public law, makes sure that the payment warrants (cheques) are in order and that the amount of the cheques charged to a credit does not exceed the amount of that credit.

In *Norway*, the Court of Audit has the right at any moment to send supervisors to carry out investigations on the spot. These supervisors are accompanied by a representative of the Ministry concerned. They may carry out any investigations which they may consider expedient during the execution of the budget.

In the *Netherlands*, all documents relating to expenditure are sent to the Court of Audit, which keeps an account of and checks them; the results of its investigations are sent periodically to the Ministers concerned. During the execution of the budget, the Court of Audit may order local investigations to be carried out covering all accountability documents and also the cash in hand. It is the duty of the Minister of Finance to make provision for payments which are usually effected through a postal transfer service. Before giving orders for payment, the Minister of Finance satisfies himself that the expenditure is in order. Moreover, any document involving a commitment relating to national Defence must be endorsed by the head of the Accounting Office of the Ministry of National defence; before endorsing it, the latter must ascertain whether the expenditure is provided for in the budget, whether the credit is sufficient and, in so far as the amount of the expenditure is not determined by the legal or administrative provisions, whether it is expedient. All such claims paid direct by the Postal Transfer Service are also checked in advance by the Accounting Office of the Ministry of National Defence. This office keeps a special account of its supervisory operations.

In *Poland*, the supervision exercised by the Court of Audit covers the examination of contracts and commitments, and the checking of cash in hand, inventories and accounts. It is carried out by means of the local verification of all works and supplies. The Minister of Finance also exercises a higher supervision over commitments.

In *Roumania*, the preventive supervision over commitments is exercised by auditor-advisers representing the Court of Audit and attached to each Ministry. These supervisory agents must refuse endorsement if credits have been exceeded or the expenditure is wrongly appropriated.

In *Sweden*, supervision during the execution of the budget is exercised in the various ministerial departments by Audit Sections, which must make sure that the commitments have been entered into in accordance with the existing laws and regulations, that they have been charged to the corresponding credits and that the latter have not been exceeded.

In *Switzerland*, commitments are supervised by the Accounting Office and payment orders by the Department of Finance.

In *Czechoslovakia*, the Accounting Office is responsible for the regularity of all payment orders and must therefore examine all vouchers.

In the *U.S.S.R.*, the Finance Department of the Red Army alone has the right to issue warrants payable by the State Bank. Before issuing an order of this kind, the Finance Department satisfies itself that the payment is formally in order. It may also carry out investigations on the spot with a view to supervising the use made by local services of the funds placed at their disposal. All payments are made by the State Bank; if the credits periodically assigned to the officials issuing payment orders are exhausted, the Bank must refuse payment of bills.

3. In certain countries (France, Poland, Roumania, Yugoslavia), supervision over payment orders assumes a particularly important form, to which reference has already been made. In those countries, the issue of payment orders and warrants is supervised by *Treasury agents* on the principle of separation between the administrative officials and the Public Accountants. Before being handed over to the creditor, the payment warrant is sent by the official issuing it to the Accountant, together with the vouchers certifying that the service has been rendered. The Accountant must on his own financial responsibility satisfy himself that these documents are authentic and in order and that a budgetary credit is available. The financial responsibility of the Accountant is usually guaranteed by means of the provision of security, mortgages or liens on his property. He may be made responsible for any irregular payment. If the Accountant considers that the payment order is illegal, he must refuse to affix the words which usually denote his approval: "Seen"—"Payment authorised."

When these words have been affixed, the warrant is returned by the Accountant to the official who issued it. The efficacy of this supervision cannot be denied. The Accountant makes sure that the credits placed at his disposal have not been exceeded and that the documents concerning purchases, conditions attaching to the award of contracts, memoranda, statements to the effect that works have been completed and accepted, produced in support of the warrant, are in accordance with the wording thereof; he is thus able to prevent improper appropriations and the overstepping of credits. He exercises a real supervision over all the successive acts of the officials issuing payment orders.

The supervision exercised by the Public Accountants also afford valuable data for final audit. The accounts of the officials issuing payment orders and the accounts of the Treasury agents are kept separately. The Ministers issuing orders for payment keep a general account of payment orders and payments. The Minister of Finance keeps a general account of payments. Thanks to these two parallel accounts based on the same data, the auditing of the accounts of the Ministers can easily be effected by checking all payments with the Central Department of Finance.

Moreover, in view of the conflicting interests of the official issuing the payment order and the Accountant, agreement between the accounts of these two classes of agents constitutes very strong evidence in favour of their accuracy.

**B. Final  
Audit.**

Notwithstanding the efficacy of the various forms of preventive supervision and its valuable contribution to the work of final audit, it was to the audit of the closed accounts, however, that the Committee devoted its chief attention, since the object of the latter is to attest with the greatest possible degree of certainty the accuracy of the *payment* figures which are to serve as a basis for the Model Statements.

In the first place, the Committee endeavoured to define the degree of independence of the organs responsible for final audit. Secondly, it attempted to define the functions and means of action of the auditing bodies and to explain the broad outlines of the process of investigation by which they are able to authenticate the figures entered in the final accounts.

(a) *Degree of  
independence of  
organs responsible  
for final  
audit.*

1. The examination carried out by the Committee showed that there are certain main types of auditing offices or organs, some of the general features of which have already been mentioned in so far as they also apply to the systems of preventive supervision. In a number of countries, it was found that the independence of the Courts of Audit was assured by the situation of their members and their irremovability in law or in fact.

Thus, in *Germany*, the Court of Audit, a high authority of the Reich, which is independent both of the Government and of Parliament and, in accordance with Article 118 of the Reich Regulations, is "subject to the law alone". Its members, presidents and advisers, who are appointed by the President of the Republic with the approval of the Reichsrat, are irremovable; they cannot be deprived, permanently or temporarily, of their office against their will, except by a judicial decision, and only for the reasons and in the forms determined by law.

In *Belgium*, the Court of Audit, which is responsible both for supervision during the execution of the budget and for final audit, is an organ of the Legislature. The advisers, who are appointed by the Chamber of Representatives, can be dismissed by it at any time, but they are completely independent of the Executive.

In *France*, the Court of Audit is solely responsible for final audit. The members of this Court are appointed by decree of the President of the Republic, on the proposal of the Minister of Finance. They are irremovable and cannot be suspended from or deprived of office except for failure to carry out their duties.

In *Italy*, the Court of Audit, which is responsible for the greater part of the preliminary supervision and for final audit, is the highest organ for the audit of accounts. Its presidents and advisers, who are appointed by Royal Decree on the proposal of the Minister of Finance and after a decision by the Cabinet, are in practice irremovable: they cannot be dismissed, pensioned off or placed on the unattached list, except by Royal Decree issued in accordance with the decision of a commission consisting of presidents and vice-presidents of the Senate and Chamber and on the initiative of the President of the Court or of the Government.

In *Japan*, the Court of Audit is directly under the Emperor. It is completely independent of the Government and Legislature. The members of the Court are irremovable. They can be dismissed only by a criminal or disciplinary court. Members of the Court are forbidden to hold any other public office or to seek political office.

In *Norway*, the Court of Audit is a body appointed directly by Parliament; it is responsible both for the supervision of the budget and the auditing of the accounts. It consists of five advisers elected for three years by one of the sections of Parliament (*Odelsting*), who cannot, during this period, be dismissed from office.

In the *Netherlands*, the Court of Audit, which is responsible both for supervision over the execution of the budget and for auditing of the accounts after they have been made out, is a higher assembly, whose members are independent of the Executive and the Legislature. They can only be dismissed by judgment of the High Court and for the reasons determined by law. This also applies to the members of the Court of Audit of Batavia, who supervise the accounts of expenditure effected in the *Dutch Indies*.

In *Poland*, the members of the Court of Audit, whose activities cover preliminary supervision and final audit, are answerable only to the President of the Republic; they cannot be dismissed except by a resolution of the Diet adopted by a three-fifths majority.

The irremovability of the members of the Courts of Audit is also assured in *Portugal*, *Bulgaria*, *Greece*, *Roumania*, *Albania* and *Brazil*. In *Czechoslovakia*, however, the President of the Supreme Court of Audit is appointed by the head of the State, like other high officials; the members of the Court are subject to the same regulations as the other high officials and are not irremovable, but the Court of Audit is in fact completely independent of the ministerial departments. This is also the case in *Yugoslavia*. In *Austria*, the magistrates of the Supreme Court of Audit are directly under the National Council; they are independent of the Ministers.

Mention has already been made of the guarantees of independence enjoyed by the officials in Anglo-Saxon countries who are responsible for supervision over the execution of the budget and final audit.

In the *United Kingdom*, the Audit Office (the term "audit" is reserved for the examination of accounts subsequent to payment) is controlled by the holder of the combined offices of Comptroller-General of the Receipts and Issues of His Majesty's Exchequer and Auditor-General of Public Accounts, who is appointed by Royal letters patent. He may not at the same time hold any other office under the Crown. He holds office "during good behaviour", subject, however, to removal by the Crown on an address from the two Houses of Parliament. The Comptroller and Auditor-General thus possesses the degree of independence of the Government necessary to enable him to exercise strict supervision over its expenditure. Audit by the Comptroller and Auditor-General is carried out continuously throughout the year so that irregularity can be discovered at once, and he has the right of access to official departmental papers. His discretion in drafting his report is unfettered and he may draw attention, not only to irregular, but also to uneconomical expenditure.

The position of the Comptroller and Auditor-General in the *Irish Free State* is similar, as is also that of the two high officials responsible for the supervision of public accounts in *India*—one (the Auditor of the Home Accounts) in respect of expenditure effected in the United Kingdom on behalf of that country, and the other (the Auditor-General) in respect of expenditure effected in India. A similar organisation exists in *Australia*, *New Zealand* and *South Africa*. In the *United States of America*, the Comptroller-General is appointed for fifteen years by the President of the Republic, with the consent of the Senate. This term of office of fifteen years is not renewable. The

Comptroller may be dismissed only by a joint resolution of Congress, on the grounds of permanent incapacity, incompetence, negligence, malversation or the perpetration of a crime.

In certain Scandinavian countries (Denmark, Sweden), supervision *a posteriori* is also exercised by organs (high officials or offices) whose chief characteristic is the possession of independent supervisory powers:

In *Denmark*, State auditors are appointed by Parliament to audit the accounts drawn up by the general auditors of the various ministerial departments. The State auditors also form, with the general auditors and the chief accountant of the Ministry of Finance, the State Accounts Board, which is required to give its opinion on the manner in which the accounts are rendered.

In *Sweden*, the Central Accounting Office, whose members are completely independent of the Executive and the Legislature, is responsible for final audit. The members are appointed by Royal letters patent and cannot be dismissed without a judgment by a higher court (Svéa Court of Appeal).

In the *U.S.S.R.*, the People's Commissary for Workers' and Peasants' Inspection, who is a member of the Central Executive Committee and is appointed and removed by it, performs these duties on behalf of the Central Government. He is completely independent of the People's Commissariat, the Minister for Military and Naval Affairs and the People's Commissariat for Finance. The People's Commissary for Finance himself participates in final audit; at the end of the year, he submits a general report on the execution of the budget to the Council of People's Commissaries.

Lastly, in *Switzerland* there is no supreme administrative organ responsible for the auditing of accounts. The final accounts are examined and checked by Parliament itself.

These accounts are subdivided into administration accounts, drawn up with reference to national defence expenditure by the Central Commissariat for War under the supervision of the Department of Finance, and the capital account (final account and balance-sheet) drawn up by the Department of Finance.

2. Parliament, moreover, has in almost every case a share in the audit of the final accounts; but this participation occurs in a second phase which does not so much involve the re-auditing of the accounts as the ascertainment, by examination of the audit carried out by the higher supervisory bodies, whether the Ministers have complied with the provisions of the budgetary law, and the forming of an appreciation of their financial administration during the year.

(b) *Working of final audit.* Generally speaking, the principal duty of the bodies responsible for final audit (Court of Audit, Comptrollers-General, Central Accounting Offices, State Auditors) is to check the accounts relating to the application of the budget, as prepared by the Ministers at the end of the financial « *exercice* », and in many countries also at the end of each month of the « *exercice* ». This is the case, with various differences in detail, in all the countries examined by the Committee.

1. The methods employed for carrying out a final audit vary considerably. They involve generally a right of investigation into the entire working of the departments and a thorough examination of the departmental accounts, which are checked successively by several sections or internal subdivisions of the higher supervisory bodies. Evidence of authority to enquire into the whole field of administration is found in the right to make enquiry on the spot (local inspections by the Court of Audit in Germany, High Court of Supervision in Czechoslovakia), to call for all accounting documents, to examine all books and papers of the various departments (Comptroller-General of the United States of America, Auditor-General in the United Kingdom, India and the Irish Free State), to request the Ministers or any Accounting Officer to furnish explanations (France, Norway, U.S.S.R.), and to demand the production, for purposes of verification, of any official documents bearing upon the financial activities of the various administrative departments.

As a rule, the Courts of Audit and higher auditing offices audit the *special* accounts as well as the other State public accounts. This is the case even when the special accounts are not incorporated in the budget accounts.

2. The final result of the auditing carried out by bodies exercising a final audit varies in different countries; it may be the official passing of the accounts as in order (United Kingdom, India, South Africa, Australia, New Zealand, Irish Free State, Italy, Netherlands, Poland, United States of America) or the giving to Parliament of a solemn guarantee that the accounts dealing with the execution of the past budget have

been properly prepared (Belgium, Czechoslovakia, Denmark, France, Germany, Japan, Norway, Roumania, Yugoslavia). In order to check the accuracy of the Ministers' accounts, the Court of Audit compares the accounts of the officials ordering payment with those of the public accountants which it examines. In Italy and in the Netherlands, the Court of Audit checks the closed accounts of Ministers by means of their own entries, including any observations which it may have made in the course of the exercise of its preventive supervision.

3. *Final accounts*, drawn up when the execution of the budget is completed and showing the use made by the Governments of the credits granted, are *published* in almost all countries.

In Japan, the final accounts of the execution of the budget are submitted to Parliament; they are not published, but the special committee's report regarding the examination of the final accounts by Parliament is reproduced in the *Official Journal*. In Belgium, France, Greece and Roumania, where there is delay in the rendering of the accounts, a provisional summary of the results is published in the account of the Treasury situation or other official documents.

In many countries the accounts are rendered in exactly the same form as the published budget. This is the case in Bulgaria, Czechoslovakia, Denmark, Finland, France, Italy, Japan, Norway, the Netherlands, Sweden, Yugoslavia and the U.S.S.R. In Germany, the accounts are rendered in the same form as the budget as voted, but not as the published budget, the latter being presented in a more summary form than the former. In India, the accounts contain more details than the budget. In Yugoslavia, on the other hand, they are less detailed. Similarly, in the United Kingdom and the Irish Free State, the accounts are less detailed than the estimates. Lastly, in Canada and the United States of America, the accounts are not drawn up in a form identical with that of the budget, but contain as many details.

The publication of adequately detailed accounts constitutes one of the best guarantees of the integrity of financial management.

In the case, however, of three of the countries examined by the Committee—Belgium, France and Roumania—there are at present long delays in the clearing and consequently in the publication of the final accounts. In Belgium, for example, the last closed account, published in 1932, refers to the year 1919. In France, the last final account published is that for 1924. In Roumania, the last account goes back as far as 1913-14.

In view of the importance of the rendering of accounts for the operation of a Convention on publicity and limitation of expenditure, the Committee considered that the various States signatory to the Convention should enter into a contractual undertaking to provide for the publicity of their accounts within a sufficiently short period and in such forms as would satisfy the requirements of the Convention. It is not within the Committee's competence to indicate what internal measures certain States will have to take to fulfil the preliminary conditions necessary for the conclusion of the Convention, but, in view of the time that might be required for regularising the periods within which accounts must be rendered or their method of presentation, the Committee feels justified in proposing that the attention of the Governments concerned should be drawn to the necessity for making all arrangements for that purpose immediately.<sup>1</sup>

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<sup>1</sup>NOTE. — Major-General BARBERIS and M. WORBS feel bound to draw the attention of the Expenditure Commission to the following considerations.

The fact that at present the closed accounts of a number of Powers are not published until after considerable delay is a matter for serious misgiving, because:

(1) The technical difficulties in the way of the rapid clearance of accounts in arrears are very great; the very detailed laws that exist on the subject have been found impracticable, and *ad impossibilia nemo tenetur*;

(2) Until the new series of closed accounts is published, it cannot be determined whether these accounts are satisfactory from the point of view of the establishment of the Model Statement.

In any case, there will be inequality of treatment as between the Powers whose previous series of closed accounts are perfectly in order and those whose first closed accounts are not presented until two or three years after the Convention is signed.



4. The observations of the bodies entrusted with the audit of accounts are generally included in reports submitted to the Ministry of Finance, who in turn forwards them to Parliament. The character, contents and length of this report vary considerably from country to country.

In *Germany*, the report drawn up by the Court of Audit on the conclusion of its investigation summarises the main results of its enquiries, mentions any illegalities or irregularities brought to light in the course of audit, and furnishes its observations and suggestions. It forwards this document to the Minister of Finance, who presents it to the Reichsrat and the Reichstag, together with a request that the Government of the Reich may be granted its discharge.

Similarly, in *France*, the Court of Audit, when furnishing its annual report on the general result of its activities, submits suggestions for reforms or improvements (Article 446 of the Decree of May 31st, 1862, on Public Accounting). The same is the case in Belgium, Czechoslovakia, Italy, Japan, Netherlands, Norway, Poland, Roumania and Yugoslavia.

In the *United Kingdom*, the Comptroller and Auditor-General prepares at the end of the year a report which is forwarded to the Committee of Public Accounts. This report is fuller and more comprehensive than the majority of the reports drawn up by Courts of Audit; it draws the attention of Parliament to any irregularities observed and suggests measures for their repression or their avoidance in the future. The Comptroller and Auditor-General has, moreover, the right to be present at the meetings of the Committee of Public Accounts and to defend there the conclusions contained in his report.

The same ideas have been put into practice in the *Irish Free State* and in *India*. In the *United States of America*, the Comptroller-General in several reports, submitted either to the President or to Congress, draws attention to any payments made or contracts entered into contrary to the provisions of the law.

In the *U.S.S.R.*, the People's Commissary for Finance submits a general report on the execution of the budget to the Council of People's Commissaries, and the People's Commissariat for Workers' and Peasants' Inspection gives a reasoned opinion regarding the accounts dealing with the execution of the national defence budget.

5. It is worthy of note that these reports, and the observations submitted by the Court of Audit or by the high officials entrusted with final audit are in nearly every case published.

Such publicity takes place particularly in Belgium, France, Germany, Italy, Norway, the Netherlands, Poland, Roumania and Yugoslavia. It is, however, in the Anglo-Saxon countries where it is carried to the furthest extent; in those countries, the essential documents connected with the budget and with the accounts are placed on public sale at low prices. In such cases, publicity of audit does in actual fact amount to the enlisting of public opinion on the side of sound public accounts.

It may also be pointed out that Sweden publishes the observations submitted by the special auditing officers appointed by the Riksdag for the auditing of the accounts of the past financial year. In the *U.S.S.R.*, ordinances are issued every year by the Central Executive Committee giving information regarding ascertained defects in the execution of the budget. The opinion of the People's Commissary for Workers' and Peasants' Inspection on the accounts relating to the execution of the national defence budget is, however, not published.

6. Efficiency of supervision is further increased by the provision found in some countries whereby the auditing body is invested with actual *jurisdictional powers* in regard to administrative and accounting officials.

Such jurisdictional powers are exercised by the Courts of Audit in Belgium, Bulgaria, Italy, the Netherlands, Poland, Roumania, and by the Central Accounting Department in Sweden.

In Italy and in Poland, the Court of Audit possesses these powers over all persons concerned in the carrying out of the budget; the responsibility of these officials remains until a declaration is made by the Court of Audit that the accounts are in order.

Similarly, in Sweden, the Central Accounting Department possesses jurisdictional powers over the officials in the auditing departments and over all administrative and accounting officers.

In Denmark, each Minister, upon receipt of the observations of the Chief Revising Officer, may bring home to administrative and accounting officials their responsibility.

In Belgium the judicial authority of the Court of Audit extends only to Accounting Officers; it may put such officials on their trial and may issue orders making them financially responsible. The same is the case in the Netherlands and in Roumania.

In France, it is the accounts which are submitted to examination by the Court of Audit, and not the Accounting Officers. The Court cannot, however, take action upon its own decisions. The Minister of Finance, and not the Court, can alone bring the officials of the Treasury before the law courts. Similarly, in Norway, the Court of Audit either gives a discharge to the Accounting Officers, or sends them before the courts. The same system exists in Yugoslavia.

In Germany, the Court of Audit has, strictly speaking, no right of jurisdiction in regard to Accounting Officers or over accounts; it cannot issue decrees with executive force nor even give to the Accounting Officers a final discharge or declare their accounts as short or in excess, as is the case with other Courts of Audit; it may, however, impose upon those responsible for the carrying out of the budget, penalties which must be enforced by the departmental authorities; it may, for instance, hold such persons financially liable for sums necessary to cover deficits arising out of illegal or irregular action.

7. The conclusion to be drawn from the Committee's examination is that the final accounts are submitted to audit and certification by judicial, or at least by independent, bodies, and that the method of their appointment and the security of tenure which they enjoy are guarantees of their integrity. The constant activity of these high officials in the verification of the accounts and the very real supervision they exercise in every case ensure the honesty of the financial administration.

8. An ultimate phase of final audit and one found in nearly every country is the exercise by *Parliament*, on the basis of the final and audited accounts, of control over the financial administration of Ministers. This action does not, generally speaking, amount to an audit of the accounts; it is rather an estimate of the general results obtained and of the efficiency of Governmental management, with a view to deciding whether Ministers have complied with the provisions of the Finance Act and, if necessary, to making them responsible, either politically or before the civil or even criminal courts, in the event of any violation of these provisions. The Ministers are bound to submit accounts to Parliament, and Parliament exercises one of its most important duties in comparing the results with the provisions of the budget.

Unfortunately, in those countries which provide this additional and extremely efficient guarantee, the Parliaments in some cases only undertake this examination after considerable delay, which may amount in some cases to several years. If the supervision exercised by Parliament over the financial action of Ministers is to be really effective, it is essential that there should not be too long an interval between the closing of the financial year and the approval of the accounts of the ministries by Parliament. If delays of any length occur before this law comes under discussion, the result will be that, when the vote is passed, the Ministers will in most cases no longer be in power, and the Parliament criticising the use made of credits will not be the Parliament which granted those credits. For this reason, while the adoption of a Convention for limitation or publicity of expenditure might be expected to lead to reforms in the internal supervisory system of financial administration, the Committee is of opinion that certain Governments would do well to see whether it would not be possible to put an end to the delays which hinder the voting of the law by which the accounts are finally passed.

In the Anglo-Saxon countries, on the other hand, parliamentary control is carried out with admirable speed, and the periods laid down for the clearing of accounts are scrupulously observed.

9. The work of Parliamentary supervision is generally prepared for by *commissions* who undertake a preliminary examination of the accounts in the light of the observations of the higher supervisory bodies, in order to place Parliament, which alone has authority to pass a definite verdict on the management of the departments, in a position to form an opinion as to whether the accounts are correct in form and accurate in context. The powers of these commissions vary considerably. In some cases they play an important part in the supervision exercised by Parliament, thus doing more than merely preparing the way for the latter; this is, in particular, the case in Switzerland and Germany.

It may even happen that Parliament entrusts to some of its members, or to a commission, the duty of supervising, on its behalf, the Government accounts, and of taking the place of Parliament to some extent by furnishing a definite opinion regarding the execution of the budget, this opinion being embodied in a report which Parliament merely approves. This method of Parliamentary supervision is certainly in no way inferior to that mentioned above, since it leaves to a small number of qualified national representatives the duty of examining, on behalf of Parliament, the ministerial accounts.

Such duties are, in the United Kingdom, the Irish Free State and India, entrusted to the Committee of Public Accounts. This body is the most important safeguard in the system of British financial control; it exercises in the name of the House of Commons powers of supreme

supervision over the entire public accounts. It is composed of fifteen members appointed by the Speaker of the House, and the Chairman is always a member of the Opposition; the Committee, moreover, contains a strong representation of the minority. It is entrusted with very extensive powers for which no parallel exists in other systems; thus it has an unlimited power of investigation; it can "send for persons and papers" necessary to the carrying out of its investigations.

The Public Accounts Committee may, if it wishes, refuse to absolve an Accounting Officer in respect of his actions. In that event, the Committee would notify the fact in the report which it presents to Parliament and it would be for the latter, if it approved, to take the necessary action, which would be directed to the ministerial head of the department concerned.

This system of a Parliamentary commission, in favour of which Parliament renounces a portion of its supervisory powers, is found in a much weaker form in Sweden, where the Riksdag appoints every year twelve members to examine the accounts of the previous budgetary year, this examination taking place between September 16th and December 15th. The observations arising out of this examination are, however, considered by the Riksdag in the following session, after the authorities concerned have been called upon to reply.

In the U.S.S.R., the Budgetary Commission of the Central Executive Committee examines the annual reports relating to the execution of the State budget. It appoints from among its members sub-commissions for detailed examination of these reports, it can request the representatives of the People's Commissary for Finance, and the representatives of the Federated Republics and of the various organisations, to supply it with any explanations desired regarding these reports.

10. In certain countries (Australia, Austria, Czechoslovakia, Germany, New Zealand, Norway, Poland, South Africa, Sweden), the Parliament, on receipt of the observations and reports of the auditing bodies, simply gives to the Government and the higher administrative authorities a *discharge* in respect of their management.

In other countries (Belgium, Bulgaria, Denmark, France, Italy, Netherlands, Roumania, Switzerland), Parliament brings about the *final settlement of the budget by a law "for the settlement of the accounts"*, this law being generally published. The publicity given to the laws providing for settlement constitutes a very important guarantee for the supervision of the Convention, because it enables due attention to be paid to all Parliamentary criticism of the execution of the budget. But the value of that guarantee is greatly reduced in the countries—mentioned above—where there is a long delay in the clearing of accounts.

The decrees by which the Central Executive Committee of the U.S.S.R. annually issues a declaration of approval of the final accounts can be regarded as equivalent to a law of the kind mentioned above. These decrees, moreover, are not confined to the granting of this approval; they contain information regarding the execution of the budget and any defects or irregularities which have been observed; they also contain the instructions given to the Governments of the U.S.S.R. and of the Federated Republics regarding any improvements which have been considered necessary in budgetary matters.

In the United States of America, Congress does not check the accounts and it is not the duty of Congress to approve them. But it has, on the basis of the Comptroller-General's report, full authority to set up special commissions for the prosecution of enquiries regarding the management of public funds.

#### CONCLUSIONS.

Publicity in the matter of authorisations of expenditure and budgetary documents is the only means of determining with sufficient accuracy the real purpose of the expenditure. The application of the standing orders of the public accounting authorities and the supervisory measures taken in the various countries regarding the execution of the budget constitute a guarantee of the correctness of the accounts.

As regards publicity for authorisations of expenditure, it will be clear that the value of the guarantee it provides varies in accordance with parliamentary traditions, customs and practice and with the actual efficiency of the supervision perpetually exercised by the national representative body over the granting of credits. In this regard, *de facto* situations exist, though sometimes only temporarily, with which budgetary technique is not competent to deal and which must be duly allowed for when the Convention is signed. But the execution of a limitation Convention based on the payments made in the course of a financial «*exercice*» depends essentially on the accuracy of the figures relating to

payment. That accuracy is based primarily upon the rules governing the organisation of public accounting. The observance of these rules is dependent on traditions which continue irrespective of changes in the actual forms of Government, because they meet the deep-seated and permanent needs of a public finance administration. Administrative traditions and the general rules of public law are nearly always unaffected by political changes. The reason for this is that sound financial administration constitutes for all States, as for all business undertakings, the essential factor of prosperity and the supreme guarantee of credit.

The Committee found that nearly all national defence expenditure within the meaning of the Convention appears in the accounts of the various States. These accounts show payments made under authorisations of expenditure granted by the public authorities. The authenticity of the figures for payments entered in the accounts is based on the application of the rules governing the preparation and execution of the budget, the supervision of such execution and the preparation of the final accounts. Among these rules, the Committee attaches particular importance to the working of the higher auditing authorities and the fact that their members are independent of the Executive. The Committee found that the extent to which such authorities are independent is not the same in all States. But while it does not propose to give an opinion as to whether any one system of accounting gives better results than another, the Committee has found that, in all the countries covered by its enquiry, there are laws and regulations governing the administration of finance and public accountancy, the observation of which guarantees the authenticity of the figures entered in the closed accounts.<sup>1 2</sup>

The proper application of the provisions of the Convention naturally requires that the laws and regulations, the existence of which the Committee has noted, are in practice properly applied.

The closed accounts are a necessary part of all machinery ensuring the publicity or limitation of expenditure. For that reason, the Committee considers that the publication of the closed accounts within sufficiently short periods for the purposes of the Convention constitutes an indispensable condition for the conclusion of the Convention.

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NOTE. — (1) As in one of the countries whose documentary information was examined there is no higher auditing organisation independent of the Executive, M. ANDO, attaching particular importance to the independence of the higher supervisory bodies of the various countries, accepts the conclusions reached, subject to the proviso that, in the future, the independence of the higher supervisory organisations is adequately ensured.

(2) M. HÄGGLÖF (Substitute for M. SANDLER) is of opinion that confidence must be placed in the closed accounts audited by the proper auditing authorities and officially published by the various States. He does not think that the correctness of those figures officially prepared and submitted should be called in question.

The Committee, however, made it an essential condition that all States should be able to submit within sufficiently short periods proper closed accounts audited by the competent auditing authorities.

Once this principle is established, the Swedish expert considers that it is not necessary either for the Conference or for the Permanent Commission to carry out investigations—necessarily very difficult—regarding the advantages or disadvantages of the various financial or administrative systems in force in the different countries of the world.

## ADDENDUM TO PART II.

### THE BUDGETS AND ACCOUNTS OF REGIONAL AND LOCAL COLLECTIVE ENTITIES.

#### A. GENERAL OBSERVATIONS.

It is a well-known fact that the national defence expenditure borne on the budgets of regional or local collective entities (provinces, departments, districts, communes, local budgets of the colonies) represents only a small proportion of the total national defence expenditure. From the point of view of principle, it is, however, important to ascertain the rules governing the execution of the budgets and the audit of the accounts in which this expenditure is shown. The Committee did not feel called upon to pursue such thorough investigations into the budgetary systems of regional and local collective entities as into State budgets and accounts and, moreover, this would have been impossible. Nevertheless, it collected on this matter certain data which have served as a basis for the general considerations set forth below and for the description of certain special cases which are given as examples. As in the previous chapter with regard to State accounts, special efforts will be made to bring out the guarantees afforded by the rules for the audit of the accounts of regional and local collective entities, with a view to ascertaining the degree of authenticity of the payment figures, which will have to serve as legal proof of the execution of the Convention. The fact will be mentioned that, in certain countries, the highest organs for the verification of State accounts are also competent to audit the accounts relating to the execution of regional or local budgets. In such cases, the authenticity of the payment figures can be established with the same degree of accuracy as the authenticity of the figures in the final accounts of the State. It is true that the rendering of local accounts is not always accompanied by the same guarantees of publicity as the audit of the general accounts of the State and that the final audit of the departmental accounts by Parliament is in this case usually replaced by audit by the regional or municipal assemblies, whose investigations do not receive the same amount of attention from public opinion as Parliamentary audit. As indicated above, however, more importance should be attached to the guarantees of efficacy afforded by the actual audit than to the publicity by which it may be accompanied.

The execution of regional and local budgets is usually subject to more or less strict supervision by the Ministry of the Interior or its representatives attached to the administrative groups; in countries applying the principle of the separation of the functions of administrators and accountants, the latter may exercise, under the same conditions as the principal officials with authority to make payments—that is to say, on their pecuniary responsibility—supervision over the payment orders issued by the administrators of regional and local collective entities.

It is obviously impossible in this report to give a detailed description of the manner in which the audit of regional and local accounts is organised in the different countries, owing to the great diversity of their institutions. All that can be done is to give a few examples taken from the documentary material submitted by States or collected from members of the Committee.

#### B. REGIONAL OR LOCAL COLLECTIVE ENTITIES OF THE HOME COUNTRY.

In *Germany*, the estimates of expenditure of the various federated States (*Länder*) are usually approved by the Parliaments of those States, and in the case of the other administrative groups by the bodies representing regions and localities, constituted according to their respective laws. As a general rule, the financial year in the *Länder* and communes is the same as for the Reich. The budgets of the provinces are published as are most of the budgets of the other regional groups. Supervision over the execution of the budgets of the *Länder* and regional and local groups is established by various laws and regulations. The closed accounts of the *Länder* are as detailed as those of the sovereign State and are reproduced in an official publication.

In *France*, the budget of each department is voted by the "Conseil général". Supervision over the execution of the departmental budgets is exercised, as in the case of the State budget, by the Treasurer Paymasters-General, who are pecuniarily responsible for the regularity of the payment orders issued by the Prefects, from the point of view of the actuality of the service

and the existence of vouchers. The operations of the Paymasters are checked by the Inspectorate of Finance and subsequently supervised by the Directorate of Public Accounts. The final audit is carried out by the Departmental Commission, the "Conseil général" and the Court of Audit.

The budget of each commune is voted by the Municipal Council.

Preventive supervision over the execution of the *communal budgets* is exercised, as in the case of the departmental budgets, by the Paymasters, as regards payment orders issued by the Mayor of the commune, who is required to keep within the limits of the credits voted by the Municipal Council and to use them for the purpose for which they were voted. The Mayor and the Paymaster (the municipal collector) keep parallel accounts, which are audited by the Municipal Council and must agree. The administrative account of the Mayor drawn up at the close of the "exercice" and accompanied by detailed explanations is discussed and voted by the Municipal Council, the Mayor not being present; it is approved by the Prefect or Sub-Prefect as the case may be.

The cash account drawn up by the municipal collector is audited by an inter-departmental Prefectural Council or by the Court of Audit, according to whether the resources of the commune are under or over 250,000 francs.

In *Italy*, the budgets of the *communes* and *provinces*, before they can be executed, must be approved by the *Prefetto*, representing the central Government. The final audit is carried out by the Prefectural Council, which examines the accounts rendered by the Treasurers of the communes and provinces. In the case of complaints, the decision rests with the Court of Audit. Brief particulars of the finances of the communes and provinces are published by the Ministry of Finance.

In *Japan*, the budgets of the *departments* are voted by the General Councils and those of the *municipalities* by the Municipal Councils. The credits are voted at public meetings and a summary of the adopted budget is published. In the municipalities the power to audit the accounts rests with the Mayors, who exercise this function under the supervision of the Municipal Councillors. In the departments, the Prefects delegate these powers to their subordinates. The highest supervisory authorities of the State do not participate in the audit of the accounts unless the State grants a subsidy to those administrative groups. The closed accounts of the departments and communes are submitted to the Minister of the Interior and to the Prefect respectively, who publish summaries.

In *Poland*, the budgets of the communes, which are voted at public meetings by the elected representatives, are submitted, for purposes of audit, to the Minister of the Interior, who ascertains whether the expenditure and receipts are legal and for what purpose they are intended. The draft budget and accounts are published by being posted on public notice boards. The Minister of the Interior and the Minister of Finance, after agreement with the Minister of the Interior, are entitled to have the financial administration of the communes checked by their own delegates. Where necessary, the State may order this to be done by the Court of Audit.

In *Switzerland*, where certain military expenditure is shown in the cantonal budgets, the cantonal Parliaments, or *Landsgemeinden*, participate in the voting or determining of credits. The discussions of the cantonal parliaments are public and the budgets are published. Supervision during the execution of the cantonal budgets is more or less the same as in the case of the budget of the Confederation. The final audit of the cantonal accounts is usually effected by the cantonal Parliaments. The closed accounts are certified correct by those Parliaments and published.

### C. BUDGETS AND GENERAL AND LOCAL ACCOUNTS OF THE COLONIES.

As regards the colonies, the procedure followed for the preparation, execution and audit of the regional or local budgets is usually the same, *mutatis mutandis*, as in the home country.

In *Belgium*, the general account of the Belgian Congo and of Ruanda-Urundi is verified by the Court of Audit. It is then transmitted to Parliament with the Court's observations. The general account is finally approved by Parliament. The procedure followed for the closing and rendering of the accounts of the African colonies is usually similar to that employed for the accounts of the ministerial departments.

In *French colonies*, the audit of the final accounts is based on a comparison of the accounts drawn up by the principal officials invested with authority to make payments (Governors-General) with the accounts of the accountants (Treasurer Paymasters-General).

In the case of colonies with a "Conseil général" (Martinique, Guadeloupe, Reunion, French Guiana, French India, New Caledonia), the principal official possessing authority to make payments submits his administrative account to the "Conseil général", which approves it. A committee of three members of the Governor's Privy Council attests the fact that the books of the principal official with authority to make payments and the books of the Treasurer Paymaster-General are in conformity. The accounts are drawn up finally by the Governor-General in Privy Council. The accounts of the colonies, whose budgets are approved by decree, are also sanctioned by decree. Similarly, in the case of Algiers, the administrative account of the Governor-General is regulated by decree.

Both the final accounts of the colonies administered by Governors-General, and also the accounts of the colonies whose loans are guaranteed by the State, are submitted to Parliament for approval.

The Treasurer Paymaster-General, who is accountable to the Audit Office for his accounts of the colonial section of the budget of the home country, also renders a special account for his colony's local services.

In *Italy*, the closed accounts of the colonies are audited by the Court of Audit under the same conditions as the other ministerial accounts. They are approved by royal decrees.

In *Japan*, the procedure followed for supervising the execution of the budget and auditing the accounts of the colonies is exactly the same as that applicable to the budgets and accounts of the ministerial departments.

In the case of the *Dutch Indies*, the budget is prepared, discussed and voted, executed and audited under similar conditions to those applicable to the budget of the home country.<sup>1</sup>

The national defence expenditure borne by the Governments of the colonies of the *United Kingdom* for the maintenance of the local forces is shown in the budgetary estimates for the territory in which those forces are stationed. These estimates are adopted by the local legislative assembly (if there is one) in the form of an appropriation law which is allowed by the sovereign. The other estimates are sanctioned by the Governor on his own responsibility, provided, however, that they do not exceed a certain limit, do not infringe the laws and regulations and do not raise grave questions of principle. The annual estimates are normally published. The execution of the colonial budgets is supervised by the Treasurer of the colony, the Governor and, in some cases, by the Legislative Council of the colony. The annual accounts of receipts and expenditure are certified correct by the Director of Colonial Audit. In most colonies, a summary of the annual accounts is published at the same time as the Treasurer's annual report.

#### D.

*In conclusion*, it would appear that, in those countries regarding which the Committee has been able to obtain information, supervision over the execution of the budgets of regional and local groups is subject to definite rules and that the States concerned will be in a position to extract from the accounts of those groups the national defence expenditure figures which may appear therein.

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<sup>1</sup> See Volume II, Summary of Information (Netherlands).

### **Part III.**

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## **IS IT POSSIBLE TO ESTABLISH AND CONTROL THE TOTAL NATIONAL DEFENCE EXPENDITURE OF EACH STATE ?**

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### **INTRODUCTION.**

Having laid down the legal foundations of the Convention for the publicity and limitation of expenditure as based on payments actually effected, and having estimated the degree of authenticity attaching to the figures of payments shown in the closed accounts, the Committee proceeded to enquire as to whether it was possible for the States to identify in their accounts all payments effected for the objects referred to in the definitions of national defence expenditure and specified in the list drawn up by the Committee for purposes of the Convention, and to show accurately the total amount.

Study of the documentary material supplied by the different States has made it possible to particularise the procedure required in each case in order to arrive at the total national defence expenditure.

It has already been shown why almost the whole of national defence expenditure is borne by the central authority; but, in order that there may be no gap in the Convention, it is necessary to apply the principle of publicity and limitation also to such national defence expenditure as is borne by public bodies regional or local, associations and private persons. The Committee was accordingly compelled, in the course of its enquiry, to endeavour to determine the respective proportions of these categories of expenditure in relation to the total national defence expenditure.

Having thus defined by whom and in what proportion national defence expenditure is effected, the Committee proceeded to consider how such expenditure might be listed in each case. It was thus enabled to indicate and to solve the difficulties involved in the establishment by each State of a complete account of its national defence expenditure.

In this enquiry the Committee was led to give an interpretation to certain special features of the different methods of public accounting. In each case it was able to lay down rules the observance of which, in conjunction with that of the "Instructions" which the Committee will draw up later, should enable each State to reconstitute a complete account of its national defence expenditure.

The Committee then proceeded to determine to what extent it would be possible for an international organisation to verify the accuracy of the total national defence expenditure of each State.

It will thus be clear what is the plan followed by the Committee in the double task it assumed of listing all national defence expenditure appearing in the different accounts,



and making suitable provision to ensure the inclusion of all such expenditure in the Model Statement.

The present part of the report will therefore be on the following lines:

*Chapter VII.* — A. By whom is national defence expenditure effected, and how is such expenditure to be found in the accounts ?

B. Study of problems arising in connection with certain special features of the accounts.

- (a) Special funds;
- (b) Autonomous establishments;
- (c) Subsidies, loans and participations;
- (d) Expenditure effected by loans;
- (e) Gross and net accounts;
- (f) Special case of deductions from pay;
- (g) Donations and legacies.

*Chapter VIII.* — With what degree of accuracy is it possible, by means of published accounts, to verify the national defence expenditure of each State ?

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## Chapter VII.

### IS IT POSSIBLE FOR EVERY STATE TO DRAW UP A COMPLETE ACCOUNT OF ITS NATIONAL DEFENCE EXPENDITURE ?

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#### A. BY WHOM IS NATIONAL DEFENCE EXPENDITURE EFFECTED, AND HOW IS SUCH EXPENDITURE TO BE FOUND IN THE ACCOUNTS ?

In order to determine by whom national defence expenditure is effected and what is the relative importance of the different sources of expenditure, the Committee drew up tables (based on the documentary material submitted) which are reproduced in an annex <sup>1</sup> and are the basis of the diagram on page 58.

##### I. THE CENTRAL AUTHORITY.

It appears from the particulars contained in these tables that the proportion of national defence expenditure borne by the *central authority* in relation to the grand total of the Model Statement is from 91 to 100 per cent in the various States, as evidenced by the documentary material submitted and completely examined, except in the Netherlands, where the expenditure of the central authority is only 38 per cent of the total, the military expenditure of the Dutch Indies accounting for 62 per cent.

It is hardly surprising that practically the whole of the military expenditure should be borne by the State. In the past, the central authority, whose resources were very small, was compelled, in order to wage war, to call in the assistance of the local authorities or groups, which supplied it with troops and subsidies. But, as the concept of the State developed, the central authority began to collect the greater part of public taxes and to assume to an ever-increasing extent the responsibility for national defence. Thus national defence has gradually become essentially and almost exclusively an attribute of the sovereign State. Moreover, the defence of a country at the present date calls for an organisation on so vast a scale, the employment of such powerful means and such costly material that the funds of local organisations, associations or individuals cannot cover more than a relatively small proportion of the expenditure involved.

Payments made for national defence by the central authority are shown:

- (a) In the budget accounts of the ministerial departments of national defence;
- (b) In the budget accounts of ministries of the colonies;
- (c) In the budget accounts of other ministerial departments;
- (d) Sometimes in special accounts.

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<sup>1</sup> Annex 5.

DIAGRAM SHOWING BY WHOM NATIONAL DEFENCE EXPENDITURE IS EFFECTED.

	Ministries of National Defence (War, Navy, Air)	Ministries of the Colonies	Other Departments	Extra-budgetary accounts (Special accounts)	Colonies	Regional and local collective entities in the home country	Associations and private persons
Germany . . . . .	97.3%		2.7%				
Belgium . . . . .	80.9%		11.3%	0.3%	7.5%		
Denmark . . . . .	93.7%		6.1%	0.2%			
United States . . . . .	100%						
France . . . . .	88%	3.6%	6.2%	0.1%	16%	0.5%	
India . . . . .	90.4%		5.6%			4%	
Irish Free State . . . . .	95.1%		4.9%				
Italy . . . . .	81.7%		9.9%		7.5%	0.9%	
Japan . . . . .	99.6%		0.3%	0.1%			
Norway . . . . .	98.1%		1.9%				
Netherlands . . . . .	34.2%	0.9%	0.3%	2.4%	62.2%		
Poland . . . . .	98.4%		0.3%	1.1%			
Roumania . . . . .	100%						
United Kingdom . . . . .	94.6%		1.7%		3.6%	0.1%	
Sweden . . . . .	92.9%		2.4%	4.5%			0.2%
Switzerland . . . . .	87.3%		3.5%	6.5%		2.7%	
Czechoslovakia . . . . .	77.9%		20%	2.1%			
U.S.S.R. . . . .	95.2%		0.1%	2.1%		1.8%	0.8%
Yugoslavia . . . . .	81%		1.5%	17.2%		0.3%	

Note. — This diagram is based on the Model Statements submitted to the Committee by the different Governments. The figures given in the Model Statements cannot always be regarded as final (see especially the various observations in the "Summary of Information supplied to the Technical Committee", Volume II of this report).

Two considerations arise in connection with the investigation of national defence expenditure in these different accounts:

(1) Limitation and publicity should apply to all payments effected in the course of any given financial year. It is necessary, therefore, to determine whether the structure of the annual accounts of the States (the central authority) makes it possible to find all payments effected in each financial year, whether payments against credits provided for the year or payments representing liabilities of the State originating in previous years. The reply to this first question made it necessary for the Committee to undertake a general study of the structure of the various accounts.

(2) In the mass of payments effected during the financial year, it is necessary to know whether it is possible to identify the payments for the objects enumerated in the conventional list of national defence expenditure drawn up by the Committee.<sup>1</sup> It is also necessary to appreciate whether this identification of national defence expenditure will be sufficiently accurate to enable the figures to be transferred to the Model Statement without any uncertainty affecting the grand total of the statement.

These are the two problems which are now to be considered.

**1. Structure of State Accounts (Central Authority).** A certain number of States enter indiscriminately in their accounts all payments made during a given financial "exercice" irrespective of the date of origin of the corresponding expenditure authorisations. This is the case in Australia, Austria, the United Kingdom, Czechoslovakia, Denmark, Germany, India, the Irish Free State, Japan, New Zealand, Norway, Poland, Switzerland and the U.S.S.R. In these countries, the duration of the financial "exercice" is in some cases twelve months only (Australia, Austria, United Kingdom, Czechoslovakia, India, Irish Free State, New Zealand, Norway and the United States of America), while in other cases it consists of twelve months plus an additional period of varying length (Denmark, 1 month; Germany, 1½ months; Japan, 1 month; Poland, 3 months; Switzerland, 2 months). In all these cases there is no difficulty in ascertaining the amounts of all payments made during the financial "exercice".

In other countries, on the contrary, in order to bring out clearly the amounts of the payments made against the credits for each year, the accounts show separately the payments made out of the credits for the year just expired together with the arrear payments—*i.e.*, those relating to liabilities incurred during previous "exercices". This is the case in Belgium, Bulgaria, Finland, France, Italy, Netherlands, Roumania, United States of America and Yugoslavia.

The accounts of these countries make it possible readily to find the payments debited to the expenditure authorisations in each financial year; but it is not so easy to find the arrear payments. The manner in which payments in arrears are shown in the account in such countries varies considerably, and their interpretation sometimes gives rise to certain difficulties. We may mention the most characteristic of these.

In Albania and Italy, for example, the vote of a credit by Parliament limits the amount of the commitments which may be entered into by the public services during a given year. The difference between the amount of the credits and the year's commitments is cancelled at the end of the year. The difference, however, between commitments actually entered into and payments made during the financial "exercice" is transferred to a residuary (arrears) account which, after being credited with the amount of this difference, is successively debited with the various payments made out of such residuary credits. The accounts relating to such residuary credits as to those for the current year are on a yearly basis. The accounts for a given year thus show payments out of the budget proper (authorisation budget) and also payments chargeable to the arrears account. In order to

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<sup>1</sup> Appendix to Chapter II. See page 16.

present a complete account of the payments of the "exercice", it is necessary to add the payments made out of the credits for the year and those made out of residuary credits—an easy matter, as the two are shown separately. The total of such payments is even shown in the annual general account. It will be seen that, in a case of this kind, which is perhaps one of those the interpretation of which presents the greatest difficulties, it is perfectly possible to obtain a complete statement of payments made during a given "exercice" for national defence purposes.

But there are also other peculiarities worth noting. Thus, in Belgium, payments made during a given year under payment orders issued during previous years and not cashed before the end of the additional period are accounted for in a special account. To obtain a complete statement of payments made during a given "exercice", the payments made out of this special arrears account must be added to the payments shown in the budgetary accounts proper. As, however, the former is shown separately at the end of the budgetary accounts, and contains a chapter for each ministry, it is possible to reconstitute the total amount of payments made by the National Defence Ministry during the financial "exercice".

In France, payments in arrear are accounted for in special chapters of the budgetary accounts opened *pour ordre*, with the result that the budgetary account itself shows the total payments made during the financial "exercice". A similar system, apart from variations in points of detail, is to be found in other countries, such as Finland and Yugoslavia. In these two countries, payments in arrear are shown in special Treasury accounts, which do not always specify details.

As a general rule, moreover, the budgetary accounts in which arrears are specially accounted for show the latter either *en bloc* or under comprehensive headings; and, if the details are not always ascertainable, it is possible to arrive at the total amount.

In countries where the accounts show payments in arrears separately, the period during which payments must be made in order to appear in the accounts of the year includes, except in the United States, additional periods of varying length (Belgium, 10 months; Bulgaria, 3 months; Finland, 2 months; France, 4 months; Italy, 1 month; Netherlands, 12 months; Roumania, 3 months; Switzerland, 2 months).

In the case of the special accounts, the whole object of which is to earmark particular items of expenditure until the work for which the accounts were established is completed, the Committee has found that, in general, payments effected in the course of the financial "exercice" are shown therein *en bloc*, without any distinction as to the years in which the obligations originated. Accordingly, there is no difficulty in ascertaining the annual payments belonging to such accounts.

It will be apparent from this analysis that the structure of the budgetary accounts of all the States whose documentary material has been examined is such as to allow of the amount of the expenditure effected by the central authority in each financial "exercice" to be ascertained.

**2. Separate  
Indication of  
National Defence  
Expenditure in the  
Accounts of the  
Central Authority.**

From the mass of payments effected each year by all the public services coming under the central authority, there have to be extracted the payments for the objects indicated in the conventional list, and it should be determined with what degree of certainty each State is able to proceed with this reconstitution of the aggregate amount of its defence expenditure for the purpose of the Convention.

**(1) Expenditure shown  
in the budgetary  
accounts of the  
National Defence  
Ministries (War,  
Navy and Air).**

One essential point suggests itself at once. The National Defence Ministries have separate accounts in which their several expenditures are recorded. But almost all expenditure there shown is national defence expenditure within the meaning of the Convention—a fact which is intelligible enough, since the Committee understands national defence expenditure to mean all expenditure necessitated or caused through the upkeep of armed forces and

the immediate preparation for mobilisation, and it is precisely such upkeep and preparation with which National Defence Ministries are concerned.

It so happens, however, that expenditure which is not included in the conventional list drawn up by the Committee appears in the budgets of National Defence Ministries. Actual instances are due to tradition or administrative conventions. Sometimes the amounts involved are relatively considerable. In the United States of America, for example, the "non-military activities" which are shown in the accounts of the War Department total more than \$100 million. In the Netherlands, some of the expenditure connected with the Mercantile Marine is shown in the accounts of the Navy Department. In the United Kingdom and in Italy, the national defence budgets include service pensions expenditure. In France, the reserve pay of general officers, which is in reality a retiring pensions fund, appears in the budgets of the National Defence Ministries. In Norway, the National Defence Ministry defrays the cost of the service for the training of pilots. The Danish Marine Ministry includes a "Civil Section", whose expenditure is non-military. But in these cases the expenditure is generally shown under special headings and can be deducted without any special difficulty.

Again, national defence budgets also sometimes contain expenditure on mixed services which are both military and civil in character—*e.g.*, the geographical, hydrographic, cartographic, geodesic, topographical, meteorological and port and coastal services. The amount of such expenditure is relatively so small that it might have been left out of account; but the Committee agreed to States including in their total expenditure such part of this special expenditure as represents the military value of all the services in question. The inclusion of this proportion of the expenditure on mixed services cannot involve substantial mistakes.

A more serious difficulty arises where *military aviation* and *civil aviation* are administered by a single ministry. Such is the case in the United Kingdom, France and Italy, where there is only one Air Ministry, which, in view of the relative importance of military aviation, is regarded as a National Defence Ministry.

The existence of one common administration for civil and military aviation is not in itself an obstacle to distinguishing between the two. In the United Kingdom and in Italy, for example, in spite of the fact that there is a single ministry for both, the respective expenditure on military and civil aviation is shown under separate headings in the accounts with the exception of certain central departmental expenditure. On the other hand, in France, the accounts for the Air Ministry do not always make an absolutely clear distinction between the two classes of expenditure.

In France, the accounts of the Air Ministry show separately the purely military expenditure (67.8 per cent of the total account) and the purely civil expenditure (10.1 per cent), and there is accordingly no difficulty in distinguishing between them. But there is also mixed expenditure (22.1 per cent of the total of the account). In the case of the latter, the Air Ministry has made a very minute verification of its internal accounts and has indicated the basis on which it has separated the military from the mixed expenditure. During the examination of the returns, the French delegation gave detailed explanations of the system of apportionment adopted. The total of the mixed expenditure in question represents 3.49 per cent of the total of the Model Statement.

Although the States have in their possession all the information required to enable them to apportion correctly the mixed (military and civil) expenditure, points of uncertainty are liable to arise. The best means of eliminating any possibility of error in the apportionment would be for the States concerned to do everything in their power to distinguish in their accounts between expenditure on military aviation and expenditure on civil aviation.

As matters stand, in view of the fact that this mixed expenditure represents a very small percentage of the total of the account, the errors liable to arise in its apportionment cannot seriously affect the defence expenditure total. It is desirable, however, that the States concerned should make their apportionment of the mixed expenditure in the same way each year.

The main conclusion arising out of what has been said is that the expenditure in the accounts of National Defence Ministries which can be transferred *en bloc* to the Model Statement constitutes a very large proportion of the total national defence expenditure within the meaning of the Convention.

(2) *Expenditure effected by Colonial Ministries.* Certain States with colonies include a part of the expenditure on their defence in the budget accounts of their Colonial Ministries. This is the case with France (to the extent of 485 million francs) and the Netherlands (1.7 million florins). In these cases, the Committee has found that the colonial defence expenditure included in the accounts of the Colonial Ministries is shown separately in the accounts and can be transferred *en bloc* in the total of the Model Statement.

(3) *National defence expenditure in civil budgets.* In nearly all States, certain national defence expenditure is included in the accounts of civil ministries. In the case of the States the examination of whose returns has been completed by the Committee, the percentages of this expenditure in relation to the total of the Model Statement are as follows (see diagram on page 58):

Belgium . . . . .	11.3	Netherlands . . . . .	0.3
United Kingdom . . . . .	1.7	Norway . . . . .	1.9
Czechoslovakia . . . . .	20.0 <sup>1</sup>	Poland . . . . .	0.5
Denmark . . . . .	6.1	Roumania . . . . .	0
France . . . . .	6.2	Sweden . . . . .	2.4
Germany . . . . .	2.7	Switzerland . . . . .	3.5
India . . . . .	5.6	United States of America	0
Irish Free State . . . . .	4.9	U.S.S.R. . . . .	0.1
Italy . . . . .	9.9	Yugoslavia . . . . .	1.5
Japan . . . . .	0.3		

The proportion is comparatively large in certain countries, such as France and Italy, for the reason that these countries have included technical formations, gendarmerie or carabinieri, which may be regarded as constituting formations organised on a military basis, all or part of whose expenditure is included in civil budgets.

The reasons why the civil departments bear a proportion of the national defence expenditure are very varied. The joint purchase or manufacture of goods intended to meet both the needs of the civil services and those of national defence is, for example, entrusted to certain civil departments as a relic of old customs retained by administrative tradition; or this practice is adopted on economic grounds or in order to avoid complicating administrative machinery.

Thus, expenditure on the purchase of horses for the army (France, Sweden), or on recruiting and the billeting of military personnel (Czechoslovakia, France, Germany, Italy, Sweden, U.S.S.R.), is included in the accounts of civil departments. Sometimes, again, the cost-of-living allowances to military personnel are also paid out of credits appearing in the Finance Ministry's accounts (Norway).

In Switzerland, expenditure for the upkeep, reconstruction and extension of military buildings is included in the accounts of the Ministry of the Interior.<sup>2</sup>

In all these cases, it is necessary to extract from the budget accounts of the civilian departments such national defence expenditure as they include. The operation presents

<sup>1</sup> This represents expenditure connected with national defence and included *en bloc* in the civil budgets.  
<sup>2</sup> Other examples are given in Annex 6.

no difficulty where the expenditure to be extracted is clearly separated in the accounts, as, for instance, in the case of the expenditure on the gendarmerie and Mobile Republican Guard in France, which is included in the budget of the Minister of the Interior, and of nearly all the expenditure on the carabinieri in Italy, and the greater part of the military expenditure by civil ministries in Czechoslovakia (Military Chancery of the President; treasury fund for the material requirements of national defence).

It sometimes happens, however, that military expenditure is combined in the accounts with other expenditure. In order to ascertain the amount of military expenditure, it is thus necessary to apportion the sums entered in the accounts. During its examination of the material supplied by the various countries, the Committee has had occasion to consider several cases of this kind: it has observed that the apportionment has been made sometimes with the assistance of the internal documents of the administrations concerned, sometimes by estimates based on past experience. A few examples will illustrate how the problem has been solved by various countries.

In *France*, the Ministry of Agriculture is entrusted for economic reasons with the breeding and purchase of horses on behalf of the State: a proportion of these horses is intended for use by the armed forces. It has therefore been necessary to split up certain credits shown in the budget of the Ministry in question in order to establish the proportion of the expenditure relative to national defence.

Thus, out of an aggregate credit of 15,800,000 francs in respect of the salaries and wages of personnel attached to stud farms, and the remuneration of the Committees responsible for purchasing horses and mules for the army, it has been possible, with the help of internal documents, reproduced in a published report of the Accountancy Office, to calculate at 508,743 francs the sum representing national defence expenditure incurred out of the credit in question (pay of officers seconded to the army remount purchase committees, 350,204 francs; and cost of tours and missions of this committee, 158,539 francs).

In the accounts showing the application of the budget of *Sweden*, a credit entered under a special head for "Unforeseen expenditure" was observed: out of this credit, expenditure totalling 1,271,601 Swedish crowns was incurred during the year 1929-30. With the assistance of internal documents, it was possible to identify the exact amount of military expenditure shown under this head—namely, 231,856 Swedish crowns.

Again, it sometimes happens that the mixed services referred to above (*e.g.*, cartographic, hydrographic, meteorological, geodesic services, etc.) are administered by civil ministries, and their expenditure accordingly is shown in the accounts of these ministries. In such case, the proportion of this expenditure representing the military activities of these services should be shown in the Model Statement, and the States concerned should give the reasons for the distinction when they are able to make it from their internal documents.

Much national defence expenditure appearing in the accounts of civil ministries can therefore be shown separately in the accounts. Their expenditure calls for apportionment, for which the States concerned have the necessary data. In the Committee's opinion, the errors liable to arise from such apportionment are not calculated to affect the accuracy of the total figure for defence expenditure, owing to the very small amounts involved.

The Committee recommends that military expenditure of any considerable amount appearing in the mixed headings of the civil budgets should be shown in an official document.

(4) *Expenditure in special accounts.* It is thus established that by far the greater part of the national defence expenditure effected by the States (central authority) appears in the budget accounts; but the Committee has found that, in certain countries, also national defence expenditure is shown in special accounts. In a fairly large number of countries (Germany, Irish Free State, Italy, etc.), there are no special funds for national defence; but in others (Belgium, Denmark, France, Japan, the Netherlands, Poland, Sweden, Switzerland, the U.S.S.R. and Yugoslavia), there are such funds, though they are almost always included in the general State accounts in a more or less detailed form.



The following table shows the amount of national defence expenditure shown in special or extra-budgetary accounts with the percentage of such expenditure in relation to the totals in the Model Statements:

		Special Accounts	Percentage of the total of the Model Statement
Belgium . . . . .	Francs	4,702,118	0.3
United Kingdom . . . . .	£	793	—
Czechoslovakia . . . . .	Korunas	37,500,000	2.1
Denmark . . . . .	Krone	107,921	0.2
France . . . . .	Francs	13,161,147 <sup>1</sup>	0.1
Japan . . . . .	Yen	637,333	0.1
Netherlands . . . . .	Florins	4,607,100	2.4
Poland . . . . .	Zlotys	9,869,500	1.1
Sweden . . . . .	Krone	6,156,206	4.5
Switzerland . . . . .	Francs	7,404,611	6.5
U.S.S.R. . . . .	Roubles	22,952,430	2.1
Yugoslavia . . . . .	Dinars	465,310,810	17.2

The accounts of these funds are generally subject to the same supervision as the accounts in execution of the budget—that is to say, to the scrutiny of the Courts of Audit or other higher auditing authorities (see second part of the report). It should also be observed that the explanations furnished by various delegations revealed a certain tendency in favour of the abolition of these funds, or at least the insertion of the expenditure charged to them in the general accounts. The interest which the Parliaments and Governments themselves have in obtaining an exact balance-sheet of their income and expenditure is an argument in favour of the abolition of funds of this kind.

Subject to the considerations developed below on this subject, the Committee believes it is possible to find in the accounts all national defence expenditure effected out of special funds.

## II. EXPENDITURE EFFECTED BY REGIONAL OR LOCAL AUTHORITIES.

**1. Colonies.** It should be observed in the first place that the term "Colonies" is understood by the Committee to refer solely to communities not possessing a sovereignty of their own in the international domain, whose expenditure has therefore to appear in the Model Statement of the Power representing them at the Conference. The British dominions are States Members of the League and, as such, must prepare separate Model Statements.

It is common knowledge that colonial defence expenditure is borne in proportions which vary greatly in the different States, partly by the budgets of the home countries and partly by the general budgets of the colonies. We are mainly concerned here with the latter expenditure, the importance of which, in relation to the national defence expenditure totals of the States concerned, is shown in the following table drawn up on the basis of the Model Statement:

		Expenditure by the Colonies <sup>2</sup>	Percentage of the total of the Model Statement
Belgium . . . . .	Francs	107,717,535	7.5
United Kingdom . . . . .	£	4,002,742	3.6
France . . . . .	Francs	209,023,410 <sup>3</sup>	1.6

<sup>1</sup> The expenditure shown above represents the amounts of sales of manure by bodies of troops. Though there is no special account for such sales, the expenditure is shown in the table because it does not appear in the final accounts.

There is a special fortifications account in France, established under the Law of January 14th, 1930. No expenditure was entered to this account in 1930-31.

<sup>2</sup> All the national defence expenditure of the Spanish colonies is borne by the home country.

<sup>3</sup> (1) Expenditure borne by the various general or local colonial budgets for the maintenance of military personnel outside the cadres (77,572,350 francs); (2) expenditure included as contribution to the State

		Expenditure by the Colonies <sup>1</sup>	Percentage of the total of the Model Statements
Italy . . . . .	Lire	464,086,321	7.5
Netherlands . . . . .	Florins	119,182,205	62.2
Portugal . . . . .	Escudos	65,305,267	12.4

This expenditure borne by the colonies may be found in their closed accounts. Sometimes it is finally charged to the colonies (in Belgium, the United Kingdom, France, Netherlands and Portugal), and sometimes it is in fact covered by subsidies from the home country.

In the various cases considered, the Committee found that colonial defence expenditure could easily be scheduled. In the special case of the Dutch East Indies, where the expenditure is relatively very large, the national defence expenditure can be found in the accounts of the colonies as easily as the national defence expenditure of the home country can be found in the home country's accounts.

NOTE.

The Committee devoted attention to national defence expenditure incurred by mandated territories and some sovereign States having special links with certain Powers represented at the Conference. With regard to expenditure of this nature, the Committee thinks it best to confine itself to the following observations and recommendations:

(a) *Military expenditure of Mandated Territories.*

In the documentation, it was observed that the mandatory States had adopted different rules. Certain States have included in their Model Statement all military expenditure relating to the mandated territories and defrayed by the home country but have excluded military expenditure borne on the local budgets of the mandated territories. Other Powers, on the other hand, have included all expenditure without distinction. Whether a mandatory State should include in its Model Statement the expenditure borne by the State under mandate is a matter that cannot be settled by the Technical Committee; but a uniform rule should be adopted on this point for all countries—that is to say, it should be decided whether all the military expenditure of mandated territories is to be included in the mandatory Power's Model Statement or whether mandated territories, which are legally sovereign States, should furnish separate statements. The nature of the mandate will, of course, have to be taken into consideration.

(b) *Military expenditure defrayed by certain States having special links with the Powers signatory to the Convention.*

This head covers, for instance, the military expenditure of the Indian States, the Sultanates of Johore, Sarawak and Zanzibar, the Sultanates of Sulu and Djokikarta in the Dutch Indies, Outer Mongolia, the Bey's army in Tunis, the Black Guard of the Sultan of Morocco, etc.

According to the Committee's present information, these troops are primarily intended to maintain internal order and to form guards of honour; and the Committee therefore thinks that unless any change takes place in the organisation or employment of these troops, it would be better not to bring them under the machinery of limitation.

(c) *"Partisan" forces.*

In the possessions of certain Powers there are military organisations of a peculiar nature—real "partisan" forces<sup>2</sup> which generally have an irregular military organisation and are almost always employed to keep the peace on the frontiers of those possessions. The decision to be taken on this point will depend on the definition the Conference gives of formations organised on a military basis. Certain Powers have included such expenditure in their returns.

ture on the maintenance of land forces (89,497,970 francs); (3) expenditure for the gendarmeries of Algeria and Morocco (35,948,180 francs); (4) expenditure for naval forces paid out of credits entered in the general and local budgets of distant colonies (6,004,910 francs).

<sup>1</sup> All the national defence expenditure of the Spanish colonies is borne by the home country.

<sup>2</sup> "Goums", Sahara companies, nomad groups, Moroccan "partisans".

**2. Regional and Local Collective Entities in the Home Country.**

The following table, extracted from the diagram on page 58, shows for the countries named the proportion of national defence expenditure borne by regional and local collective entities (including the federated States in countries with a federal constitution) as a percentage of the total expenditure shown in the Model Statement submitted to the Conference:

United Kingdom . . . . .	0.1 %	Switzerland . . . . .	2.7 %
France . . . . .	0.5 %	U.S.S.R. . . . .	1.8 %
India . . . . .	4.0 %	Yugoslavia . . . . .	0.3 %
Italy . . . . .	0.9 %		

In the other countries whose documentation it examined, the Committee found no national defence expenditure charged to regional and local collective entities. There is, indeed, a general tendency to relieve regional and local entities from all expenditure in respect of national defence and to charge it to the central Government. This is a tendency on which emphasis should be laid. In France, for example, expenditure on housing for the gendarmerie, which was borne on the departmental budgets until 1931, is now charged to the Ministry of War. In Italy, the Air Ministry has recently undertaken to defray certain expenditure on landing grounds which until 1931 had been borne by the provinces.

(a) *Federated States in Countries with a Federal Constitution.*

An interesting illustration of this centralising tendency is to be found in countries with a federal constitution in which formerly each of the separate States was responsible for organising and maintaining its own army. In Switzerland, for instance, down to the middle of last century, the armed forces consisted almost entirely of cantonal contingents organised, equipped and trained by the cantonal authorities. Since that time, the direction and administration of national defence have gradually become the responsibility of the federal authorities. To-day, the supreme control of the army is vested in the Federal Council. The command, recruiting, armament and training are provided by the federal services. The cantons can use the armed forces of their respective territories only so far as the Confederation itself is not using them; they sometimes avail themselves of this right in the event of natural disaster or internal disturbances. The administrative powers that the cantons have retained consist in the maintenance of certain barracks and arsenals and the keeping of certain registers; they are also responsible for the preservation of certain material in good condition. The cost of these services is, however, almost entirely refunded by the Confederation. On the basis of the figures shown in the closed accounts of the cantons, after deducting the above-mentioned refunds, it has been established that the total expenditure of the cantons on national defence for the year 1930-31 amounted to 3,052,815 francs.

This amount, which has been shown in the Model Statement, represents only 2.7 per cent of the total national defence expenditure.

A similar tendency has been displayed in the *United States of America*. During the War of Independence and the War of 1812, most of the armed forces consisted of the State Militias. Thus, in 1812, out of a total of 527,654 men, 458,463 belonged to the State Militias (Report of the Secretary of War, 1930, pages 76 *et seq.*).

During the War of Secession, the forces of the Federal Army, in the strict sense of the term, never numbered as much as 40,000 men, but the volunteers in the regiments of the various States numbered 2,700,000 men. In these regiments, all the officers except those on the Staff were appointed by the States and not by the Federal Government.

During the war with Spain and the Great War, the ties between the Militias of the various States and the Regular Army were constantly being drawn closer, and this state of affairs was perpetuated by the National Defence Act of June 4th, 1920.

<sup>1</sup> But the cantons appoint the officers of infantry battalions and of certain cavalry squadrons.

Certain expenditure in respect of National Guard formations is still borne by the various States, but a large part of it will henceforth be borne by the Militia Bureau of the Federal War Department (\$33,015,000 in 1930-31). The expenditure incurred by the various States was not communicated to the Committee, and the question whether the above-mentioned formations should be regarded as formations organised on a military basis has not yet been settled by the Conference. It appears from the statements of the American delegation, however, that the expenditure borne by the States is not very great.

In *Germany*, the *Länder* lost in 1919 their pre-war right to their own armies. Under the Weimar Constitution, the central Government is responsible for the maintenance of the armed forces properly so called.

In *British India*, the Native States defray certain more or less negligible expenditure, the amount of which has been shown in the Model Statement.

(b) *Other Regional and Local Collective Entities.* Other regional and local *collective entities* also sometimes share to some extent in the national defence expenditure. It appears from the documentation that, in some countries, the departments, provinces, communes, or other administrative units supply certain funds for national defence.

In *France*, a proportion of the expenditure of the Republican Guard is borne on the budget of the City of Paris. In France, too, municipalities sometimes pay to the State contributions in aid of the construction of barracks. To provide for the funds contributed by the departments and communes jointly with State funds for construction of military buildings, a credit for a corresponding sum has been opened by decree, in addition to the credits granted by Parliament for the same work.

In *Germany*, municipalities sometimes erect barracks at their own expense, and the State pays the rent (interest and amortisation on the capital sunk), charging it to the national defence credits. In the *United Kingdom*, some municipalities have laid out and are maintaining landing-grounds, but, in so far as they are used for military purposes, expenditure is refunded by the military authorities and is included in the returns. In *Switzerland*, the communes provide premises for recruiting, rifle-ranges for sporting and military practice, etc. In the *U.S.S.R.*, the regional and local budgets provide funds for the hire and upkeep of accommodation for certain troops and military administrations; they defray part of the expenditure on pre-military training and mobilisation centres. This expenditure amounts in all to 19,928,000 roubles—only 1.8 per cent of the total expenditure on national defence.

The Committee was able to study a considerable number of cases of this kind in the light of the information and explanations supplied by the delegations concerned. Some delegations, moreover, themselves corrected certain figures in the Model Statements in consequence of the discussions in the Committee.

This expenditure by regional or local collective entities appears in their respective accounts. These accounts vary extremely in character. The accounts of the German *Länder* are as detailed as those of sovereign States; those of the Federated Republics in the *U.S.S.R.* are fused with the accounts of the Central Government. The single budget of the *U.S.S.R.* and the relevant accounts contain separate figures for the Central Government and for each Republic, as well as the total figures. In such cases there is no greater difficulty in identifying the national defence expenditure there shown than when the expenditure is entered in the general accounts of the sovereign State. When, as frequently happens, the accounts of such regional collective entities as provinces, departments, and communes are not very detailed, discrimination is more difficult. In some countries, these collective entities are very numerous and, in order to determine the expenditure borne by them, resort must be had to calculations and estimates.

In conclusion, the Committee has had to admit that it is not always possible to compile a perfectly accurate and full account of the national defence expenditure incurred by regional or local collective entities. It is, however, clear that this expenditure

is small, and there is a growing tendency to enter all national defence expenditure in the State accounts. The Committee therefore considers that the errors that can arise from the expenditure of regional or local collective entities in the home country are almost insignificant. It should, however, be noted that, if the expenditure of formations organised on a military basis were included in the Model Statements, the percentage of expenditure borne on the budgets of regional or local collective entities would undoubtedly be substantially increased, at any rate in federal States.

## B. PROBLEMS RAISED BY CERTAIN PECULIARITIES OF ACCOUNTANCY.

The fact that it is possible to identify in the accounts the vast bulk of national defence expenditure does not of itself solve the problem as to whether it is possible to ascertain with sufficient accuracy the total amount of national defence expenditure.

For this to be done, account must be taken of certain peculiar features of public accountancy, and also of certain administrative methods.

In this connection, the Committee found it must devote special attention to the following questions:

- (a) Special funds;
- (b) Autonomous establishments;
- (c) Subventions, loans and participations;
- (d) Expenditure effected out of the proceeds of loans;
- (e) Gross and net accounts;
- (f) The special case of deductions from pay;
- (g) Amounts in respect of donations and bequests for national defence schemes.
- (h) Losses on exchange.

(a) **Special Funds.** Expenditure effected out of special funds for national defence purposes should be entered in the Model Statement in the same way as expenditure out of budgetary funds.

There are, however, cases of a special fund earmarked for national defence purposes being wholly or partly financed out of credits granted by the public authorities to the defence services. It would be impossible without duplication to show in the Model Statement both the sums transferred from the budget to the special fund and the actual expenditure met out of that fund. It is the expenditure actually effected out of the special fund which makes it possible to achieve the fund's objective or discharge the services which it is actually bound to render to national defence, and therefore, as a general rule, only the expenditure effected out of this fund during the year should appear in the Model Statement.

The accounts of the special funds are nearly always included in the closed accounts. For example, the closed accounts of Switzerland and Norway include the expenditure and revenue of a very large number of funds which are shown perfectly clearly. With the help of the closed accounts, States are therefore always in a position to calculate the total amount actually expended out of those funds in the course of each year. It will, moreover, be remembered that the practice of special funds is not general. The Committee has found only a small number of cases where the accounts of special funds are not included in the closed accounts, and the material laid before the Committee does not in any case give any grounds for assuming the existence of funds for national defence purposes which do not come under the ordinary supervision of the higher auditing authorities. The Technical Committee therefore believes that no special difficulties will be found in inserting in the Model Statement the annual expenditure borne on special funds.

" *Fonds de masses.* " There is, however, one case where it would be difficult to enter in the Model Statement the annual expenditure actually paid out of special funds. In several countries, army units receive lump-sum grants charged to

budgetary credits, out of which they pay the maintenance costs of their establishment of men and mounts. These grants enable a unit to feed, clothe, billet and equip the soldiers, provide harness and food for the animals and pay for current barrack repairs, for the furnishing, heating and lighting of premises and sometimes even for the current upkeep of arms. These funds are administered by the units themselves, whose property they to some extent are. Usually, there is no settlement of accounts at the end of the year between the State and the units, whose balances are thus carried over from one year to the next. If it were proposed, therefore, to ascertain the exact expenditure during a year out of these funds, very complicated calculations would have to be made and would prove really useless in practice, as the lump-sum grants are generally strictly calculated on the basis of requirements and do not allow for the accumulation of large reserves. The Committee thinks that in such cases the transfers made from the budget to these funds should be entered in the Model Statement. These transfers are, after all, payments made by the State to the unit; they appear in the closed accounts and they can be inserted in the Model Statement with all the necessary accuracy.

**(b) Autonomous  
Establishments  
for  
Manufacture or  
Construction  
of Warlike  
Equipment.**

The Committee of Experts had already directed attention to the special character of certain autonomous State establishments for the manufacture or construction of material employed for purposes of national defence. The accounts of these autonomous establishments are kept on a virtually commercial basis. The national defence services pay them directly for articles or material delivered, as they would do in the case of a private firm. The establishments in question thus effect the major part of their expenditure by means of the sums paid to them by the national defence services for the material delivered. The Technical Committee proceeded to study the actual situation in the various States as it appears from the documents submitted to it. This enquiry shows that, in several countries, no autonomous State establishments exist for purposes of national defence (Belgium, Germany, India, Italy, Norway, Roumania, U.S.S.R., United States of America, Yugoslavia). There are, however, one establishment of this kind in the United Kingdom, one in Czechoslovakia, three in Denmark, one in France (*service des poudres*), four in Japan, one in the Netherlands, five in Poland, and seven in Switzerland. Therefore, the practical importance of the problem raised by autonomous establishments must not be exaggerated. But the Committee realised, notwithstanding, that, as a matter of principle, it was important to study the problem.

The legal proof of the observance of undertakings in regard to limitation will be supplied by entering in the Model Statement the payments included in the published accounts. Now, the closed accounts of the national defence departments show the payments corresponding to the supplies delivered by the autonomous establishments. Any payments on capital account that might be made by the State to those establishments for the improvement of their equipment or plant or payments to cover deficits are generally shown in other sections of the closed accounts. From the point of view of accounts, therefore, those establishments are treated as if they were simply private undertakings—that is to say, the payments in respect of the material delivered by them appear in the closed accounts.

Since, however, the autonomous establishments are administered like private industrial or commercial undertakings, it would be well to consider what will happen in the event of their accounts showing a deficit or profit.

If a profit is made by an autonomous establishment engaged solely in the supply of material to the national defence services of the country in which it is situated, it may be assumed that these services have paid a price higher than the cost of production. If the establishment pays over the profit to the Treasury, this profit should be deducted from the sums paid to the establishment by the defence services, since the former has actually received only the difference between the value of the deliveries and the sum paid over

to the Treasury. If, on the other hand, the profit is used for the benefit of the establishment or for other national defence purposes, it should not be deducted.

But if, as is sometimes the case, the establishment also sells material to private individuals, the profit shown may be explained by the charging of higher prices to private individuals, and it might also be inferred that the State establishment sold its products to the national defence services at a price below the cost of production. If, in such cases the establishment uses its profit for its own benefit or for other national defence purposes, expenses paid out of that profit should be included in the statement. Cases of this nature become of particular importance when it is remembered that some of these establishments are in the nature of a monopoly, since a monopoly is free to fix its own prices.

If the autonomous establishments show a deficit and this deficit is made good by the State, the total subvention accorded to the establishments by the latter should be stated in the Model Statement.

In order to allow for all these factors, the Committee enquired into the possibility of showing in the Model Statement, not payments made by the State as the counterpart of deliveries, but the expenses of establishments engaged in the manufacture or construction of material for national defence. It would appear that it would thus be possible to include in the Model Statement any increase in stocks or capital and also to allow for any advantage accruing to the State in cases in which such establishments sell material to it at prices below the cost of production.

Any solution along these lines would, however, involve serious difficulties. It would, in the first place, necessitate a minute examination of the accounts of autonomous establishments, and the figures of expenditure shown would no longer be based entirely on the figures appearing in the published closed accounts, except in cases where the accounts of those establishments are inserted in the closed accounts. The checking of the transfer to the Model Statement of figures appearing in the closed accounts would thus be very much more difficult.

The Committee has come to the conclusion that, in reality, all the difficulties arising in the case of autonomous establishments are due to the fact that some of these autonomous establishments deliver material to the national defence services, and also sell to civil services and to private individuals. But the data supplied and the evidence of administrative experience have convinced the Committee that the materials manufactured by autonomous State establishments working for national defence are not, as a rule, materials of current use and that, in consequence, very little importance is to be attached to sales to civil organisations and private persons. It is therefore improbable that, by selling these materials to private individuals at very high prices, the State autonomous establishments are enabled to supply materials to national defence services at prices obviously below their cost of production and thus to decrease the volume of national defence expenditure. Autonomous establishments are not, as a rule, organised with a view to profit, and, if certain countries have organised these establishments upon a commercial basis, they have done so in order to be able to supervise closely the management of the establishments and the proper employment of the funds paid over to them by the defence services in exchange for the material supplied. These autonomous establishments are, moreover, subject to the same supervision as non-autonomous establishments.

The Committee has thus come to the conclusion that Governments should show in the Model Statement payments made for the purchase of material and for supplies delivered by autonomous establishments, as well as capital payments by the State in their favour. With a view, however, to the detailed supervision of the management of these establishments, the Committee suggests that there should be inserted in the Convention a clause by which States possessing autonomous establishments will be bound to supply each year a complete account of their receipts and expenditure. As the Committee has ascertained that such accounts already exist in a certain number of countries and are included in the general accounts of the State or in annexed accounts (as, for instance, in the case of the *Service des poudres* in France), it considers that Governments which do not at present produce accounts of this kind would meet with little difficulty in supplying the documentary material necessary in order to form an opinion on the activities of autonomous establishments.

In addition, in order to remove any apprehension lest a State should by means of autonomous State establishments secure deliveries of material for national defence at prices below the cost of production, the Committee also suggests the insertion of a clause by which States possessing autonomous establishments would undertake that such establishments shall supply their materials for national defence services at rates based upon the actual cost of their manufacture.

**(c) Subventions, Loans, and Participations.** As has already been stated in Chapter II, the Committee decided to regard as national defence expenditure subventions, loans, and participations granted by the State to private enterprises the activities of which include the manufacture in time<sup>2</sup> of peace of specifically military material.

The State may grant such subventions directly. In that case, their amounts are to be found in the closed accounts of the national defence or other ministries, and the transfer of the State subsidy to the statements of expenditure occasions no difficulty. The same is, moreover, true when such subventions are granted in the form of an increase in the sale price of materials delivered, as in this case the actual amounts of delivery invoices are entered in the closed accounts.

Subventions may also be granted through holding companies or banking institutions in which State capital has been invested. In such cases, all that is shown in the closed accounts is the payment made to the intermediary company or institution. If the State receives interest or profits, it also comes to light in the public revenue account. But the accounts do not make it possible to ascertain the precise amount of the subvention granted by this intermediary to the undertakings concerned. In such cases, however, all States can ascertain the amount of the subventions, and are required under the Convention to insert them in the return. The balance-sheets and accounts of the private armament undertakings also show the amounts of such subventions. The importance of this fact will be shown further on, when the supervision of the application of the Convention is considered.

**(d) Expenditure effected by Means of Loans.** The Committee gave consideration to cases in which certain items of national defence expenditure are effected by means of the proceeds of loans. This question is of particular importance because, in some budgets, a distinction is drawn between current expenditure and extraordinary expenditure—that is to say, expenditure based on the proceeds of loans. Following the fundamental rule governing its work, the Committee took the view that the Model Statement should contain the annual expenditure met from such proceeds. But the question then arose whether expenditure in respect of the amortisation of and interest on such loans should be regarded as national defence expenditure and included in the Model Statements.

If the Model Statement were made to include both the actual expenditure out of the proceeds of loans and that in respect of amortisation and interest, duplication would certainly occur.

The Committee therefore considers that only the expenditure actually met from the proceeds of loans in the course of a given "exercice" must be included in the Model Statement, to the exclusion of expenditure on amortisation and on interest paid by the State on such loans.

The Committee ascertained during its examination of the documents that compliance with such a rule could not occasion any difficulty.

**(e) Gross Accounts and Net Accounts.<sup>1</sup>** As indicated in Chapter III, it is known that, in certain States, the national defence services receive, in addition to the budget appropriations, certain revenues which they are authorised to retain and utilise. In order therefore to determine the real expenditure of those services, expenditure from revenues received by them must be added

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<sup>1</sup> The question of exemptions from taxation granted by Governments to autonomous establishments or to private undertakings manufacturing war material may be considered in connection with the general



to the expenditure out of budget appropriations. In short, it is necessary to work out the total of *gross* expenditure on national defence.

In examining the information submitted to it, the Committee ascertained whether, in accordance with the recommendations of the Budgetary Experts, all the States in which the defence services are authorised to receive revenue had included in the statement the expenditure met from such revenue. This task did not present serious difficulties, as the closed accounts mostly enable expenditure out of budget appropriations to be distinguished from expenditure out of special revenue. Moreover, the delegations supplied the fullest details on the subject.

The gross expenditure cannot be accurately computed, however, unless, as indicated in the Budgetary Experts' report, the utmost care is taken to avoid duplication, which may quite easily occur. Accordingly, the Committee adopted rules on the subject, of which some account must be given.

*Transfers of material from ministry to ministry.*

Let it be assumed, for example, that the Ministry of Marine of a State hands over material to the Ministry of War at a specified price: if both ministries include that item in their statements, it will be charged to the State twice over. To avoid such duplication, the only logical course is to decide that the item must be placed in the statement containing the expenditure of the ministry receiving it and deducted from the statement of expenditure of the ministry handing it over. If, therefore, one department of national defence hands material over to another, the first department must deduct from the statement of its expenditure the price it paid for the material, while the other ministry must include that price in its statement.

*Transfers from Government to Government.*

Just as duplication of figures must be avoided in the statements regarding the three armed forces of one country, so steps must be taken to preclude duplication in the statements of countries signatories to the Convention on publicity or on the limitation of expenditure. If, for example, a Government sells a ship to another Government, the selling Government must deduct the cost of building the ship, since the ship was not built for that Government; on the other hand, the Government receiving the ship must enter the price paid in its Model Statement, since its fleet is thus increased by one unit. Moreover, no distinction need be made between new material and used or obsolete material. The problem is of particular importance in the Model Statement of the United Kingdom and those of India and the Dominions, which are members of the British Commonwealth, but are separately represented at the Conference and hence supply separate Model Statements. In the course of examining the material supplied by these countries, the Committee found, for example, that certain expenditure was entered in the Model Statements of both India and the United Kingdom. The adoption of the rules which the Committee has laid down will enable difficulties of this kind to be avoided in the future. Moreover, it is obviously in the interests of the States themselves to provide all necessary information on this subject in order that their statements of expenditure may not be unduly increased.

*Price of the material transferred.*

The prices of material transferred from one defence service to another or from one Government to another must of course correspond to the real value of the materials transferred; otherwise, the tables relating to the individual armed forces and the Model Statements themselves of the various countries would not correctly represent their

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problem of gross and net accountancy. If it exempts these establishments from taxation, a Government will be able to obtain war material more cheaply, since the amount of taxes and charges is included in the cost of production of the material. The importance of this phenomenon may vary according to the conception of production in the various States. But the interest of this consideration is lessened by the impossibility, admitted by the Committee, of comparing the military efforts of the various countries on the basis of expenditure figures. The chief point is that the *de facto* situation in each country at the time the Convention is signed should not be changed in the course of its execution, or that any changes should be brought to the notice of the permanent supervisory body.

respective expenditure. The fundamental clause whereby expenditure entered in the statements must represent the actual and final utilisation of the sums in question would thereby be infringed. At the same time, there are, in principle, exact rules for transfers, which are generally effected at prices fixed by regulations or based on the accounts for the manufacture of the material.

Nevertheless, in order to prevent any infringement likely to cause statements of expenditure to be misleading, the Committee proposes a special clause whereby States will undertake to include transfers for a consideration between the defence services or between Governments on the basis of the cost of production or the purchase price, taking into account the factors of depreciation, or, in the event of the replenishment of stocks, the replacement value of the material transferred. Details as to the application of this rule will be given when the "Instructions" are drawn up.

*Transfers by the national defence services to private individuals or to civil organisations.*

The cases of transfer as between military authorities of any one country and between the Governments of different countries having thus been examined, we have now to consider the cases in which the armed forces deliver material to private individuals or to civil authorities. It would *a priori* be logical to suppose that, if a military department sells material to private individuals or civil authorities, it should have the right to deduct from its expenditure the value of material which it has had manufactured at its own expense, or the value of which has been refunded to it, and which it does not itself use. Such would be the case if a military department sold clothing to postmen or forest-rangers or even arms to private individuals or associations.

But the Committee of Experts of 1931, for sound reasons, took the view that such deductions cannot be authorised. If a ministry of national defence, the services of which are equipped to manufacture material of a specifically military kind, delivers arms or war material to private individuals or civil authorities, it was, in the Budgetary Experts' opinion, to be presumed that such material is intended for purposes of national defence. Transfers of this kind might, if on a large enough scale, facilitate the equipment of the nation for purposes of defence. In the view of the Committee of Experts, therefore, the deduction of receipts derived from sales to civil authorities or private persons should not be permitted.

The Technical Committee shares the misgivings of the Committee of Experts. It has not, however, been able entirely to endorse the Experts' conclusions. The rule of non-deduction cannot be regarded as satisfactory unless it is qualified in certain respects.

It has been seen that State establishments may be of two kinds:

(1) They may be autonomous, in the sense that their accounts are kept on a commercial basis; the national defence ministries pay for deliveries made by such establishments exactly as if they were buying from private firms.

(2) They may be "non-autonomous"—*i.e.*, their expenditure on material, wages, equipment, plant, etc., is shown directly in the budget accounts and, unlike autonomous or private establishments, they do not receive payment from the defence ministries in return for the goods supplied.

The Budgetary Experts of 1931 expressed the opinion that, in the case of autonomous establishments, the only expenditure to be regarded as national defence expenditure was the price paid by the defence ministries for goods supplied, but that, in the second case, the actual expenditure of the establishment itself should be regarded as national defence expenditure.

It follows that, if an *autonomous* establishment sells goods to a civil service or a private person, the cost of manufacturing such goods will not appear in the Model Statement; such is the case in France in regard to the sale of gunpowder to the Ministry of

Finance by the "Service des Poudres", which is an autonomous service. If, on the other hand, the sale is made by a *non-autonomous* establishment, the expenditure *will appear* in the Model Statement. Such is the case in *Sweden* in regard to clothing sold to civil servants by the non-autonomous State clothing factory, and in the *United Kingdom* in regard to the repair of merchant shipping in the Government naval dockyards. In the first case, therefore, expenditure out of the receipts from transfers are deducted, while in the second they are not. It seems difficult to agree to such an inconsistency of treatment.

The difficulty explained above is essentially a difficulty of principle. As a general rule, the Committee cannot estimate the importance of sales made by military establishments to private persons or civil ministries. In the *United Kingdom*, sales to private persons and civil services by the autonomous establishments called the Royal Ordnance Factories amounted in 1929 to approximately £100,000, as compared with £2½ million total sales to the National Defence Departments. As regards the Royal Naval Dockyard, orders executed for private and foreign customers amounted to £600,000 for the same year, as compared with a total output of some £16 million for the National Defence Departments. There were also orders executed elsewhere for private and foreign customers amounting to some £270,000. In *Sweden*, the cost of clothing supplied to civil servants by the non-autonomous establishment represented about 10 per cent of the establishment's total expenditure, though this percentage varies considerably from year to year. In *France*, sales of powder and petrol to the Ministry of Finance and various other customers by the "Service Autonome des Poudres" amounted in 1930-31 to about 121,000,000 francs, as compared with about 300,000,000 francs, representing the cost of material supplied to the National Defence Departments.

It is true that the volume of the expenditure under consideration is in no case very great. The Committee has thought it desirable, however, to endeavour to find a solution which will, as far as possible, eliminate the disparities that would result from the pure and simple adoption of the rule laid down by the Experts, and to consider separately: (a) sales of material to formations organised on a military basis; (b) sales of actual war material to associations which are not considered to be formations organised on a military basis, to private persons or civil organisations, and (c) sales of material other than actual war material.

(a) In Chapter II, it was laid down as a principle that the expenditure of formations recognised by the Conference as being organised on a military basis should be included in the Model Statements. It follows from this rule that the expenditure of such formations on purchases of supplies from Government establishments will be included in the Statement, which should include the expenditure of formations organised on a military basis. To avoid duplication, therefore, the ministries handing over the material must, following the rules laid down above, deduct from the relevant Statement the amount of sales made to formations organised on a military basis.

(b) This first point being settled, it is now necessary to consider sales to civil authorities, private persons, and associations other than those recognised as formations organised on a military basis. The Committee thinks that all the objections mentioned can be met by laying down a rule that the deduction of such sales would not be authorised in respect of sales of war material in the strict sense.

(c) On the other hand, the deduction of receipts would be permitted in the case of sales of all other materials. In order, however, to prevent any improper use from being made of these rules, the Committee thinks it desirable to provide that States making such deductions should show in a publicity table the nature and value of materials other than war material transferred for a consideration to civil organisations or private persons.<sup>1</sup>

The Committee has merely considered here the general rules to be applied in respect of deductions. All the explanations necessary for the purpose of removing the difficulties inherent in the reconstitution of the gross expenditure to be inserted in the Model Statement will be given in the "Instructions" to be drawn up later.

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<sup>1</sup> Should a national defence service sell material which is no longer of use to the armed forces and take the proceeds of the sale, expenditure out of such proceeds should not be deducted.

(f) **Special Case of Deductions from Pay.** It is customary in almost all countries to include in the gross amount of emoluments the contributions which the various personnel have to pay to pension funds. The personnel do not actually receive the total amount of their emoluments as shown in the budget, part being paid by them direct into a pensions fund or being deducted by the administration in compensation for the State's obligation to pay pensions arrears. As the Committee is of opinion that the pensions themselves must be excluded from the Model Statement in the event of a limitation Convention being established, the question might arise whether the contributions to pensions funds should not be deducted from the statement. The Committee realised the difficulties of making such deductions. It has therefore laid down the principle that the gross amount of emoluments must be entered in the Model Statement. Nevertheless, an examination of the documents submitted shows that, in the U.S.S.R., soldiers do not pay pension contributions, and that, in the Netherlands, certain employees receive the total amount of their pay, while at the same time the State pays for them into the pension fund a contribution proportionate to the amount they receive—that is to say, a contribution corresponding in every way to those included in the total amount of the pay in other countries. These differences of method should not, however, give rise to any complications. The insertion of the gross amount of the emoluments in the Model Statement will doubtless give rise to certain inequalities between States in respect of the contents of their Model Statements, but this is of no importance, because the statements cannot serve as a basis of comparison for the actual armaments of the various States. Moreover, at the present time, there are only a few States which do not include contributions to pensions in the budgetary amounts paid to the personnel.

(g) **Treatment of Donations and Bequests for National Defence.** In certain countries, the credits granted for national defence are amplified by donations and bequests from associations or private persons. Such donations and bequests amount in every case to very little compared with the total expenditure on national defence. In a considerable number of countries, the armed forces cannot accept donations and bequests without Government authority; the amount of such donations and bequests is added to the credits granted, and expenditure effected out of their proceeds is shown in the accounts on the same footing as expenditure out of budgetary credits.

In *Germany*, the law lays down no special procedure for accounting in respect of donations and bequests. The German expert thinks that any receipts from such sources and any expenditure out of such receipts would be entered in the closed accounts, simply owing to the principles of the German budgetary system.

As regards the *United Kingdom*, it may be said that, for the most part, the donations and bequests are made to meet expenditure for social purposes (pensions, etc.). The only gift made for the benefit of the national defence forces in recent times was a sum of £100,000 in 1931 for the organisation of the Schneider Trophy flying contest. This sum was incorporated in the Air Force appropriations, and the corresponding expenditure was entered in the audited and published accounts. Most of the commands and units have private funds derived from subscriptions, sales of tickets, and generally used for the organisation of military fêtes. This expenditure has not been regarded as national defence expenditure. It is not included either in the estimates or in the accounts. It is regarded as private expenditure, and on this account is privately audited.

In *France*, when bequests and donations are made to the State or to various Government departments, a credit for a sum equal to their proceeds is opened by decree under a special head of the budget entitled: "Employment of funds derived from bequests or donations", and the corresponding expenditure is shown in the accounts of the National Defence Ministries.

In *Italy*, the military authorities cannot accept donations or bequests without authorisation from the National Defence Ministers. If such donations or bequests are made for the purpose of providing contributions of a permanent character, the status of legal personality is conferred upon them. All the donations and bequests so far authorised are for the provision of assistance for soldiers. If any donations and bequests were made for national defence purposes, their proceeds would be paid into the State budget, and the corresponding expenditure would appear in the accounts of the National Defence Ministries.

In *Japan*, donations and bequests from private persons or associations, for national defence purposes, other than those earmarked for scientific research, are as a rule incorporated in the Treasury revenue and accounted for in the accounts of the ministries of national defence.

In *Switzerland*, expenditure out of the proceeds of donations and bequests made for national defence purposes appears in the State accounts. Mention may be made of the military air fund established by national subscription in 1913.

In the *U.S.S.R.*, the armed forces have the direct control of the proceeds of donations and bequests. As has been mentioned in Chapter II, the sums paid by the "Ossovikhin" and "Avtodor" associations have been included in the *U.S.S.R.* Model Statement.

Notwithstanding the relatively small size of the sums in question in the various countries, it would be desirable, to avoid any possibility of error, that the Convention should contain provisions to the effect that all States are required to include in their accounts the proceeds of any donations and bequests received by the armed forces and the expenditure effected out of such special resources.

(h) **Losses on Exchange.** The budgets and accounts show the expenditure in the respective currencies of the countries concerned, including expenditure for payments abroad. As the rates of exchange are liable to fluctuate and, in certain cases, depart to a varying extent from par, the expenditure shown in the accounts of the national defence departments will not represent the real expenditure, so far as concerns payments abroad, unless the departments themselves procured the necessary foreign exchange for those payments or bought it from the Treasury at the actual rate that the Treasury paid for it. Otherwise, part of the expenditure would appear, not in the national defence accounts, but in those of the Treasury. Where there are only slight fluctuations, this difference can be ignored, but the question may be of some importance in countries where, the national currency having substantially depreciated, the Treasury charges the national defence departments only the amounts exactly corresponding to par of exchange. It must also be mentioned that, in some countries, transactions in foreign exchange are at present controlled, and that the rates officially fixed do not always correspond to the rates ruling abroad, while their currencies are not always quoted abroad.

It appears from the material laid before the Committee that the accounts and Model Statements of the majority of countries show expenditure abroad at the rate of exchange on the day on which the foreign currency was purchased or on the day of settlement. In the *U.S.S.R.*, however, the amounts are debited at par according to the official rate of exchange established by the State bank. In *Austria*, *Spain*, and *Japan*, the national defence accounts show only expenditure calculated at par, and the difference between that and the actual rate is not shown in the Model Statement.

The Committee is of opinion that the rule that all national defence expenditure without any exception must be included in the Model Statement implies that expenditure in respect of purchases and services obtained abroad must be shown in the national currency at the rate of exchange ruling on the day when the currency used in settlement was purchased.

\* \* \*

**Conclusion.** Having found that by far the greater part of national defence expenditure is shown in the accounts of the national defence ministries and can therefore easily be traced, although there may be some difficulties of interpretation as regards the real nature of certain expenditure shown in other accounts.

The Committee, as the conclusion of its investigations, considers that every country will be in a position to compile, for practical purposes, a complete statement of its national defence expenditure within the meaning of the Convention.

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## Chapter VIII.

### WITH WHAT DEGREE OF ACCURACY IS IT POSSIBLE BY MEANS OF PUBLISHED ACCOUNTS TO VERIFY THE TOTAL NATIONAL DEFENCE EXPENDITURE OF EACH STATE ?

#### A. GENERAL OBSERVATIONS.

In the previous chapter, the Committee defined the obligations the execution of which by the various States will ensure the insertion of the entire expenditure on national defence in the Model Statement. The Committee considers it necessary to determine to what extent it will be possible for the Permanent Disarmament Commission to verify the complete account of national defence expenditure drawn up by each State.

This chapter deals purely and simply with the verification of the total expenditure on the basis of the published and audited accounts—that is to say, with the method of ascertaining that the latter are in order—but it is obvious that this verification constitutes only one element of the supervision over the execution of the Convention. This supervision, as will be seen later in Chapter XIX, will be based essentially both on the observation of the financial effort devoted by each State to its national defence and also on a knowledge of the military and administrative institutions of the various States. This supervision will facilitate the verification operations and will enable correct conclusions to be drawn from them. In view, however, of the importance which the Committee attaches to the correctness of the complete account of the national defence expenditure of each State, it considered it necessary to indicate at the present stage the degree of exactitude which that verification may be expected to attain.

The first condition enabling an expenditure figure to be checked is that it should appear in a published and audited account. The Committee found that, in the case of a number of countries, all the national defence expenditure figures are entered in published and audited accounts, while in other cases, although almost all the expenditure appears in published and audited accounts, some of it does not. Although the first condition necessary to enable expenditure figures to be verified is in general fulfilled, it cannot on that account be inferred that the aggregate expenditure on national defence would be entirely verifiable. The only figures in the accounts which can be strictly verified are those which can be transferred *en bloc* to the aggregate figure for national defence expenditure. On the other hand, if the sum given under a heading in the account comprises both military and civil expenditure, that sum must be subdivided to show the part of the expenditure to be included in the total amount of expenditure on national defence. This subdivision, carried out by the individual States on the basis of internal documents or estimates, may be correct, but it will not actually be verifiable by an international supervisory body, if that body does not know and cannot ascertain the data on the basis of which the subdivision was made.

#### B. NATIONAL DEFENCE EXPENDITURE BORNE BY THE CENTRAL AUTHORITY.

By far the largest proportion of the national defence expenditure figures in the accounts of the central authority. This is found:

- (a) Mainly in the budgetary accounts of the ministries of national defence;

(b) In a few special cases and in proportions varying according to the countries, in the budgetary accounts of the ministry of the colonies;

(c) As regards a comparatively small proportion in the budgetary accounts of the civil departments;

(d) Lastly, a certain proportion of national defence expenditure of the central authority is found in special accounts.

(a) **Insertion in the Model Statement of National Defence Expenditure included in the Budgetary Accounts of the Ministries of National Defence (War, Sea, Air).**

*Expenditure appearing in the national defence budgets which is not national defence expenditure within the meaning of the Convention.*

It should be pointed out that, in certain budgetary accounts of these three defence departments, expenditure is inserted which is not national defence expenditure within the meaning of the Convention and should therefore not be included in the Model Statement. In every case which it has been possible to examine from the documentary material supplied, this expenditure is shown under special items in the accounts, and its deduction does not offer

any difficulty from the point of view of verification.

*Mixed services.*

It has been seen in Chapters II and VII that the national defence budgets include expenditure on mixed services such as the cartographic, hydrographic, meteorological and fisheries supervision services. The Committee adopted the principle that States should include in the Model Statement a proportion of this expenditure corresponding to the military activities of those mixed services and should state on what basis the proportion relating to national defence has been estimated.

Each State will thus make this distinction according to its internal documents and the practical knowledge it may have of the services rendered by such institutions to national defence.

It will not be possible for the Permanent Disarmament Commission to supervise merely by means of the closed accounts the insertion in the Model Statement of the proportion of the expenditure of these mixed services which is of military value. But if the relative importance of the proportion of this expenditure entered in the statement as compared with the total expenditure on each mixed service varies from one year to another, the Commission may ask the State concerned for explanations. It should also be pointed out that the amount of this expenditure is small compared with the whole expenditure on national defence.

*Military aviation and civil aviation.*

In the United Kingdom, France and Italy, there is only one Air Ministry which administers both civil and military aviation. Since, unless a decision to the contrary is taken, only expenditure on military aviation is to be included in the Model Statement, a very careful distinction should be made between expenditure on military aviation and expenditure on civil aviation, the former being included in the total national defence expenditure and the latter excluded.

The observance of this distinction will not cause any appreciable difficulty when, as in the case of the United Kingdom and in Italy, the expenditure on civil aviation and that on military aviation are, with a few trifling exceptions, shown separately in the accounts.

In France, it will be remembered, military expenditure on aviation and civil expenditure, which are shown separately as such under separate sub-heads of the accounts of the Air Ministry, amount to 67.8 and 10.1 per cent of the total account of the Air Ministry. In the case of this expenditure, there is no difficulty in supervising the transfer of military expenditure to the Model Statement and the exclusion therefrom of purely civilian expenditure. But 22.1 per cent of the total account represents mixed expenditure. A distinction between military expenditure and civil expenditure as regards this proportion

of aviation expenditure can be made only by means of internal documents and with a practical knowledge of the actual institutions. It is therefore certain that the Permanent Disarmament Commission will not be able, from the closed accounts alone, to form a correct idea of the manner in which this apportionment has been effected. The Permanent Disarmament Commission will be able, however, to ascertain that from year to year the apportionment of mixed expenditure is effected on the same basis and, if there is any change, to ask for the necessary explanations. If the provisions of Article 37 of the draft Convention came into operation and if a special publicity in regard to civil aviation expenditure was accordingly instituted, this publicity, which should be accompanied by every guarantee of accuracy, would facilitate supervision of the transfer to the Model Statement of the expenditure on military aviation.

**(b) National Defence Expenditure borne by the Ministry of the Colonies.** In some countries certain national defence expenditure is borne on the budget of the Ministry of the Colonies. This expenditure relates to the maintenance of the armed forces in distant possessions. This is the case in France, where, the Committee found, expenditure of this kind appears under special heads in the budget of the Ministry of the Colonies; it is grouped together in what is actually a military budget and consequently its insertion in the total shown in the Model Statement presents no difficulty from the point of view of supervision.

**(c) National Defence Expenditure borne on the Budgets of the Civil Ministries.** Where national defence expenditure is incorporated with civil expenditure in the accounts of ministries or civil services, the proportion of the expenditure which is of military value will be determined by each State on the basis of internal documents which are not published. It will not be possible for the Permanent Disarmament Commission to verify this apportionment by means of the closed accounts. It has been found, however, that in such cases the delegations have furnished definite explanations. The Committee also observed that expenditure of this kind was not very large. Nevertheless, certain special difficulties, which it is advisable to mention, will be encountered in supervising this expenditure.

The Committee decided to exclude, in general, from its list of national defence expenditure all expenditure relating to public works of general utility, the effect of which is to increase the war potential of the country. On the borderline of the expenditure comprised in the conventional list there may sometimes be some doubt from the point of view of supervision as to the accuracy of the figures entered in the statements. Thus it will sometimes be difficult to ascertain whether a road leading to a training camp or aerodrome, the establishment of a fuel-oil tank, the construction of an electric power system or an aqueduct or dredging operations in certain ports are or are not of specific military value. Whether the corresponding expenditure is included in the military budgets or in the civil budgets, it will be difficult for the Permanent Disarmament Commission to determine the exact nature of such works.

With a view to mobilisation, the State may also acquire in peace-time stocks of imported raw materials. The expenditure in respect of the acquisition of stocks of this kind can easily be supervised if it is charged to the national defence budgets, but if it is included in the accounts of civil ministries it may be somewhat difficult to verify, especially if the description of the expenditure is not sufficiently clear.

The Committee found, further, that the civil budgets of nearly all Powers include heads under which the expenditure on the military training of young men is more or less definitely isolated. The cost of this instruction may, however, be defrayed in part out of credits assigned to public education and, on this account, supervision may be somewhat difficult.

*Mixed services.* Certain mixed services enumerated above—such as cartographic, geographical and geodetic services—appear in the budgets of the civil ministries. States will include in the Model Statement the proportion of the expenditure on those services which is of military value, and the Permanent



Disarmament Commission will not in every case possess the data necessary to enable it to ascertain whether all this expenditure has been apportioned correctly.

Supervision of the apportionment of mixed expenditure shown in accounts other than those of the national defence ministries would be facilitated if States agreed to group this expenditure under separate heads. The Permanent Commission, in exercising its supervisory powers, should endeavour to induce them to do so.

**(d) National Defence Expenditure entered in Special Accounts.** Supervision over the national defence expenditure entered in the special accounts does not present any special difficulty. The chief feature of these special funds is that receipts are assigned to a definite object, and this is usually very clearly indicated. There are, however, cases in which expenditure under special accounts is not presented with sufficient clearness. In such cases, the States concerned should undertake to indicate the necessary particulars, and it is to be hoped that the Permanent Supervisory Commission will either induce them to present these accounts in a clearer form or to do away with them altogether. Supervision will be all the more effective if the principle of budgetary unity is respected.

#### C. NATIONAL DEFENCE EXPENDITURE BORNE BY REGIONAL OR LOCAL COLLECTIVE ENTITIES OR BY PRIVATE ASSOCIATIONS OR PERSONS.

**(a) Expenditure borne by the Colonies.** Certain colonies bear the whole or part of the expenditure relating to the security of their territory. Thus Belgium, the United Kingdom, France and Italy charge a certain proportion of expenditure (from 1.6 to 7.5 per cent of the total national defence expenditure) to the colonial budgets. The supervision of this expenditure should not give rise to any serious difficulty. The most typical case is that of the Netherlands. The national defence expenditure on the budget of the Dutch Indies amounts to 62.2 per cent of the total national defence expenditure of the Netherlands. In this latter case, the military expenditure borne on the budget of the colony is shown under separate items in the same way as the national defence expenditure included in the budget of the home country, and the supervision of the transfer of figures to the Model Statement does not present any special difficulty.

**(b) Expenditure borne by Regional or Local Collective Entities of the Home Country.** As regards expenditure borne on the budgets of the federated States of a confederation, the Committee observed that the closed accounts of these collective entities contain sufficient details, are subject to supervision by means of which the authenticity of the figures included therein is established and that supervision will thus be possible.

As regards the expenditure by regional and local collective entities of the home country, supervision will be seriously hampered by the fact that there are always a very large number of these collective entities and it will be really impossible for the Permanent Disarmament Commission to consult their accounts. The Committee considers that this difficulty might be lessened if States undertook to supply, at the Permanent Commission's request, an account, authenticated by the Governments, of payments borne on the budgets of regional and local authorities and certified correct. In special cases, the Permanent Commission might ask for the actual accounts to be communicated to it.

**(c) Expenditure met by Associations or Private Persons.** We have seen that, in a large number of countries, expenditure out of gifts or bequests made by associations or private individuals for purposes of national defence is explicitly shown in the closed accounts. In other cases, however, no accounts of such gifts or bequests are published. As a rule, if they are of any importance, they are usually attended by publicity which will facilitate supervision. For instance, public subscriptions cannot remain unknown, and gifts made by associations

or companies usually figure in the reports sent to the members of those associations or to the shareholders.

As regards associations considered as formations organised on a military basis, their expenditure cannot be accurately supervised unless they possess accounts which they can submit to the Permanent Disarmament Commission.

#### D. DIFFICULTIES OF SUPERVISION INHERENT IN CERTAIN SPECIAL FORMS OF PUBLIC ACCOUNTS.

Other difficulties of supervision may arise in connection with certain special forms of public accounts, and these should be taken into consideration.

(a) **Special Funds.** As a general rule, States will have to enter in the statement the actual expenditure out of special funds and not transfers from the budgets to those funds when the latter are partly or wholly provided out of the budgets. The observance of this rule can easily be supervised except in the very rare cases where the accounts of special funds are not public.

The Committee has accordingly made a recommendation to the effect that all States should undertake to publish the accounts of special funds concerning national defence. As regards the lump sums allocated to units to provide for the material requirements of their effectives, the observance of the rule that transfers from the budget to such funds should be entered in the statements can easily be supervised.

(b) **Autonomous Establishments.** The payments made by the ministries of national defence to autonomous establishments in return for the materials supplied can easily be supervised because they are shown in the closed accounts of those ministries. This also applies to payments made by the ministries of national defence to cover the deficits of these establishments and to improve their plant or equipment.

Moreover, as a rule, the accounts of the autonomous establishments themselves give particulars of their receipts and expenditure and enable the insertion in the Model Statement of the relevant national defence expenditure mentioned in the previous chapter to be verified. In order, however, to facilitate the task of the Permanent Disarmament Commission, the Committee recommends that all States which do not publish detailed accounts of such establishments should undertake to do so.

(c) **Subsidies to Private Armament Firms.** The Committee decided to insert in the Model Statement the subsidies granted by the State to private armament firms. If those subsidies are granted to firms which manufacture armaments in peace-time and other materials as well, the State granting a subsidy to such firms will insert in the Model Statement only the portion of the subsidy intended to increase the production of war material. The State concerned will obviously possess the information necessary to enable it to determine this proportion, and will do so on the basis of the actual circumstances, which the Permanent Disarmament Commission cannot appreciate simply by means of written vouchers.

Moreover, subsidies can be granted by various means: if the subsidy is granted direct and charged to a budgetary credit, the expenditure is inserted in the accounts and can be taken into consideration by the Permanent Disarmament Commission. This also applies to cases in which the subsidy is granted in the form of an increased selling price. In such cases, the actual price paid by the State to armaments firms, which includes both the normal selling price and a sum representing the subsidy or grant, is included in the closed accounts.

Subsidies may, however, be granted indirectly through holding companies or banking institutes of which the State possesses the whole or part of the capital. Certainly, in cases of this kind, the State can ascertain the amount of the actual subsidy granted to a private armaments firm through the holding company or the banking institute, but it will not be possible for the Permanent Disarmament Commission to ascertain by means of the closed accounts the exact amount of the subsidy actually received by the private armaments firm. The only method of ascertaining the existence of such subsidies would be to inspect on the spot the balance-sheets and accounts of the private armaments firms. The Committee is not competent to decide whether such supervision is possible. Its advisability might be pointed out to the Committee for the Regulation of the Private and State Manufacture of Arms and Implements of War.

*Industrial mobilisation.* State expenditure on the installation of plant and the acquisition of raw materials for private firms with a view to a rapid change-over to the manufacture of war material on mobilisation is usually shown separately in the budgetary accounts of the ministries of national defence, but may also appear in other forms in the budgets of the civil ministries. No doubt, wherever such expenditure appears, States are legally bound to insert it in the Model Statements, but it may cause difficulties to the Permanent Disarmament Commission as regards supervision.

(d) **Expenditure out of the Proceeds of Loans.** Budgetary revenue is obtained by means either of taxation or of loans. Expenditure out of loans is usually shown either in the budgetary accounts themselves (extraordinary budgets) or in special accounts. In such cases, there is no difficulty in tracing the annual payments effected from the proceeds of loans. The defence ministries may, however, raise loans and merely insert in their accounts the payments in respect of interest and amortisation of such loans. In such cases, the latter should be excluded and the actual annual expenditure included. Supervision is possible only if the actual expenditure appears in the accounts. The Committee accordingly recommends that States should undertake to show separately in the accounts the annual expenditure and the expenditure on interest and amortisation, so that it may be possible to ascertain that the former has been inserted and the latter excluded.

Again, national defence expenditure—such as the construction of barracks—may be effected by private individuals, a private company or a local collective entity, the expenditure being refunded by the State in a series of annual instalments. In such cases, it will be less easy for the Permanent Commission to supervise the actual expenditure, and States should supply full proof of the correctness of the actual annual expenditure which should alone be inserted in the Statement.

(e) **Gross and Net Accounts.** In examining the documentary material, the Committee found that, despite certain difficulties, it was as a general rule quite possible to reconstitute the amount of gross expenditure. Supervision will in some cases necessitate rather complicated calculations, but the rules laid down by the Committee, in conjunction with the "Instructions" which will subsequently be drawn up, will facilitate supervision by preventing duplication.

The observance of the contractual clause, whereby Governments undertake to account for transfers for a consideration effected between defence services or between Governments on the basis of cost or purchase price with due allowance for depreciation, or, in the case of replenishment of stocks, on the basis of the replacement value of the material transferred, will give rise to difficulties from the point of view of supervision, though in this connection there are certain probabilities which cannot be overlooked. In the case of transfers between ministries, it must first of all be borne in mind that such transfers do not attain large figures, mainly because there are very few articles and in particular very few war

materials which are in common use by the different arms or for the various services, and the practice of joint purchases or joint manufacture is not very general.

The war materials of the different arms are indeed of wholly different types technically and, generally speaking, cannot be manufactured at the same works. As regards guns themselves, the models and calibres used by the land and naval forces respectively possess very different technical characteristics, for the very reason that the objectives (fixed or moving targets) and calibres are widely different. The only war materials which can be used in common by the various forces are portable arms or ammunition. Again, the automatic weapons used by the different forces sometimes have special characteristics (machine-guns with special mountings for use on board ships in the case of the navy, and machine-guns of special models and calibres for use in aircraft).

As regards transfers from Government to Government, the publicity of delivery and consignment recommended by the Committee (see Chapter XVII, page 157) would greatly facilitate supervision of the observance of the rule, set forth above, prescribing how the prices of material transferred must be fixed.

#### E. CONCLUSION.

By far the largest part of national defence expenditure, within the meaning of the Convention, is shown separately in the accounts of the national defence ministries. A fairly large proportion of this expenditure appearing in the accounts of the other ministries is also shown separately. Thus, the transfer to the Model Statement of the bulk of national defence expenditure can be accurately verified. The difficulties in the way of verification are mainly due to the fact that certain expenditure included in the accounts has to be apportioned on the basis of estimates and of internal documents, and not of published and audited accounts. They are also due in part to certain special features of the published accounts which may render them difficult of interpretation. Having considered, however, the proportion of the expenditure thus affected, the Committee reached the final conclusion that, in spite of the difficulties, the seriousness of which differs considerably in different States, for practical purposes, the application by States of the rules proposed by the Committee for calculating the total national defence expenditure can be checked through the accounts with a high degree of accuracy.<sup>1</sup>

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<sup>1</sup> NOTE. — Major-General BARBERIS and M. WORBS point out that the margin of error is not always negligible.

Nevertheless, they think that this difficulty is not so serious as *in itself* to preclude the practical possibility of applying the system set forth in the Report of the Committee of Experts on Budgetary Questions.

## Part IV.

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### **IS IT POSSIBLE TO SEPARATE FOR PURPOSES OF LIMITATION AND PUBLICITY :**

- (a) Expenditure on the Three Forces ?
  - (b) Expenditure on Land and Naval Material ?
  - (c) Expenditure of All Kinds between the Various Headings  
of the Model Statement ?
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#### INTRODUCTION.

It has been shown in previous chapters, in the light of the documents examined, how far it is possible to ascertain and verify the total amount of the national defence expenditure of the various States.

In this chapter, the possibility of classifying the total expenditure will be examined. The possibility of making a proper classification of expenditure will be considered from two aspects:

I. From the point of view of the limitation of certain categories of military expenditure (see Articles 10, 24 and 29 of the Draft Convention);

II. From the point of view of publicity (see Articles 33 and 38), which should not only provide for the communication of information regarding military expenditure to the parties concerned, but also furnish useful data for verifying that the limitation figure has not been exceeded.

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## Chapter IX.

### POSSIBILITY OF SEPARATING EXPENDITURE ON THE THREE FORCES.

**Conclusions of the Committee of Budgetary Experts.** The conclusions of the Committee of Budgetary Experts as contained in their report of 1931 regarding the possibility of separating expenditure on the three forces may be summarised as follows:

- (a) The degree of water-tightness necessary for the separate limitation of the totals of the three forces can be obtained;
- (b) The water-tightness of the expenditure of each of these forces can be ensured by following the instructions with regard to the transfer of the expenditure from the accounts to the Model Statement;
- (c) The percentage of error involved in such transfer would thus be reduced to a small figure.

**Examination of these Conclusions by the Technical Committee.** In arriving at these conclusions, the Committee of 1931 had not before it documents and evidence furnished by States: it has been the task of the present Committee to examine the above conclusions in the light of the documentary material since submitted.

This material was examined by the Committee from three points of view:

- (i) The extent to which States have shown expenditure on the three forces separately;
- (ii) The difficulties encountered;
- (iii) The methods adopted to meet these difficulties and the extent to which they have proved successful.

#### I. EXTENT TO WHICH STATES HAVE SHOWN EXPENDITURE ON THE THREE FORCES SEPARATELY.

All States possessing more than one force have rendered a separate Model Statement of expenditure for each. In three cases, however—those of Japan, the United States of America and the Irish Free State—the separation is incomplete, because the expenditure on the Air Forces, though shown separately, is also included in the Model Statement presented for one or both of the other two forces. The explanation of this as given by the delegations concerned is that the Air Force cannot be regarded as anything but integral parts of the Army and the Navy.<sup>1</sup>

<sup>1</sup> In a note attached to the Model Statement, the Japanese delegation explained that the figures entered in Table D only represent the expenditure directly affecting the Army and Navy Air Forces and do not include expenditure in respect of administration and training common to both the Army and Navy; the above-mentioned figures are not regarded as showing the full amount of expenditure on the Japanese Air Forces.

The extent to which defence expenditure can be accurately classified into that on each of the different forces varies according to the organisation of the three forces and the degree of independence of their budgets and accounts. Particulars on this point are to be found in the following table:

States with separate Ministries for each force.	States with two Ministries (Army and Navy) for three forces.	States with one Ministry for two or more forces.
United Kingdom.	Denmark.	Belgium.
France.	Japan.	Czechoslovakia.
Italy.	United States of America.	Germany.
		India.
		Irish Free State.
		Netherlands.
		Norway.
		Poland.
		Roumania.
		Sweden.
		Switzerland.
		U.S.S.R.
		Yugoslavia.

It is obvious that the countries with three separate ministries each with its own expenditure account find the least difficulty in separating expenditure on the different forces. The difficulties increase in inverse ratio to the specialisation of the accounts.

In the case of those countries which do not possess separate ministries for each force, the extent to which separate accounts are kept for the different forces and consequently the extent to which the figures given for each force can be verified vary considerably. At one end of the scale there are such cases as India, Sweden and Switzerland, which, though only possessing one ministry, possess almost completely separate accounts for the different forces; at the other end there is the U.S.S.R., which has one Defence Ministry and only publishes one total figure for the whole of its State defence expenditure.

In their 1931 report, the Budgetary Experts came to the conclusion that the difficulties of classification caused by methods of organisation and accounting could be surmounted if limitation was to be based upon payments, because pay orders show for what purposes the payment has been made. The question at issue, however, is whether payments can be isolated in the accounts. The heart of the problem is the practicability of separating expenditure on the Air Forces, which is often included in the Army and Navy accounts.

## 2. DIFFICULTIES OF SEPARATING EXPENDITURE BETWEEN THE THREE FORCES.

**States with Separate Ministries and Accounts.** Though the existence of separate ministries and accounts tends to ensure the highest degree of accuracy for the figures of expenditure of each force, complete accuracy is vitiated to some extent by certain factors:

(a) *Coast defence.* This is borne sometimes on the Army account (United Kingdom), sometimes on the Naval account (France), and sometimes on both (Italy).

- (b) *Expenditure by civil ministries on behalf of the Army, Navy and Air Forces.* As a rule, the distribution as between the three forces of the expenditure on posts, telegraphs, public works, etc., is based largely, if not entirely, on estimates of that part of the expenditure included in the accounts of civil ministries which relates to national defence.

**States without Separate Ministries and Accounts.** The difficulties occasioned by the separation of expenditure as between the three forces in States with separate ministries and accounts also apply to States with less highly specialised accounts, and these latter encounter special difficulties of their own which vary according to the number and nature of their accounts.

The degree of specialisation of accounts differs not only as between different States (the cases of Sweden and the U.S.S.R. have been mentioned above), but also as between the accounts of the same State. Even where a State keeps separate accounts for its Army and Navy and includes its Air expenditure in both, the degree of specialisation of the two accounts may differ. The following may be given as typical examples:

(i) *The Netherlands.* — (a) As regards home expenditure, Air expenditure is included in the Army account and the Navy account; in the former it is largely shown under separate headings, in the latter it is not.

(b) As regards the Colonies, Air expenditure is shown separately to some extent, but not completely, from that on the Army and Navy.

(ii) *United States of America.* — Air expenditure is included in the Army and the Navy account. There are no separate headings for maintenance expenditure in respect of the Air Force (pay, food, etc.).

(iii) *Japan.* — Air expenditure is included in both the Army and Navy accounts; there are a certain number of separate headings in respect of the Air Force, principally relating to war material. The Japanese delegation states that it was not possible to separate its Air Force expenditure from the expenditure on its two other forces, and it was therefore impossible to give even an approximately correct estimate of Air expenditure.

The general consequence of the absence of separate clothing accounts for the three forces is that, in the majority of cases, there are common services, whose cost is shown only in one account. The following examples may be mentioned: expenditure in respect of provisions, pay, equipment and the manufacture and maintenance of certain classes of small arms and ammunition therefor. The relative importance of services common to the Air Forces and to the Land and Naval Forces varies from country to country.

**Methods adopted to meet the Difficulties indicated above.** In certain cases, no attempt has been made to divide the expenditure on all common services over the three forces. For example, the Model Statement for Air expenditure rendered by Japan includes only those items which the nature of the accounts would permit to be isolated. In certain other cases where the expenditure on common services is relatively inconsiderable, it has not been divided over the three forces, but included in the Model Statement of the force responsible for the administration of the common services—for example, in the U.S.S.R. and Poland. The nature of expenditure on common services is of some importance in any attempt to appreciate the difficulties of dividing it among the three forces. These services usually comprise expenditure on pay and maintenance services. Common headings do not as a rule include expenditure on the upkeep, manufacture or construction of war material, because the technical requirements of each service necessitate to some extent special items in the accounts. The expenditure on war material which is common to the different forces generally represents expenditure on such weapons as rifles, machine-guns<sup>1</sup> and their

<sup>1</sup> On this subject see also page 83.



corresponding ammunition and gas-masks. But, even in these cases, it is not always possible to isolate the whole expenditure relevant to each force because, as for example in the case of Norway, the same arsenal may manufacture and repair war material for the three forces without any distinction being made in the accounts.

The extent to which war material is separable from other expenditure is dealt with in Chapter XI.

Where, however, States have divided over the three forces expenditure on services common to all three, but borne on the accounts of one only, they have arrived at the figures in three ways:

- (a) By reference to internal cash accounts;
- (b) By the use of administrative information;
- (c) By estimation.

(a) *Internal cash accounts.* The headings of published cash accounts may be less detailed than the corresponding budgets. The particulars shown in the published accounts are naturally not so full as those in the internal accounts, from which they are built up and which are in the possession of the administration. These internal accounts may be of two kinds. They may be:

- (i) Cash accounts actually audited though not published; or
- (ii) Cash accounts unaudited as well as unpublished.

Every State has had recourse in varying degrees to internal accounts of both kinds in its endeavour to divide its total defence expenditure between the Army, the Navy and the Air Force.

(b) *Administrative information.* An example may be taken: the published and audited accounts of a State may only show the total amount expended on the purchase of rifles and this may be the only audited figure known. But from administrative documents and especially by means of audited store accounts, the State will know how many rifles have been issued to the Army, Navy and Air Force, and consequently the allocation of expenditure to these three forces in this respect is exact, though it cannot be made from published accounts.

(c) *Estimation.* The basis of the estimations may be of two kinds: It may be a general appreciation of the facts as known to the administration. An example of this is defence expenditure from special funds and local budgets in the case of the U.S.S.R. It may, however, be based on an existing audited figure. Where, for example, a single audited figure has to be distributed over the three forces, the distribution may be made either:

(i) *In the proportion indicated by the more detailed headings published in the budget.* The figures so arrived at can be explained though they do not necessarily represent the true expenditure of the respective forces.

(ii) *By taking as a basis the number of effectives for the three arms.* This method is used in the case of many services—pay, medical service, provisions, clothing, equipment and ammunition. For example, the whole of the pay and maintenance expenditure of the Land Air Arm of the United States of America is estimated upon this basis. Similar methods are used by other States—*e.g.*, Czechoslovakia, Roumania and Yugoslavia, for calculating expenditure on pay, and by the U.S.S.R. and Yugoslavia for dividing general maintenance expenditure between the three forces.

Though the figures reached by these methods may be approximately correct, they are obviously not susceptible of verification, and they do not represent the actual payments of the respective forces, but only the estimated payments.

**Possibility of producing Authenticated Figures for the Expenditure on the Respective Forces.** The above-mentioned possibilities of error, however, will decrease proportionately as separate and detailed audited accounts exist for each service. The Committee's report must not be taken as implying that separate limitation of the expenditure on the three forces is of itself an insoluble problem. On the contrary, the detailed separate accounts in a number of States (the United Kingdom, France, Italy, Sweden and Switzerland), where the possible margin of error regarding the separation of the expenditure on each of the forces is very small in comparison with the total expenditure, indicate clearly that separate limitation of the actual expenditure on the three forces is *technically* possible.

It is probable, however, that, even with the best will in the world, no State could produce a completely audited figure of expenditure for each force. A certain recourse to estimates would almost certainly be necessary, but this would have to be reduced to a minimum, unless the Disarmament Conference is willing, in the absence of separate accounts for each force, to accept internal accounts or estimates. The most effective way of reducing the risk of error to a minimum is the development of defence accounts in such a way as to show all budgetary expenditure on the Air Force in an account separate from that of the Land and Naval Forces.

As to the nature of such development in the presentation of accounts, it may be observed that the existence of three ministries and accounts does not of itself make the separation of expenditure automatically correct; nor, on the other hand, does the existence of one ministry and one account make the separation of the three forces automatically impossible.

In the first case (as explained above) it may be that what is regarded by one State as Naval expenditure is regarded by others as Military or Air expenditure—*e.g.*, expenditure on coast defence, aircraft carriers, catapults. Difficulties of this nature can be overcome by a greater precision in the definitions to be given in the "Instructions" and by the development of the accounts.

In the second case, a single account, if it possessed extremely detailed items, might well render the separation of expenditure between the three forces as easy in theory as would the existence of actual separate accounts.

**Possible Methods of separating Expenditure.** The Committee has considered whether any other method of separation of Air expenditure could be recommended. The only solution appears to them to be a division of expenditure on the basis of (a) the number of effectives, (b) the relative cost of a soldier, sailor or airman. Both these methods imply the possibility of separating expenditure on war material from that on general expenditure. It is clearly impossible to divide expenditure on war material on the basis of the number of effectives in the three forces. The extent to which expenditure on war material can be isolated is indicated in Chapter X and especially in the diagram on page 97. It will there be seen that expenditure on war material can only be isolated from other expenditure and divided amongst the three forces by a very liberal use of estimates when such expenditure is not entered under separate headings in the audited accounts. The proportion of estimated expenditure as compared with expenditure shown under separate headings in the accounts varies from 2 to 99 per cent according to the country and to the specialisation of its accounts. It is nevertheless true that, as a rule, the need for recourse to estimates is less frequent when separating expenditure on Air material from that on Land material than when separating Air material expenditure from Naval material expenditure.

If, however, expenditure on Land war material could be isolated from other expenditure on such a basis that recourse to estimates would be sufficiently rare to permit of international control, there might be, *prima facie*, a possibility of dividing general

maintenance expenditure on the basis of the number of effectives of each force or of the cost of a soldier, sailor or airman. There are, however, serious difficulties in these two latter methods.

(a) *Distribution of expenditure based on the number of effectives.*

This assumes that the cost of soldiers, sailors and airmen is the same in respect of the items concerned. But this is certainly not the case. There is no such thing as a "budgetary soldier" any more than there is an "economic man". A soldier is always a particular sort of soldier — a recruit, fully trained private, corporal, sergeant, etc.; he is at home or abroad; he is single or married; his pay and allowances differ according to rank or grade. The cost of his medical treatment will vary: for example, it may be cheaper in the case of a sailor than in that of a soldier, because the former are more concentrated and fewer doctors are required.

Soldiers, sailors and airmen do not always get the same rations or uniform, and the wear-and-tear of uniform and equipment varies in the different arms. Further, to base expenditure upon the number of effectives involves the verification of the number of effectives, which is not always easy; and, in any case, this method can only be a rough method of dividing a figure for common services between the three forces. This point is emphasised by the Japanese delegation, which stated that it was unable to find any suitable method of separating the expenditure on common services. In its opinion, it would not be proper to divide the expenditure in the ratio of the effectives, because expenditure depends, not merely upon the number of effectives but also upon the nature of the duties which they are called upon to perform.

(b) *Annual cost per man.*

The calculation of the "annual cost per man" involves certain difficulties due to the diversity of rank and grades of military and civil personnel and of the regulations governing their employment; and, even if it could be calculated, the result could not be verified. It is true that, for the purposes of rough calculations, administrations are constantly faced with the necessity of having to estimate the cost of a soldier, sailor, or airman of varying categories and ranks. Even if the validity of such a constructive figure were admitted as the juridical basis for limitation, this constructive figure would have to be multiplied by the average number of effectives (of varying ranks and grades) — another constructive figure. The result would be a third constructive figure.

This method would introduce two coefficients of error; the first arising from the calculation of the cost per man, and the second from the calculation of the average number of effectives. It would thus involve so serious a departure from the principle that expenditure means audited payments that it cannot be recommended.

**Possibility of Derogations as regards the Particulars to be included in the Tables for the Land, Naval and Air Forces respectively.**

The Committee has also considered whether, in the absence of complete and detailed separate accounts for the three forces, some latitude might be accorded to States as to what items of expenditure should be included in each of the three tables on two conditions: (i) that the States make it quite clear what derogations from the instructions they have made, and (ii) that the States undertake not to vary these derogations and to adhere each year to the same method of filling in their Model Statements. To permit, however, a State to include under expenditure on the Naval Forces, for example, expenditure which really relates to the Air Force, would militate against the principle, expressed already in the Budgetary Experts' report, that "the expenditure to be entered in the Model Statement shall correspond to the true and final utilisation of the amounts involved". Moreover, to include in the figures for one force maintenance expenditure relating to another force would make

it juridically possible for a State to spend on one force money included in the limitation figure of another, which is one of the very things that separate limitation is designed to prevent.

The only derogation which the Committee envisages is that relating to the *expenditure on coast defence*, which by its nature can be regarded as either Naval or Military or both. So long as States adhere to the same method of showing this expenditure, the fact that it is not shown in the same accounts by all the States concerned does not appear of much importance.

In evaluating the margin of error in any attempt to isolate and verify the expenditure on Air Forces, two factors must be taken into account.

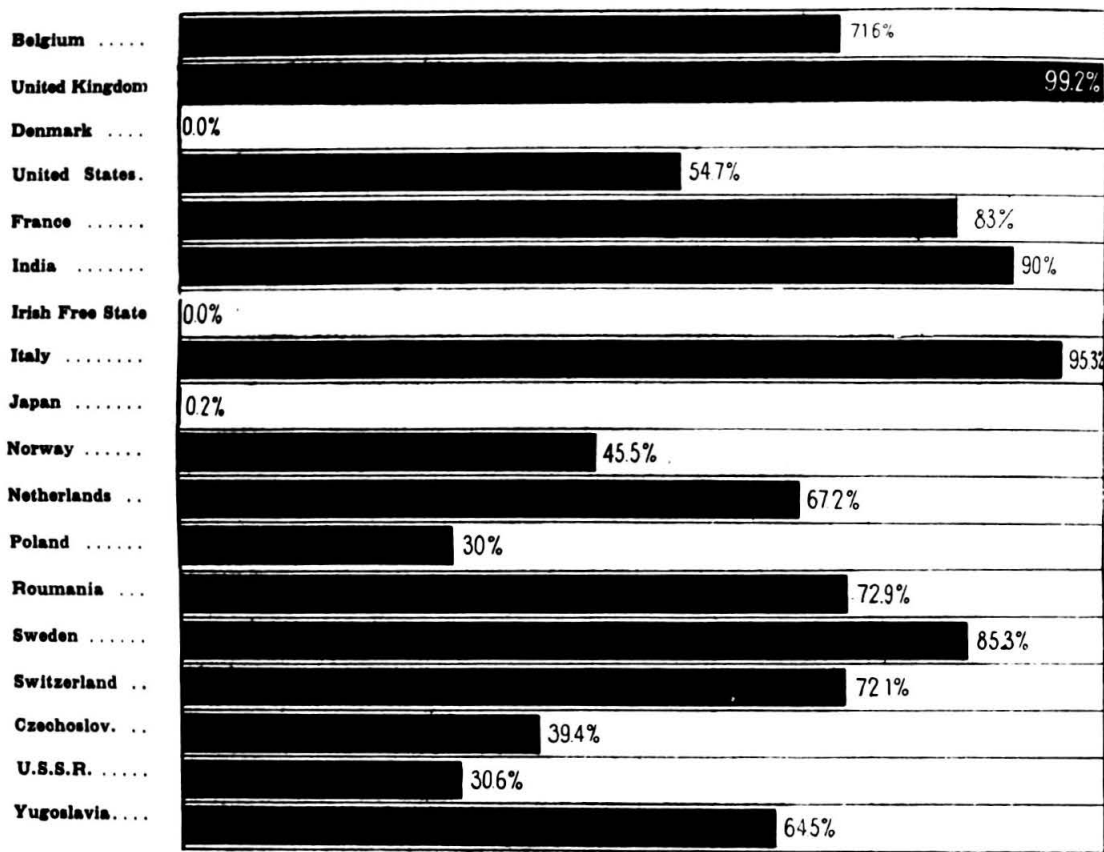
The first is an internal factor—namely, the difficulty experienced by Governments themselves in isolating the expenditure on their Air Forces. As has been demonstrated in the foregoing pages, the difficulties are mainly due to the organisation of the forces, and they are greater in proportion to the closeness of the relations between the Army and the Air Force or between the Navy and the Air Force. The Naval Air Force is more closely linked with the Navy than the Land Air Force is with the Army, and therefore more difficulty has been found in separating the Naval Air Force expenditure from that of the Navy than in separating the Land Air Force expenditure from that of the Army. Thus, the first factor of possible error is due to the actual organisation of the forces, and cannot be evaluated.

The second factor is concerned with accounting, and can be evaluated. In the various closed accounts there are items or groups of items of expenditure which without any doubt concern the Air Forces. In the following table and diagram all the Air Force expenditure, which is taken *en bloc* from the heads of the closed accounts, has been isolated, and, on the other hand, the expenditure which, in order to be extracted from the closed accounts, has had to be split up on the basis of internal documents or estimates, has been set out.

Country	Total expenditure on Air Forces shown in the Model Statement	Amount of Air expenditure shown separately in closed accounts		Amount of Air expenditure not shown separately in closed accounts	
		In thousands	Per cent	In thousands	Per cent
Belgium (Belgian francs) . . . . .	142,214	101,894	71.6	40,320	28.4
United Kingdom (£) . . . . .	19,277	19,037	99.2	240	0.8
Czechoslovakia (Kč.) . . . . .	227,999	89,761	39.4	138,138	60.6
Denmark <sup>1</sup> (Kr.) . . . . .	2,833	—	—	2,833	100.0
France (francs) . . . . .	1,979,756	1,645,718	83.0	334,038	17.0
Germany <sup>2</sup> . . . . .	—	—	—	—	—
India (Rupees) . . . . .	2,58,52	2,23,25	90.0	25,27	10.0
Irish Free State (£) <sup>3</sup> . . . . .	78	—	—	78	100.0
Italy (lire) . . . . .	946,069	901,469	95.3	44,600	4.7
Japan (Yen) <sup>3</sup> . . . . .	58,318	130	0.2	58,188	99.8
Netherlands (florins) . . . . .	12,762	8,581	67.2	4,181	32.8
Norway (Kr.) . . . . .	2,302	1,047	45.5	1,255	54.5
Poland (Zloty) . . . . .	70,847	21,736	30.0	49,111	70.0
Roumania (Lei) . . . . .	867,683	632,789	72.9	234,894	27.1
Sweden (Kr.) . . . . .	9,615	8,203	85.3	1,412	14.7
Switzerland (francs) . . . . .	6,865	4,949	72.1	1,916	27.9
U.S.S.R. (roubles) . . . . .	124,572	38,104	30.6	86,468	69.4
United States (\$) . . . . .	109,066	59,678	54.7	49,388	45.3
Yugoslavia (dinars) . . . . .	303,584	195,742	64.5	107,842	35.5

<sup>1</sup> Split based entirely on estimates.  
<sup>2</sup> No Air Forces.  
<sup>3</sup> See note, page 85.

PERCENTAGE OF AIR FORCE EXPENDITURE SHOWN IN SEPARATE ITEMS  
IN THE CLOSED ACCOUNTS.



This diagram can only be interpreted in the light of the observations above.

The table itself and the diagram show the percentages of the two groups of figures.

The first and most important remark to be made is that there is an obvious disproportion in the percentages of the figures of the different Powers; in some cases the figures are almost entirely estimates (Irish Free State, Denmark), while in others they are almost all extracted *en bloc* from the accounts (United Kingdom, Italy), and therefore can be accurately verified. Taking them as a whole, the arithmetical mean of the percentages of figures directly verifiable is only 63.

The percentage, however, of Air Force expenditure that appears together with other expenditure in the closed accounts does not in itself represent the margin of error that may occur from the isolation of the actual figures. It is merely a rough *index* of that margin.

Of the figures that do not appear separately in the closed accounts, some are the result of splits in which the margin of error is almost negligible, whereas for others it is much greater, especially where several estimates have had to be made in order to determine them.

Generally speaking, in the index that represents the percentage of unverifiable expenditure in the closed accounts there are two different factors: one that tends to increase the value of the index and lessen the margin of error, and one that acts in the opposite direction.

The first is the fact that a split does not always necessarily involve a high possibility of error: sometimes, indeed, the margin of error may be quite small even if the figure, though made up of unverifiable elements, which has been added to the figures in the fifth column of the table, is fairly high.<sup>1</sup>

<sup>1</sup> The Model Statement for the Air Forces of France shows for Chapter 15—Air Force Establishments—Civilian staff—Salaries—the sum of 61,076,975.52 francs. This figure does not appear in the Air Ministry's statement of payments, which gives only 60,880,975.52 francs, while another 196,000 francs were paid by the Ministry of Marine.

Again, in the Japanese Model Statement, for Chapter 1 of Head II of the Accounts—Cost of reform of Air Forces—out of a total of 552,625 Yen, only 531,557 are assigned to Sub-head M—Air Force material—and it has therefore not been possible to regard Chapter 1 as coming directly into the third column of the table.

In both these cases, of course, the margin of error can only be extremely small. Naturally, only extreme cases have been given here as examples; they must not be regarded as typical.

The second factor is the fact that the table is based exclusively on the figures given in the Model Statement as submitted to the Conference, whereas the examination of the documents supplied has shown that in several cases expenditure shared by the Air Force and the Army or by the Air Force and the Navy has not been split up.<sup>1</sup>

As has been observed, these two phenomena act in opposite directions; to a certain extent they cancel out, and they make the impression gained from the figures shown in the table more in conformity with the facts.

It is clear from what has been said that, if expenditure is to be defined as *audited payments*, it is not possible for all States at the moment to divide their defence expenditure between the various forces. The organisation of the forces themselves, the corresponding organisation of the accounts, the absence of sufficient detail in the latter, and the existence of common services, make the production of an audited expenditure figure for each of the forces impossible. However accurate the total expenditure on the three forces may be, recourse to administrative information and to estimation in order to divide this total necessarily introduces margins of error which it is impossible to eliminate. Estimates are always to some extent arbitrary, while the figures resulting from separation on the basis of internal documents may be perfectly correct but cannot be completely checked by an international body.

The Committee sees no alternative to the establishment by all States of separate accounts for the three forces, if the Convention is to provide for the separate limitation of expenditure on the three forces based on audited accounts.

It wishes to point out, however, that some delegations, in the course of the examination of their evidence, stated that their Governments would be prepared under certain conditions to consider the possibility of improving their accounts in accordance with the principles which might be laid down in a limitation Convention.

The Committee realises that the submission of separate accounts for the three forces by Governments that do not already make this distinction presupposes organic reforms and that some additional expenditure may be involved. In fact, this has been emphasised by more than one delegation in giving evidence.

**Conclusions.** (a) If the Conference decides that separation of the expenditure on the three forces must be verifiable on the basis of figures taken *en bloc*, to a very large extent, from the audited accounts, not all countries can carry out this separation owing to the form in which their accounts are at present drawn up.

(b) This separation, however, is not in itself impossible provided that countries which do not submit separate accounts for the expenditure on each force agree to employ such accounts, as is done at present by the United Kingdom, France, Italy and Sweden (all three forces), Germany (the Army and Navy) and Switzerland (the Land and the Air Forces).

(c) Only if the Conference agrees to accept for the separation of the expenditure on the three forces a degree of verifiability considerably inferior to that which can be secured as regards the verification of the aggregate expenditure of each State, can a separation of the expenditure on the three forces be regarded as possible with a view to the application of Article 29 of the Draft Convention.<sup>2</sup>

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<sup>1</sup> The Air Force Model Statement submitted by Japan is a typical case. It shows only the direct expenditure on the Army and Naval Air Forces, and not the administrative and training expenses of the Air Forces common to the Army and Navy.

<sup>2</sup> **NOTA.** — Major-General BARBERIS and M. WORBS observe that, from the technical point of view, it cannot for a moment be supposed that the Conference desires that such a separation (for the purposes of limitation) should be carried out on the basis of unaudited figures, and agree with the majority in saying that such a separation with audited figures is at present *impossible*.

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## Chapter X.

### POSSIBILITY OF SEPARATING EXPENDITURE ON MATERIAL FOR THE LAND AND SEA FORCES.

(ARTICLES 10 AND 24 OF THE DRAFT CONVENTION).

**1. Definition of Expenditure on Land and Naval War Material.**

The limitation of expenditure on land and naval war material contemplated by Articles 10 and 24 of the Draft Convention requires as its conditions that expenditure on war material can be separated from other expenditure and that the expenditure on land war material and naval war material can be separated from that on air war material.

In order to determine whether separation of expenditure on war material is possible, it is first necessary to define "war material". The articles of the Draft Convention referred to do not give any definition, and the definition upon which States have worked is that represented by the categories of expenditure allotted to Head IV in the "Instructions" for filling in the Model Statement appended to the Budgetary Experts' report.<sup>1</sup> The Committee accordingly worked on the basis that by war material is meant the expenditure relating to these categories. The Committee have carried out a revision of these categories, as explained in Chapter II of this report.

**2. Possibility of separating Expenditure on Material of Each of the Three Forces.**

The Budgetary Experts, in their report, made the general observation that, if there was any doubt as regards the possibility of a separate limitation of the total land, total naval and total air expenditure, there must also be doubts with regard to the possibility of separating the expenditure on war material included in those totals.

The difficulties of separating the total expenditure on the three forces have been indicated above; but they are not necessarily and of themselves fatal to the separation of the expenditure on war material for the three forces, for the reason that the difficulties of separating expenditure as between the three forces as a whole arise largely from the existence of services common to all three forces, but entered in the accounts of one of those forces.

In the case of expenditure on war material, of course, the common services are either fewer or do not exist at all.<sup>2</sup> Even in those States where air expenditure is included in the Army and Navy accounts, it is theoretically possible that the items relating to expenditure on war material of the three forces can be shown separately. The evidence and the documents examined, however, indicate that the degree to which this specialisation of expenditure is carried out in accounts varies very widely.

For example, in the cases of the Netherlands, Norway and the United States of America, where air expenditure is included in both the Army and Navy accounts, the "war material" expenditure relating to Air is shown in greater detail in the Army account than in the Navy account. In the Netherlands, the State naval factories work for both the Navy and Air, and

<sup>1</sup> See report of the Committee of Experts on Budgetary Questions, page 29.

<sup>2</sup> See page 83.

the separation of expenditure has been effected by calculation. In Norway, the accounting system does not permit of an exact division of expenditure between the three forces as regards arms and ammunition. Similarly, in Belgium, the distribution of the expenditure on arms and ammunition between the Army and Air Force has been carried out by estimation on the basis of the respective number of effectives. In the cases of Czechoslovakia and Poland, the published accounts show little detail and, in order to separate war material expenditure, recourse has been had to internal accounts.

**3. Special Difficulties arising out of the Definition of Expenditure on War Material.** Moreover, apart from the difficulties consequent upon the problem of separating the total expenditure for the three forces, there are special difficulties arising out of the definition of "expenditure on war material" (Head IV) as given in the Budgetary Experts' report (pages 29 *et seq.*).

What Head IV sets out to ascertain is in effect the full payments in a year relevant to the manufacture, acquisition and upkeep of implements of war.

It does not aim at ascertaining the "cost" of such implements in the technical sense of the word—*i.e.*, the sum of the items which go to make up the cost of production of the finished materials.<sup>1</sup>

**4. Inclusion of All Relevant Items.** Expenditure on war material is broadly of four kinds:

(a) War material may be purchased either from a private firm at home or abroad or from a State autonomous establishment (*i.e.*, a Government establishment which conducts its business on commercial lines and sells its products to defence departments).

(b) War material may be manufactured or repaired in non-autonomous State establishments (*i.e.*, establishments where expenditure on material, wages, plant, etc., is entered direct in the budget accounts, and to which no price is paid direct by the defence ministries in respect of material acquired from them).

(c) Small repairs to war material are sometimes carried out in the military units themselves by the personnel of those units. This is particularly true of repairs to warships, mechanical transport and aeroplanes.

(d) Expenditure on research, technical experiments and the inspection of materials.

(a) In the first case, the price paid by the defence ministries for deliveries represents the total cost of the finished material. If the material is bought from a private undertaking, the purchase price includes, in addition to the cost of production, the purveyor's profit. If the material is delivered by an autonomous establishment, the price of delivery to the defence ministries does not always include expenditure such as depreciation of plant and buildings, taxation, etc.

(b) In the second case, the structure of the accounts being radically different from that of the Model Statement, difficulty is found in isolating from certain general items of the account that part which relates to the manufacture and repair of war material, and in particular to the pay of the military and civilian personnel of establishments which are paid out of the same budgetary items as other personnel, to certain general charges, etc.

(c) In the third case, it must be remarked that the repairs undertaken in the units themselves are necessarily of a lighter nature than those effected in the workshops or in the depots. The units do not as a rule incur any expenditure as regards the articles, tools and materials necessary for maintenance, as these are supplied from store; the expenditure on the acquisition of these articles and materials is included in Head IV together with the expenditure of the workshops and depots for war material.

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<sup>1</sup> See page 113.



Consequently, the only expenditure in this category which is not automatically entered in Head IV is that relating to labour utilised in the units for minor repairs and, to a small extent, that relating to overhead charges. This is, moreover, a phenomenon found in all countries, and in that respect it may perhaps be disregarded as an element tending to prejudice the watertightness of Head IV. At the same time, it must be observed that, in a technical service, a primary function of the personnel must be the maintenance of its technical material. In an Air Force squadron, for example, its military personnel is normally engaged on the maintenance of aircraft and ancillary armament. It is impossible therefore to calculate the fraction of the daily work represented by upkeep of war material, and it is partly for this reason that the United Kingdom, for example, has been unable to include in Head IV the expenditure on personnel of all kinds engaged on the repair and maintenance of air war material.

The importance of repairs of material effected by the personnel of combatant units may become more and more considerable as the mechanisation of armies increases. Thus the mobile repair units or the workshops on large naval vessels are assuming more and more importance. The isolation of the pay and maintenance items relevant to this personnel would be a matter of serious difficulty, and the Committee does not propose that such expenditure should be included in Head IV.

(d) Expenditure on research, experiment, inspection and tests is generally incurred by central services and covers both material acquired and that repaired by private firms and autonomous and non-autonomous establishments. This expenditure is included in the State accounts. The various items relating to this category of expenditure, however, are not always shown separately in the accounts of each of the forces, and difficulty may be found in isolating from the general items the relevant expenditure on personnel and overhead charges which relates to Head IV of each of the forces.

It is clear that the structure of Head IV and the definition of expenditure on material given in the instructions appended to the report of the Budgetary Experts involve the identification and transfer to Head IV of certain expenditure for upkeep, manufacture and construction of war material, which might otherwise appear in other items of the Model Statement.

The extent to which States have succeeded in isolating all the relevant expenditure and charging it to Head IV varies according to the nature and detail of the accounts kept. As will be seen by reference to the summaries of evidence reproduced in Volume II of this report, difficulties have been encountered in varying degrees by all States without exception. In certain cases expenditure on personnel and overhead charges has been entirely or partially omitted; in others this expenditure has been computed or estimated either from items in the general account or from private accounts on the basis of administrative information.

The difficulties need not be particularised here; they are all of a technical accounting nature and arise from the fact that the structure of the accounts differs from the structure of Head IV. They have been met so far as possible by recourse to internal information of the same kind as that used to separate expenditure on the three forces and described in Chapter IX.

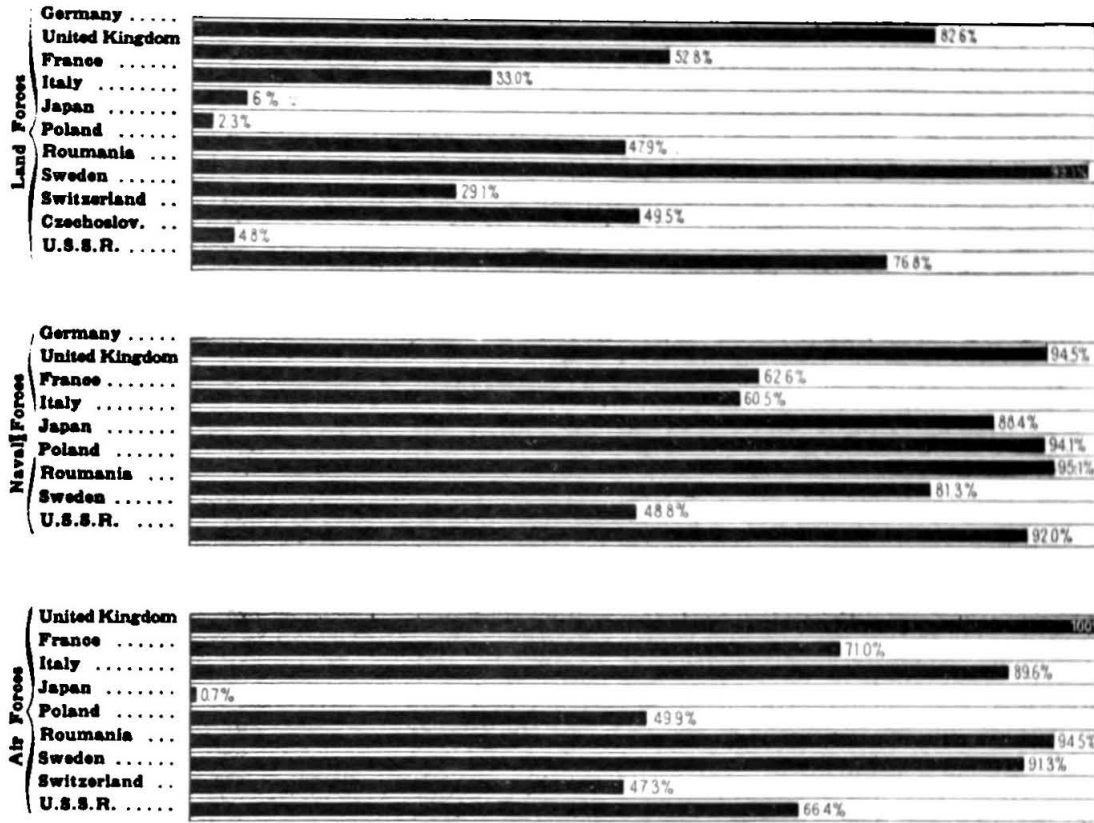
**5. Exclusion of Irrelevant Expenditure.**

Owing to the fact that in some States there are manufacturing establishments which are at the same time depôts and are engaged in the manufacture and upkeep of both war and other material, it has been impossible to separate the expenditure relating solely to the former. The result is that in some cases Head IV is inflated by the inclusion of expenditure on material other than war material. Examples may be found in the Model Statements of Belgium, the United Kingdom, the United States of America, and Yugoslavia.

**6. Degree of "Controllability" of the Expenditure under Head IV.**

The object of the diagram given below is to show the degree of "controllability" of the expenditure under Head IV. The diagram and the basic tables attached have been based on the same criteria as the diagram and table on pages 91 and 92 (Annex 7).

**PERCENTAGE OF HEAD IV EXPENDITURE SHOWN IN SEPARATE ITEMS IN THE CLOSED ACCOUNTS.**



This diagram can only be interpreted in the light of the observations below.

If it is desired to ascertain the degree of controllability of the figures under Head IV, recourse must be had to the accounts, which alone are capable of giving a correct view of the facts.

The annexed table is divided into two parts. In the first part, the totals of Head IV of each of the three forces are shown in aggregate figures and in percentages, while in the second part are shown also in aggregate figures and in percentages:

- (a) The total of the items of the closed accounts relating to Head IV;
- (b) The total of the amounts of the items of the accounts transferred *en bloc* to Head IV;
- (c) To total of the amounts of the items of the closed accounts transferred to Head IV, but which it was necessary to split up;
- (d) The difference between the total of the items relating to Head IV and the total of the parts of those items which have been transferred to Head IV: this difference shows the amounts of the items partially relating to Head IV which have not been included under that head.

In order to understand the data contained in the table and to form an idea of the degree of controllability of the figures, it must be remembered that, as in the case of the table on page 91, two different factors influence the accuracy of the figures in opposite directions.

The first factor is that several States, while isolating the expenditure under Head IV, have omitted expenditure which has been loosely included under other heads of the Statement.<sup>1</sup>

On the other hand, the manner in which the "split" has been effected sometimes involves difficulties of distribution which are negligible: for instance, when 100 millions is entered as 99 millions

<sup>1</sup> Sub-Head IV of the Air Forces of the United Kingdom does not indicate the expenditure relating to military and civilian personnel employed for the repair and upkeep of war material or the Air Force quota of the general costs of administration. Consequently, to the £8,055,936 shown in the Model Statement under Head IV of the Air Forces should be added a sum which cannot be expressed in figures.

in Head IV and 1 million under other heads, the error is obviously very slight, although, owing to the split, the item is regarded from a statistical point of view as non-controllable by means of the closed accounts.<sup>1</sup> Generally speaking, the two categories of factors act in opposite directions and the data contained in the table may be said to furnish an approximate *index* of the degree of controllability of the figures in Head IV.

Account must also be taken of the fact that certain apportionments are effected on the basis of internal documents, which allow of exact calculations, although not controllable on the basis of closed accounts.

A review of the evidence submitted to the Committee points to the conclusion that, while to a large extent the total expenditure on war material (as defined in the Budgetary Experts' report) for all the three forces taken together can be isolated from other expenditure, this can only be achieved by a very considerable measure of estimation and by recourse to unpublished and unaudited information; that in almost every case some relevant expenditure has been excluded and other irrelevant expenditure has been included. The proportion of expenditure proper to Head IV that can be transferred bodily from the audited accounts varies in each country, but it is in many cases very small.

As regards the accurate separation from war material expenditure as a whole of that part relating to the war material of the Air Forces, the evidence shows generally that, subject to the general difficulties of isolating expenditure on war material at all, it has been easier to isolate expenditure on air material of the Military arm from the expenditure on land material, than to isolate Naval air expenditure from the expenditure on Naval material.

The combination of these two sets of difficulties—namely, the isolation of war material expenditure generally, and the isolation of air war material in particular—renders the production of completely audited figures for expenditure on land war material and naval war material impossible owing to the fact that the structure of Head IV differs from that of the national accounts.

**7. Possible Solutions.**

Can any solution be suggested ?

If expenditure subject to juridical limitation is understood to mean in principle "audited payments", the figures for expenditure under Head IV must be of that nature. Now the structure of the existing Head IV necessitates the inclusion of large amounts that, in the present state of national accounting, simply cannot be verified and audited (in particular, expenditure on civil personnel, and overhead charges). This suggests that, by simplifying Head IV (*i.e.*, by eliminating from Head IV all general expenditure), it might be possible to render Head IV expenditure more amenable to verification and control. The Committee has examined certain alternatives to the existing form, in particular a proposal to confine the expenditure in Head IV to certain limited categories of material. The Committee of Experts on Budgetary Questions had considered similar alternatives and had found them unworkable, and the technical Committee, after reconsidering them, has come to the same conclusion.

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<sup>1</sup> As regards Chapter 29 of the French Naval Budget (Naval Artillery), of a total of 44,343,544 francs appearing in the statement of payments, only 2,948 francs have been excluded from Head IV.

Similarly, in Chapter 42 (Artillery Establishments), the figure for material—235,833,761 francs—could not be included *en bloc* in Head IV, as that sum includes 1,500,000 francs which had to be entered in Sub-Head G of the Model Statement as it relates to expenditure on lorry transport.

As regards Chapter XVII of the French War Budget (Infantry Pay), of a total of 441,976,514 francs only 5,547,493 francs have been shown under Head IV.

Naturally, in all these cases, although the real figures cannot be verified in a statistical sense, the degree of accuracy of the figures under Head IV is certainly greater than would appear from a simple reading of the table.

The main difficulty of Head IV—that is, the isolation of all expenditure relating to manufacture, upkeep and repair of war material in non-autonomous establishments—could only be solved if States would show all such expenditure in a separate section of their budgets and accounts: that is, if they would include in such a separate section all expenditure on personnel, and raw material and overhead charges relevant to Head IV.

The general conclusion may be drawn that, if expenditure is to be understood as audited payments, Head IV cannot be reorganised to fit State accounts, and if there is to be any limitation of expenditure on material, State accounts must be reorganised to fit Head IV.

The Committee by no means regards the separation of expenditure on land and naval war material as impossible. But a clear distinction must be drawn between what is possible *now* and is satisfactory from the point of view of publicity and what is possible *in the future* and may permit of limitation. It would be unreasonable to expect that the defence accounts of sixty different States, with their differing financial systems and traditions, could be translated into a common form with complete accuracy at the first attempt. The technique involved in the conception of budgetary limitation must be evolved, and the Committee regards the present stage as the first and not the final stage. Although it is not clear at present that the classification of expenditure can be effected with sufficient accuracy to allow of the separate limitation of expenditure on material, the Committee, as will be seen in the following Chapter, recommends that expenditure on material be shown separately, in the interests of publicity. The necessity for the provision of accurate figures in some detail for publicity will induce States gradually to rearrange and develop their accounts in such a way that these figures could later be used for purposes of the separate limitation of expenditure on land and naval war material.

**Conclusions.** (a) If the Conference decides that it must be possible to verify the separation of the expenditure on Army and Navy war material on the basis of figures taken to a large extent *en bloc* from the audited accounts, this separation cannot be effected with accounts presented as they now are.

(b) Such a separation, however, is not in itself impossible if States are prepared to introduce separate budgets and accounts for the several forces, and if countries with non-autonomous establishments in which war material is manufactured, constructed or repaired submit their budgets and accounts in the actual form of Head IV of the Model Statement.

(c) The separation of expenditure on Army and Navy material with a view to the application of Articles 10 and 24 of the Draft Convention will only be possible if the Conference is prepared to accept a very much smaller degree of "controllability" than in the case of the verification of the total expenditure of each State. <sup>1</sup>

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NOTE. — Major-General BARBERIS and M. WORBS desire, on this point, to make the same reservation as that inserted on page 93.

## Chapter XI.

### CLASSIFICATION OF EXPENDITURE FOR PURPOSES OF PUBLICITY.

(ARTICLES 38 AND 33 OF THE DRAFT CONVENTION.)

#### A. ARTICLE 38: PUBLICITY OF TOTAL EXPENDITURE.

**1. Structure of the Model Statement drawn up by the Committee of Budgetary Experts.** The Model Statement, as drawn up by the Budgetary Experts in accordance with the recommendations of the Preparatory Commission, contemplated, for publicity purposes, the presentation of national defence expenditure in far greater detail than is required by the articles of the Draft Convention relating to limitation. It proposed publicity of defence expenditure in the following form:

- (1) A separate table for each of the three forces.
- (2) Each of the tables for the Land Forces and the Air Forces was divided into five columns representing:

Expenditure on the armed forces stationed at home;  
Expenditure on the armed forces stationed overseas;  
Expenditure on formations organised on a military basis stationed at home;  
Expenditure on formations organised on a military basis stationed overseas;  
The total for the above forces and formations.

The table for the Navy omitted the columns relating to armed forces stationed overseas and formations organised on a military basis stationed overseas.

Each of these columns had to be filled in with detailed figures under four heads:

- (1) Effectives.
- (2) Transport.
- (3) Buildings.
- (4) War material.

Each of these heads was again subdivided into a number of detailed items. All the columns were optional, with the exception of the last, which showed the total expenditure under each of the items and the general total of those items. To put it shortly, the Model Statement proposed that States should re-group their defence expenditure under 133 items, of which 31 are compulsory and 102 optional. All the States whose documents have been examined have filled in the total column for each arm.<sup>1</sup> Among those States that have oversea possessions, some have filled in the optional columns in the tables for Land or Air Forces and formations organised on a military basis stationed overseas, while others have not done so.

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<sup>1</sup> For Japan, the Irish Free State and the United States of America, see page 85.

**2. Difficulties encountered by States in filling up the Model Statement.**

As has already been pointed out (see Chapter IX) the correctness of the figures shown in the Model Statement depends on the extent to which the items in the accounts correspond to the sub-heads of the Model Statement.

It is clear that, if difficulty has been encountered by States in ascertaining the total expenditure of each force, greater difficulties will have been experienced by them in analysing that expenditure in considerable detail. A study of the documents indicates clearly that the greater the detail required from States the less accurate are the figures supplied.

The difficulties which militate against the accuracy of the figures for each of the items are of precisely the same kind as, though greater in degree than, the difficulties met with in the attempt to separate expenditure on the three forces and on war material. They are broadly of two kinds:

- (1) Difficulties due to the interpretation of the Experts' instructions;
- (2) Difficulties due to the difference between the form of the existing accounts and the form of the Model Statement.

The former are of relatively minor importance but of very varied character. It appears to be unnecessary to particularise them here; they can be ascertained by reference to Chapter D of the summaries of evidence annexed to the report. It may be said generally that, for the most part, difficulties of classification due to the interpretation of the "Instructions" for filling in the Model Statement can be met by a careful revision of those "Instructions". Such difficulties should gradually disappear in course of time.

Difficulties of the second character—that is to say, difficulties due to the difference between the form of the accounts and the form of the Model Statement—are more serious. In relatively few cases do the items in the published expenditure accounts correspond to the items of the Model Statement. In many cases, expenditure shown under a single item of the accounts has had to be distributed over two or more items of the Model Statement. The methods adopted to effect this distribution are the same as those described in Chapter IX, above—that is to say, the figures have been distributed by reference to internal accounts and administrative information, and by estimation.

Recourse to these methods generally introduces an element of error into almost every sub-head of the Model Statement. These errors, of course, have little or no effect on the correctness of the total of expenditure of the three forces taken together. They arise solely from an attempt to distribute a correct total over items which do not correspond to those in the accounts. Here, again, it is not necessary to particularise all the difficulties met with. They can be ascertained by reference to Chapter D of the summaries attached to the report.

**3. Special Difficulties.**

Certain difficulties more generally experienced may, however, be mentioned here.

*Pay of Effectives.* — Certain States have found difficulty in separating pay of officers and other ranks and in arriving at the respective proportions of these two kinds of expenditure which should be transferred to Head IV (Expenditure on War Material). For instance, Switzerland has not separated sub-heads A and B in the Model Statement, and the U.S.S.R. stated that it was impossible to split up expenditure on allowances to personnel among sub-heads A, B and C of the Model Statement.

The difficulties of calculating the proportion of the expenditure under these three sub-heads which should be transferred to Head IV varied widely according to the different Powers and were greater in some cases than in others. As a rule, the separation was effected by means of internal accounts and estimations. For instance, Germany did not effect this separation in the case of military personnel, the United States of America did so with great difficulty, Roumania stated that separation was impossible, while the U.S.S.R. did not include this expenditure in the Model Statement, owing to the difficulty of isolating it.

*Pay of Civilians.* — The "Instructions" in the Experts' report state broadly that the expenditure on civilians should be distributed between sub-head C and Head IV of the Model Statement, with exception, however, of expenditure on workmen, which has to be distributed over the various sub-heads of the Model Statement according to the nature of the work upon which they are employed. Many States have found it difficult to make this distribution and certain States have made no attempt to do so. For instance, Switzerland finds it impossible to separate the portion of expenditure that should be included in Head IV; Norway has not separated expenditure on civilians employed in the dockyards; the United States of America have not shown any expenditure under sub-head C of the Model Statement and all expenditure on civil personnel has been included in sub-heads E, G, K, L and M.

*Maintenance of Personnel.* — Difficulties have been experienced in isolating that part of this expenditure which relates to war material and which is to be shown under Head IV. There is also certain expenditure in the nature of maintenance which has been treated differently by the various Powers. For instance, certain States have included allowances in respect of maintenance expenditure in sub-heads A, B, C and D of the Model Statement (Czechoslovakia, Italy, United States of America, Yugoslavia), while other States (Roumania) have included them in the sub-heads relating to maintenance, and others again (France, Norway, Switzerland and the U.S.S.R.) have followed different criteria, according to whether the allowances related to the maintenance of soldiers (shown under sub-heads A to D) or to the maintenance of horses (shown under sub-head F).

*Fuel, Transport and Upkeep of Buildings.* — Difficulties have been experienced in isolating that part which relates to the buildings and installations for the manufacture of war material, expenditure on which is to be shown under Head IV.

4. War Material. This head contains three items for the Army and Navy, but one only for the Air.

*Head IV for the Army.* As regards the land forces, the three sub-heads of Head IV are:

"Arms, ammunition and fighting material" (sub-head M).

"Engineer and other warlike stores" (sub-head M (a)).

"Expenditure not divisible between M and M (a)" (sub-head N).

More than half the States have used sub-head N, some to a much larger extent than others. This indicates their difficulties in filling up sub-heads M and M (a).

Apart from these difficulties and that relating to the inclusion of civilian employees and overheads, to which reference has already been made, no very serious difficulty has been experienced in filling up the sub-heads M and M (a).

*Head IV for the Navy.* In the case of Head IV for the Navy, the Committee of Budgetary Experts had provided separate sub-heads for the following expenditure:

"New Construction and Maintenance of Ships" (sub-head L).

"Arms, Ammunition and Fighting Material" (sub-head M).

"Expenditure not divisible between L and M" (sub-head N).

Of the fifteen naval Powers examined, only four have availed themselves of sub-head N, and these only to a relatively small extent. But, as regards the distribution of expenditure between "New Construction and Maintenance of Ships" (sub-head L) and "Arms, Ammunition and Fighting Material" (sub-head M), States have experienced very serious difficulties. These difficulties are due partly to differences of interpretation of the instructions of the Experts, but much more to the fact that in certain States from an accounting point of view the term "new construction" of a ship includes arms and ammunition, while in other States new construction excludes these. In view of these objections the Technical Committee contemplated doing away with the sub-heads of Head IV altogether, but after a thorough examination of the question, it recognised

that, from the point of view of publicity, more detailed information than that furnished by a single aggregate figure was highly desirable.

It was found when examining the documentation that there are several naval budgets (Germany, Italy, Japan, United States of America, U.S.S.R.) in which the sub-heads relating to material services do not distinguish between expenditure on naval construction proper and expenditure on artillery arms and ammunition in general.

In order to separate the expenditure on naval material between sub-heads L and M, the amounts must be split up on the basis of computations or internal accounts. The documentation at the Committee's disposal showed that States, when splitting up expenditure in this way, arrived at contradictory results.

In the following table will be found the sums shown by the various Powers for sub-heads L (ships : construction and maintenance) and M (arms and ammunition) of the Model Statement.

(In thousands)

1 Powers	2 Currency	3 Sub-head L	4 Sub-head M	5 Ratio
Germany . . . . .	RM.	59,948	29,020	2.06
Canada . . . . .	\$	1,773	94	18.80
Denmark . . . . .	Krone	4,137	847	4.90
United States . . . . .	\$	68,493	101,766	0.67
Finland . . . . .	Markka	83,053	9,920	8.40
France . . . . .	Francs	1,229,827	626,112	1.95
India . . . . .	Rupees	3,139	75	41.50
Italy . . . . .	Lire	572,644	312,407	1.83
Japan . . . . .	Yen	121,243	24,175	5.30
Norway . . . . .	Krone	3,524	902	3.88
Netherlands . . . . .	Florins	14,309	6,782	2.10
Poland . . . . .	Zloty	15,875	1,879	8.50
Roumania . . . . .	Lei	15,138	71,285	0.21
United Kingdom . . . . .	£	19,327	4,119	4.68
Sweden . . . . .	Krone	16,259	3,826	4.23
Yugoslavia . . . . .	Dinars	102,468	17,700	5.97

Apart from certain special cases, in which an examination of the composition of the fleets and of the services which they render explains certain disproportions, the relationship between expenditure on "Vessels" (as defined in the report of the Committee of Experts on Budgetary Questions) and the expenditure on their "Arms and Ammunition" should not vary greatly in Navies which are practically equal in size.

It seems very unlikely that, in Roumania, expenditure on "Arms and Ammunition" is five times as high as the expenditure for "Vessels (Hulls and Engines)" and that, in Poland, on the other hand, the expenditure on "Arms and Ammunition" represents barely one-tenth of the expenditure for "Vessels." It is obvious that these two Powers have interpreted sub-heads L and M quite differently.

The discrepancies are even more striking when one compares the figures given for those sub-heads by the United Kingdom and by the United States of America. The figures supplied by Japan also call for some comment. It should further be noted that the Yugoslav delegation agreed at the oral examination that, if the Committee thought it desirable, 11 million dinars could be transferred from sub-head L to sub-head M, which would change the relationship between the expenditure under those two sub-heads very considerably.

The impression derived from the oral examination of delegations is that the data obtained are somewhat uncertain owing to the fact that the organisation of the various Navies differs considerably especially as regards the powers and duties of the technical General Directorates.

For example, whereas in the French Navy the Directorate-General of Naval Construction is responsible for artillery installations (excluding guns), torpedo tubes, torpedoes and fire control centres, in Italy and the United States of America the administration of such material comes within the powers of the *Direzione Generale delle Armi e Armamenti Navali* and of the *Bureau of Ordnance* respectively. In the United States of America, the powers and duties of the *Bureau of Ordnance* extend to the armour-plating of vessels, which in all other countries comes under naval construction.

In the following table are shown the percentages of figures which can be regarded more or less as verified for sub-heads L and M of the statements of the principal naval Powers. These percentages are particularly low for Powers which have no separate budget for Air. In the case of France, the percentage is fairly low for the simple reason that there has been deducted



in part, on the basis of computations, the expenditure on the hydrographic service and on fisheries supervision, which have been regarded as services of a non-military nature.

### Head IV of Naval Forces.

FIGURES WHICH CAN BE VERIFIED IN THE CLOSED ACCOUNTS.

*Percentage of Figures taken en bloc from the Audited Accounts*  
(according to the Model Statements sent to the Conference).

	Monetary Unit	Total Head IV	Sub-head L: "Vessels"—i.e., Naval construction and engines. Verifiable figures	Sub-head M: "Arms and Ammunition". Verifiable figures	Verifiable total	Verifiable percentage
United Kingdom .	£	23,446,354	10,796,911 <sup>1</sup>	3,370,465 <sup>1</sup>	14,167,376	59.8
France . . .	Francs	1,855,939,647	840,667,553 <sup>2</sup>	276,885,653	1,117,553,206	60.4
Germany . .	RM.	88,967,779	59,947,441 <sup>3</sup>	29,020,338 <sup>3</sup>	88,967,779	100
Italy . . .	Lire	885,051,267	2,735,266 <sup>4</sup>	42,135,709 <sup>4</sup>	44,870,975	5.9
Japan . . .	Yen	152,148,322	5,625,217 <sup>5</sup>	1,884,540 <sup>5</sup>	7,509,757	4.9
Netherlands .	Florins	21,346,030	4,600,100	2,419,500	7,019,700	32.8
Sweden . . .	Krone	23,264,497	9,699,844 <sup>6</sup>	2,467	9,702,311	43.0
U.S.S.R. . .	Roubles	25,441,384	— <sup>7</sup>	— <sup>7</sup>	—	0
United States	\$	170,258,554	0 <sup>8</sup>	0 <sup>8</sup>	0	0

Average percentage : 34

<sup>1</sup> The sub-head relating to civilian personnel contains part of the expenditure, allocated by the United Kingdom delegation to sub-head C.

<sup>2</sup> This percentage might have been higher had there not been deducted certain small sums for vessels for the Hydrographic Service and Fisheries Supervision.

<sup>3</sup> Head IV did not include the expenditure for officers and technical and administrative officials of the Arsenal, that expenditure having been shown under sub-heads B and C. Further, by mistake, expenditure on artillery and torpedoes for new construction were included under sub-head L. The percentage (100 %) must therefore be rectified.

<sup>4</sup> In Italy, the sub-heads for new construction include expenditure on naval construction and on artillery.

<sup>5</sup> In Japan, several sub-heads for naval material include also expenditure for air material.

<sup>6</sup> Sub-head G.2 of the Swedish Navy, amounting to 9,697,264 Swedish Krone, described as "New Construction", was allocated in its entirety to sub-head L by the Swedish delegation, but it may also include the guns of new vessels.

<sup>7</sup> The sub-heads for naval material include both material for naval construction and artillery.

<sup>8</sup> All the figures for sub-head L given in the American Model Statement include also expenditure for Air Forces.

<sup>9</sup> All the figures in sub-head M include also expenditure for naval construction (e.g., 39,849,956 dollars for "Naval Yards", and 37,022,376 dollars for "Manufacture") and practically all figures also for the Air Forces.

Naturally, if the Powers decided in future to change the structure of their budgets, these percentages might be improved. But there is no hope of obtaining a higher percentage of figures taken *en bloc* from the audited accounts, since the distribution of expenditure between L and M depends largely on the actual organisation of the Navy: one need only consider the various ways in which works and depots are distributed in actual fact as between the Directorates of Naval Construction and Artillery, the differences in the regulations relating to the technical personnel, the traditions of these two services, etc., to realise that any change in the organisation is hardly feasible.

That being so, it is not expedient to insist on a division of Head IV of Naval Forces between sub-heads L and M on the basis of the distinctions proposed by the Committee of Experts on Budgetary Questions.

After careful study, the Technical Committee came to the conclusion that it was desirable to give sub-heads L and M a different significance and to adopt the following classification:

Sub-head L. — New construction (whether relating to the hull and engines—*i.e.*, what is generally understood by the term "Naval Construction"—or to arms and ammunition).

Sub-head M. — Maintenance (*id.*, *id.*).

This, moreover, is the subdivision contemplated in Annexed Table B of the Budgetary Experts' report, but only for naval construction properly so called.

The Committee then proceeded to enquire what would be, with this new wording, the resultant percentages of figures taken *en bloc* from the audited accounts which would come under sub-heads L and M.

#### Head IV of Naval Forces.

FIGURES WHICH CAN BE VERIFIED IN THE CLOSED ACCOUNTS.

Percentages of Figures taken en bloc from the Audited Accounts included in Sub-heads L and M (according to the Model Statements sent to the Conference).

	Monetary Unit	Total Head IV	Sub-head L: New construction	Sub-head M: Maintenance	Verifiable total	Verifiable percentage
United Kingdom . . .	£	23,446,354	7,371,061	767,489 <sup>1</sup>	8,138,550	34.8
France . . .	Francs	1,855,939,647	1,017,313,291	13,890 <sup>2</sup>	1,017,317,281	54.7
Germany . . .	RM.	88,967,779	43,376,823	6,471,145	49,847,968 <sup>3</sup>	56
Italy . . . .	Lire	885,051,267	563,787,866	72,336,123 <sup>4</sup>	636,123,989	72.1
Japan . . . .	Yen	152,148,322	88,767,620	7,859,878 <sup>5</sup>	96,627,498	63.5
Netherlands . . .	Florins	21,346,030	6,960,600	4,714,800	11,675,400	54
Sweden . . . .	Krone	23,264,497	10,235,302 <sup>6</sup>	144,671	10,379,973	44.5
U.S.S.R. . . .	Roubles	25,441,384	16,200,953	7,172,118	23,373,071	91.3
United States	\$	170,258,554	0 <sup>7</sup>	0 <sup>7</sup>	0 <sup>7</sup>	0

Average percentage : 52

<sup>1</sup> In the United Kingdom, as in Italy, the sub-heads for pay of workmen are not divided up between "New Construction" and "Maintenance".

<sup>2</sup> See note 2 of preceding table.

<sup>3</sup> The reason that this percentage is so low is that the 21,970,895 RM. for the General Administration of the Arsenal, although certainly attributable to a large extent to "Maintenance", may also include general expenditure which might perhaps be accounted for by new construction proceeding at Wilhelmshaven.

<sup>4</sup> In Italy, the sub-heads for pay of workmen are not divided up between "New Construction" and "Maintenance".

<sup>5</sup> See note 5 of preceding table.

<sup>6</sup> See note 6 of preceding table: for this second table the figure may be regarded as undoubtedly coming under sub-head L, as now described.

<sup>7</sup> See notes 8 and 9 of preceding table.

These percentages, although not entirely satisfactory, prove on the whole to be better than those obtained under the former arrangement of Head IV.

In view of the importance of knowing the sum set aside for new construction, the Committee thinks that it would be expedient to adopt for sub-heads L and M of Head IV of Naval Forces the distinction which has been proposed, especially as the subdivision of the totals of Head IV between the two sub-heads L and M would be of interest only for purposes of publicity.

The Technical Committee realises, however, that, even with the new subdivision, States would in some cases find it impossible to produce absolutely accurate figures. The Committee wishes to direct attention to the following point: ammunition for firing practice is to come under "New Construction" if it is used immediately, but in reality such ammunition does not increase the value of the material available for combat. It seems preferable, then, to regard it as expenditure to be included under maintenance expenditure. It may happen that expenditure for ammunition for firing practice is shown separately from expenditure on ammunition for vessels of new construction. In that case there is no difficulty in splitting up the expenditure. Occasionally, the expenditure on ammunition for vessels and firing practice is shown under the same sub-head, and it will then have to be allocated under the separate items.

**5. Optional Columns.** The object of these is to separate expenditure on the formations organised on a military basis from that on the regular forces and to distinguish between expenditure on forces stationed at home and those stationed abroad.

*Optional columns relating to the armed forces:*  
(a) *at home,*  
(b) *abroad.*

The difficulties met with in filling up the Model Statement for each of the forces *as a whole* apply equally to the filling up of a Model Statement for *a part* of the expenditure of each force, especially as regards the separation of the expenditure on the Air Force abroad, where Air expenditure is included in the Army and Navy accounts.

The existence of certain common services makes the accurate distribution of Head IV between Home and Colonial defence expenditure difficult, if not impossible. For example, in the case of France, no attempt has been made to divide, between Home and Colonial budgets, expenditure on common services and expenditure on experiment and research. The United Kingdom has not filled in the optional column relating to Land Forces abroad, though it publishes in the accounts a statement of military expenditure in the Colonies; this is partly due to the fact that the statement contains purely estimated figures and excludes certain relevant expenditure incurred at home in respect of the troops abroad. In the case of Belgium, only the figures for total expenditure and expenditure on Head IV are shown for the armed forces stationed overseas.

In view of the fact that Chapter A of the Draft Convention provides for optional tables showing separately the home and overseas forces, it seems desirable to submit similar tables for purposes of publicity of expenditure. Colonial Powers should, indeed, have the right of justifying their relatively greater expenditure on defence by indicating generally the extent to which it is required for Colonial defence. If States wish to show this information, so far as they can, there seems no objection to their doing so, provided that in every case the Model Statements are accompanied by reconciliation tables showing exactly how the figures used have been calculated and what derogations it has been necessary to employ.

*Optional column relating to formations organised on a military basis.*

In the absence of any indication regarding the definition of formations organised on a military basis, certain States have not inserted any expenditure for such formations in their Model Statements. It seemed, however, expedient to the Committee to retain the optional column relating to that item for formations which will finally be described as formations organised on a military basis.

**6. Number of Items of the Model Statement.** The Committee of Experts on Budgetary Questions was perfectly aware that there would be difficulties in filling up the Model Statement as drawn up by them, since the diversity of accounts made uniformity of presentation difficult.

These difficulties would naturally be greatly reduced if the number of items in the Model Statement were reduced. To what extent, compatible with the retention of the conception of publicity, could the items be reduced ?

For purposes of publicity, defence expenditure might be regarded as falling under three broad headings:

- (1) Maintenance (including transport and quarters) of the Army, Navy and Air Forces;
- (2) Building of fortifications;
- (3) Acquisition, construction and upkeep of war material.

This is the general conception underlying the existing Model Statement; though it particularises the expenditure required for the general maintenance of the Forces under four heads, it includes under " Fortifications " the barracks and other buildings which form

part of the fortifications, while the head for war material is divided in the case of the Army and Navy into three subdivisions.

The reduction of the number of items from twelve to three would make it very considerably easier for States to fill in the Model Statement; but it would by no means avoid some of the chief difficulties, especially those connected with the allocation of relevant expenditure to Head IV. States would still be compelled to have recourse to administrative information and methods of estimation to fill in even these reduced sub-heads. The difficulty must be realised that no Model Statement can be filled up direct from audited accounts. This being so, there is a positive advantage in retaining a considerable degree of detail in it. The fact remains that, in spite of the difficulties, States have largely succeeded in filling up the thirty-one compulsory items of the Model Statement. It is also incontestable that, although the various items of the Model Statement are not to be subject to limitation, they will indicate the general trend of certain categories of expenditure in the various countries and cannot fail to be of real value.

In order to ascertain whether the limitation total has or has not been exceeded, some explanation of the figures contained in it must be possible; and a relatively detailed publicity statement indicating in a summary manner the constitution of its total will provide a useful starting-point for the operations of control. A detailed Model Statement may also be very helpful for the purpose of ascertaining whether all the expenditure enumerated in the conventional list has been included in the total of the Model Statement. Moreover, certain States may possibly welcome the opportunity which a detailed publicity statement will give them of indicating that a large part of their expenditure on personnel (for example, expenditure on pay) is not in every case an index of their military power.

While holding that it is highly desirable at the beginning of a new Convention on publicity of expenditure on armaments not to complicate unnecessarily the work involved by such publicity, the Committee is of opinion that the Model Statement is not too detailed in design and should not prove too complicated in practice. The detail of its headings should be valuable in the future.

The details over which States may perhaps find the greatest trouble, as stated above, are mainly the difficulty of separating the pay of officers, non-commissioned officers, other ranks and civilians, and the expenditure under Head IV.

It is true that to combine the three pay heads (A, B, C) would simplify matters for certain States. At the same time, if there is to be some detailed publicity of expenditure, there are obvious disadvantages in including in one figure the pay of both military and civil personnel. Moreover, so long as these heads are separated, it will be possible to compare from year to year the curve of expenditure on pay and the curve formed by the annual number of effectives. Even though, owing to accounting difficulties, the curve of the former may not be mathematically correct, it should not be misleading if read in the light of the reconciliation table.

As regards Head IV, the Committee, as shown above in Chapter X, could not see its way to adopting a suggestion for the simplification of its content. The general arguments for a fairly detailed publicity statement advanced above as an aid to control apply also to Head IV.

*Except for the alteration which has been made in Head IV of the Naval Forces, the Technical Committee accordingly proposes to retain the divisions proposed by the Budgetary Experts.*

<b>7. General Considerations regarding Publicity, with Special Reference to the Model Statement.</b>	More carefully drafted instructions, and a growing experience of the international obligations regarding publicity of expenditure, should result in the publicity figures under the various sub-heads of the Model Statement (including Head IV) ultimately reaching a high degree of accuracy and acting as a complementary, though not juridical, check on defence expenditure.
	The Model Statement, however, could only be used as a complementary check if States explain exactly how the figures inserted under each item have been arrived at. That is to say that a convincing reconciliation table must be provided. The nature of this is dealt with in Chapter XVIII.

It may, however, be here pointed out that, if a convincing reconciliation table is to be provided, it will be necessary for certain States to publish much more detailed accounts than are published at present. The Committee mentions, as an extreme example, that the U.S.S.R. only publishes one single figure for the whole of the defence expenditure and that consequently all the details in their publicity statement are taken from internal and unpublished accounts. Moreover, the additional details which should be published should correspond as regards their content to the chapters in the Model Statement. The publication of unaudited administrative information is insufficient.

\* \* \*

If the Conference decides to retain a relatively detailed Model Statement for purposes of publicity, the existing rules for filling in the Model Statement given in the Draft Annex to the Convention appended to the Budgetary Experts' report of 1931 will require careful revision. In the absence of a decision in principle, the Committee has not at this stage undertaken such a review.

\* \* \*

**8. Conclusions.** The Committee desires to add a general observation relating to its proposals for publicity of defence expenditure.

Article 38 of the Draft Convention provides for publicity for national defence expenditure by means of a Model Statement containing a number of detailed sub-heads.

In the light of the material submitted, the Committee considered the possibility of filling in the different sub-heads of the Model Statement and verifying the accuracy of the figures given.

The Committee has already stated its views as to whether it is possible for States to furnish a complete account of their national defence expenditure and for a supervisory body to verify the accuracy of the figure given for the total (Chapters VII and VIII).

The Committee also considered to what extent States have been able to establish figures for the expenditure on each of the forces. It found (Chapter IX) that, owing to the manner in which their accounts are now presented, it was not possible for them to effect this separation on the basis of figures which can be entirely verified.

If this is the case with the total expenditure on the several forces, much greater difficulties will naturally be encountered in filling up a very detailed Model Statement. If it is difficult to verify the figures representing the total expenditure on each force, verification will obviously be much more difficult when the main divisions are further subdivided.

The Committee is, however, in favour of the presentation in a uniform Model Statement, accompanied by all the necessary explanations, of the total national defence expenditure given in some detail, even if the figures for each item are not always absolutely accurate and very considerable difficulty is experienced by an international supervisory body in verifying these detailed figures. Article 8 of the League Covenant provides for the interchange of information concerning national defence, and, in virtue of that article, States have communicated, *inter alia*, certain particulars of their national defence expenditure. In the Committee's opinion, it would be expedient for these particulars to be given in a uniform Model Statement, the grand total of which could be verified to the extent mentioned in Chapter VIII.

It may be added that, should the Conference adopt a system of limitation, publicity by means of a Model Statement would facilitate the solution of problems connected with the supervision of this limitation.

**B. ARTICLE 33 OF THE DRAFT CONVENTION: PUBLICITY BY CATEGORIES OF EXPENDITURE ON MATERIAL FOR THE LAND AND SEA FORCES.**

**1. Object of Article 33.** (a) Article 33 of the Draft Convention reads as follows:  
" Each of the High Contracting Parties shall, within . . . months from the end of each budgetary year, communicate to the Secretary-General of the League of Nations a statement drawn up in accordance with a standard model showing by categories of materials the total actual expenditure in the course of the said year on the upkeep, purchase and manufacture of war materials of the land and sea armed forces and formations organised on a military basis of such Party."

(b) The Preparatory Commission has appended the following footnote to this draft article:

" In giving an opinion on this article, the Governments will take into account the report requested from the Committee of Budgetary Experts regarding the number and nature of the categories to be laid down and the methods of publicity thus adopted in connection with the provisions of the Annex regarding limitation referred to in Article 10 of the present Convention."

**2. Summary of the Work of the Committee of Experts on Budgetary Questions.** The Committee of Budgetary Experts had devoted lengthy study to the problem raised by Article 33 of the Draft Convention. The essential considerations set forth in that Committee's report are briefly summarised below:

(a) In some cases, expenditure on the purchase of war material either from private firms or from autonomous establishments is shown under special sub-heads in the accounts, the material being divided into a small number of categories; but even where such sub-heads exist they nearly always include, in addition to purchases of finished material, expenditure on repairs or on the purchase of raw materials and semi-finished products which are used both for repairs and for manufacture.

(b) As regards manufacture in non-autonomous establishments, the Committee noted that in some cases the corresponding expenditure is split up among a fairly large number of sub-heads in the accounts and that only in exceptional cases are such sub-heads or some of them classified according to the categories of weapons manufactured. Certainly, in many countries these manufacturing establishments keep cost accounts (commercial accounts) enabling them to calculate the total cost of each weapon produced, but there is no direct correlation between the cost of the finished material and the figures of the annual budgetary accounts. This is chiefly due to the fact that the manufacture or construction of war material generally requires more than a year.

(c) Lastly, as regards expenditure on the "upkeep" of war material, the Committee not only encountered the difficulties mentioned above, but also found that the definition of the word "upkeep" often varies from one country to another. In some cases it includes repairs and modernisation, which might cumulatively amount to complete transformation of the weapons concerned. Moreover, cost accounts relating to upkeep are often lacking and consequently certain countries are unable to compile an annual statement showing the expenditure on upkeep of war material. For these essential reasons the Committee reached the conclusion that it was impossible for it to recommend any method of detailed publicity by categories of material of the total amount actually expended during a budgetary year on the upkeep, purchase and manufacture of war material of the land and sea armed forces and formations organised on a military basis.

**3. Discussion of the Question in the Expenditure Commission.** At the thirteenth meeting of the National Defence Expenditure Commission, at which Article 33 was discussed, two proposals concerning it were submitted: a Japanese proposal and one by the U.S.S.R. <sup>1</sup>

The Japanese proposal reads as follows:

"The National Defence Expenditure Commission understands by the term 'by categories of material' in Article 33 of the Draft Convention the categories formulated by the Committee of Experts and reproduced in the Model Statements under the sub-heads L, M, M(a) and N."

The U.S.S.R. proposal is:

"(1) Add at the end of the first paragraph of the article the words: ' . . . and air ' ;

"(2) Add a further paragraph worded as follows to the end of the article: ' Publicity must include, not only the cost of production of manufactured material, but also the quantity expressed in numbers and categories.' "

After a very brief discussion the examination of the conditions of application of Article 33 was referred to the Technical Committee together with these two proposals.

**4. Examination of the Question by the Technical Committee. Expenditure covered by Article 33.** Article 33 assumes the possibility of separating the total amounts actually expended on the upkeep, purchase and manufacture of war materials from other national defence expenditure. The idea of the authors of this article was apparently to take " expenditure on the purchase, upkeep and manufacture of war material " as meaning the whole expenditure on war material. Head IV of the Model Statement assumes the same possibility. The difficulties encountered in filling in Head IV are of the same nature as those raised by Article 33. The Budgetary Experts report defined what was meant by expenditure on upkeep, purchase and manufacture of war materials. In addition, the Committee had defined on pages 32 and 33 of its report what was meant by " war material ", and on page 32 it also gave the following definition of the expenditure on war material which was to be included in Head IV of the Model Statement:

" Expenses of maintenance, repair, purchase from traders or manufacturers, and of manufacture in State factories (including cost of research and experiment, inspection of materials delivered, and design, and subsidies to manufacturers or other equivalent expenditure) of ships, goods, materials and ammunition, whether complete or in parts intended either for training purposes in peace-time or for the completion or increase of mobilisation stocks and replacements for forces on a war footing, and also the expenses of creation and maintenance (in State or private hands) of stocks and plant, useful only for the manufacture of warlike stores."

This definition, it is true, explains the purpose but not the actual nature of the expenditure.

What is the meaning, for the purposes of Article 33, of expenditure on war material ? By expenditure on war material is meant the total actual disbursements charged in one year against the budgetary credits of the said year for the manufacture, purchase, upkeep and repair of implements of war. It does not mean, therefore, the cost of these implements in the technical sense of the word " cost ", comprising all the elements of the cost of production of the finished material.

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<sup>1</sup> See Minutes of the Expenditure Commission, page 55.

**5. Difficulties  
encountered in  
isolating Expendi-  
ture on Material.**

In Chapters IX and X on the classification of expenditure, it has been shown how a study of the documents submitted to the Technical Committee had led to the conclusion that, while the total expenditure on war material (as defined in the Budgetary Experts' report) for the three forces generally can to a large extent be isolated from other expenditure, this can only be done by resorting largely to estimates and unpublished documents.

As regards the possibility of exactly separating the proportion of the expenditure relating to the air forces from the expenditure on war material as a whole, the documentation proved that, subject to the difficulties presented by the separation of the expenditure on war material in general, expenditure relating to air war material had almost always been split very accurately in the case of the material of the Land Air Forces, whose expenditure is included in the accounts of the Ministry of War; greater difficulties have been encountered in separating, in the accounts of the Ministry of Marine, expenditure on Naval air material from expenditure on Naval material.

The combination of the two sets of difficulties mentioned above makes it impossible under the present arrangement of Head IV and of national accounts to give an audited figure for the expenditure on land and sea war material. These conclusions in regard to Head IV apply also to Article 33.

**6. Expenditure on  
Purchase.**

Governments obtain war material in two ways: by purchasing them from private concerns and autonomous State establishments, or by having them manufactured in non-autonomous State establishments.

Some countries buy most of their war material from private concerns or autonomous State establishments. It is necessary to ascertain whether it is possible to distinguish expenditure on the purchase of various kinds of war material. As a general rule, the Technical Committee found that, in countries whose documentary material was examined, the budgetary accounts do not allow of the accurate compilation of a statement showing the expenditure on the purchase of the various kinds of war material by categories. In order to identify this expenditure with a view to the application of Article 33, most States would have to make extensive changes in their accounts. The Committee realises the effort on their part which this would involve.

At the same time, in certain countries which buy war material from private concerns or autonomous State establishments, expenditure relating to the repair or manufacture of the material may be combined in the accounts with expenditure on purchase. For instance, the following items are sometimes included in expenditure on purchase: (a) the cost of repairs to weapons carried out by contract with private concerns or autonomous State establishments; (b) purchase of supplies, raw materials, semi-finished parts and spare parts intended for use in the manufacture of complete weapons by non-autonomous State establishments or for the repair of weapons in State factories or in regimental and similar workshops. In both these cases it is very hard to separate the expenditure on purchase by categories of material from that on repairs.

**7. Expenditure  
on Manufacture  
and Repair  
in Non-autonomous  
State  
Establishments.**

As regards the manufacture and repair of war material in certain non-autonomous State establishments, the budgetary accounts of various countries contain the expenditure on raw materials, wages, overhead expenses, etc., but very seldom do they detail the expenditure by categories of war material. Non-autonomous State establishments of some countries keep cost accounts which show the total cost of each weapon manufactured, but these accounts have usually no correlation with the budgetary accounts. The manufacture of war material very often covers periods longer than those during which the annual credits voted can be expended. Consequently, the normal practice is to include in the cost accounts the salaries and wages of more than one financial period, the quantities of raw material purchased out of the credits for previous financial periods, certain amounts



for overhead expenses, some of which at least have no direct relation to the budgetary accounts of any *exercice* whatever, etc.

Certain non-autonomous State establishments sometimes keep operating accounts which show the annual working costs, but do not specify the expenditure according to categories of weapons. In such cases, it is very difficult to separate from the various items which make up the account certain expenditure included in the cost of production, such as the costs of the civilian personnel of the establishments, lighting, water, heating, plant, etc. It was found during the study of the documents submitted that, in some countries, overhead costs were calculated on the basis of the accounts (for instance, in Japan and Belgium), in other countries they had been estimated (for instance, in Norway and Italy), and in other countries again they had been omitted in the case of air war material (for instance, in the United Kingdom).

**8. Repairs in Units.**

As regards repairs, war material is to a certain extent repaired in the military units themselves by the members of those units. Although the raw material, ingredients, products or plant needed for these repairs are usually furnished by the administrative services and although there is then no difficulty in entering such expenditure in Head IV, the total cash value of these repairs cannot be determined, as the labour they represent is part of the ordinary day's work of the military personnel employed in repairs.

It must, further, be recognised that it is very difficult to draw a clear line of distinction between manufacture in the strict sense of the term and major repairs or modernisation.

**9. Expenditure on Upkeep.**

The meaning of the word "upkeep" often varies from one country to another. It is also very difficult to calculate the costs of upkeep for each category of material, especially in countries which have common depots. It is doubtful whether, even with the help of the internal accounts of each country, it would be possible to draw up a correct statement of the annual cost of upkeep for each category of material.

**10. Conclusion.**

It must therefore be concluded that, in the present state of the budgetary accounts of the majority of countries, it is impossible to publish the exact amount of the expenditure actually effected during budgetary years on the upkeep, repair, purchase and manufacture of war materials by categories for the land and sea armed forces and formations organised on a military basis.

**11. Examination of the Japanese Proposal.**

The Japanese proposal is based on the assumption that expenditure on war material can be subdivided according to the individual sub-heads of Head IV of the Model Statement. A study of the documents submitted by various Powers shows that this subdivision is useful for publicity, although it cannot be used for limitation purposes. For publicity purposes only, and subject to the amendment to Head IV of the Naval Forces,<sup>1</sup> these subdivisions may therefore be regarded as the greatest common denominator of the expenditure figures relating to the classes of war material to be derived from the various budgetary accounts under present circumstances, in view of the impossibility of asking the various Powers to make immediate radical changes in their accounting systems. This does not mean that the said subdivisions can be regarded as water-tight compartments (*e.g.*, sub-head L), but this does not in the least detract from the value of the publicity of war material so subdivided.

**12. Examination of the Soviet Proposals.**

The Soviet proposal for publicity of the expenditure on air, as well as land and sea, war material would raise, not only the difficulties mentioned in 5 above, but also the difficulties which have just been considered in the preceding paragraphs regarding expenditure on purchase, upkeep, repairs and manufacture. Furthermore, it may be well

<sup>1</sup> See *above*, page 105.

to point out that this proposal goes outside the scope of the Committee's terms of reference. The Draft Convention provides for direct limitation of air material (Articles 25, 26 and 27), whereas land and sea war material is to be limited indirectly by budgetary methods (Articles 10 and 24).

The problem raised by the Soviet proposal for publicity of the cost of manufactured material cannot be solved with the help of budgets, since the cost of manufactured material cannot be ascertained from budgets and accounts. As regards publicity of quantities expressed in numbers and categories, this problem is outside the scope of the terms of reference of the Committee, which is not qualified to express an opinion on this point.

\* \* \*

The Committee wishes to make it clear that the fact that it is impossible to publish detailed particulars of budgetary expenditure by categories of material does not imply that it is impossible to ascertain the cost price of the finished articles, either through the purchase price or through the cost accounts. The latter, however, are not usually published. In the first instance, indeed, it is a case of ascertaining the annual budgetary expenditure on various categories of material, while, in the second, it is a case of ascertaining the cost price of such material on the completion of manufacture. This question has been raised by another committee; it is not, however, for the Technical Committee to consider how far its conclusions might influence the activities of other organs of the Conference and more especially those of the Committee for the Regulation of Trade in and the Private and State Manufacture of Arms and Implements of War.

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## Part V.

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# TECHNICAL RECOMMENDATIONS WITH A VIEW TO LIMITATION

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## Chapter XII.

### INFLUENCE OF FLUCTUATIONS IN THE PURCHASING POWER OF THE VARIOUS CURRENCIES ON THE CONTRAC- TUAL EXPENDITURE LIMITS.

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At its meeting on May 26th, 1932, the National Defence Expenditure Commission decided to refer to its Technical Committee the question of the *fluctuations in the purchasing power of the various currencies*.

This question is undoubtedly of great importance from the point of view of the limitation of national defence expenditure. If the value of currency changes, the limit fixed for the national defence expenditure of the respective States will cease to have the same meaning. An increase in the purchasing power of the currency of a given country might enable it to increase its armed strength without any addition to its national defence expenditure. On the other hand, a decrease in purchasing power might make it impossible for the country concerned to keep its armaments at the level to which it will be entitled under the Convention. It thus becomes necessary to devise a practical means of guaranteeing that the limit assigned to each country will continue to represent the same level of armaments.

#### A. STUDIES OF PREVIOUS PROPOSALS.

The influence of variations in the purchasing power of currencies upon contractual limits was dealt with in comparatively full detail in Chapter 18 of the report by the Committee of Budgetary Experts (document C.182.M.69.1931, pages 17-21).

During the general discussions at the beginning of the Conference, certain delegations emphasised the importance of the question of fluctuations in the purchasing power of the various currencies from the point of view of the regular working of any system of budgetary limitation. In this connection, it may be appropriate to mention a proposal by the Swedish delegation<sup>1</sup> stressing the need for continuing the examination of the budgetary method, more especially with a view to its application in the case of fluctuations in purchasing power. Reference must also be made to the German delegation's general estimate<sup>2</sup> of the efficacy of the budgetary method in the event of fluctuations in purchasing power.

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<sup>1</sup> Document Conf.D.99, page 48.

<sup>2</sup> Document Conf.D.99, page 32.

The National Defence Expenditure Commission also received certain suggestions from the French delegation, which laid particular emphasis upon the desirability of considering the question of variations in the cost of armaments under two different aspects: (1) the economic, and (2) the administrative. The Swedish delegation, on the other hand, suggested that the percentage proposed by the Experts as a means of ensuring greater elasticity in the average four years' limit<sup>1</sup> might also serve to counteract fluctuations in purchasing power. The same delegation further suggested that it would be desirable to entrust the Permanent Disarmament Commission with the task of operating the mechanism outlined by the Experts for the readjustment of contractual limits.

**(a) Limitation and  
Publicity Figures  
should be stated  
in the National  
Currencies.**

It should be stated at the outset that, like its predecessors, the Experts of 1931, the Technical Committee has recognised that both publicity figures and the limits assigned to the various States must be expressed in units of their respective national currencies. It would, indeed, be impossible to fix limits stated in terms of a single monetary unit taken as a common measure. In this connection, it need only be pointed out that the rates of exchange of the various national currencies may vary to a very considerable extent without any corresponding variation in the internal purchasing power of the currencies in question.<sup>2</sup>

If limitation figures are to be stated in units of the national currency of each country, account must be taken of the fact that the purchasing power of such currencies may vary. The Committee does not, however, think fit to give an exact definition of what is to be understood by "purchasing power". It considers, indeed, that, for the practical ends which it set itself, it is sufficient to state that by "a change in purchasing power" is to be understood in principle a change in the *general level of prices in a given country*. It is clear that, in order to gauge the general level of prices, all their various indices must be used, more especially the wholesale price and cost-of-living indices.

## B. ANALYSIS OF THE FACTS.

**(a) Fluctuations in  
Purchasing Power  
since 1929.**

In order to place on a firm basis the enquiry into methods of permitting readjustments of limitation figures in the event of variations in purchasing power, it appeared necessary to ascertain the extent of the fluctuations which have occurred in the course of recent years both in exchange rates and in internal prices.

To this end, the Committee has had drawn up a series of diagrams (see pages 116-118) and tables (see Annex 8) showing rates of exchange, wholesale prices and the cost of living in various countries in the period 1929-1932.<sup>3</sup>

The first essential fact brought to light by this statistical material is the considerable fall in prices which occurred in all countries during the period 1929-September 1931.

<sup>1</sup> See Chapter XIII below.

<sup>2</sup> See, in this connection, the examples quoted in Chapter XXI, paragraph 2.

<sup>3</sup> NOTE. — In a letter of March 18th, 1933, to the Bureau of the Technical Committee, the German expert referred to the fact that the Technical Committee decided, at its morning meeting on February 28th, to supplement the study of the fluctuations in purchasing power by means of data relating to the gold-standard countries as from the year 1929.

In order to enlarge the sphere of the rapporteur's studies, the German expert submitted to the Committee material based on investigations of the Reich Statistical Office (*Statistisches Reichsamt*, Berlin) and added conclusions on this special question.

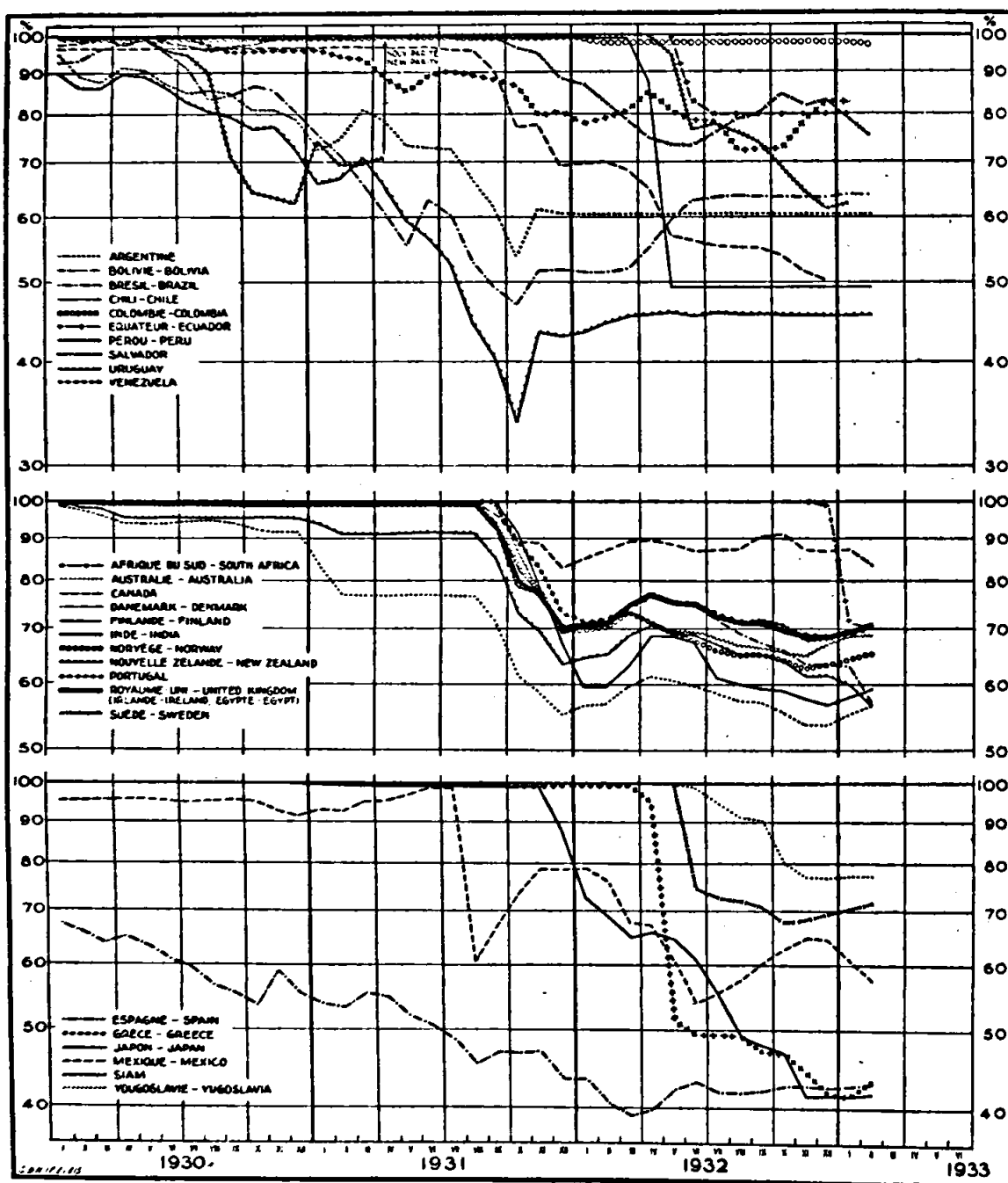
As the Committee, being already in possession of a note by the Financial Section and Economic Intelligence Service of the League of Nations and of graphs prepared by these services, did not think it advisable to insert the said documentation in the report, the German expert was unable to consent that the figures and diagrams, the contents of which had been studied with interest by several members of the Committee, should not be communicated to the readers of the present report.

This documentation has been inserted in Annex 9.

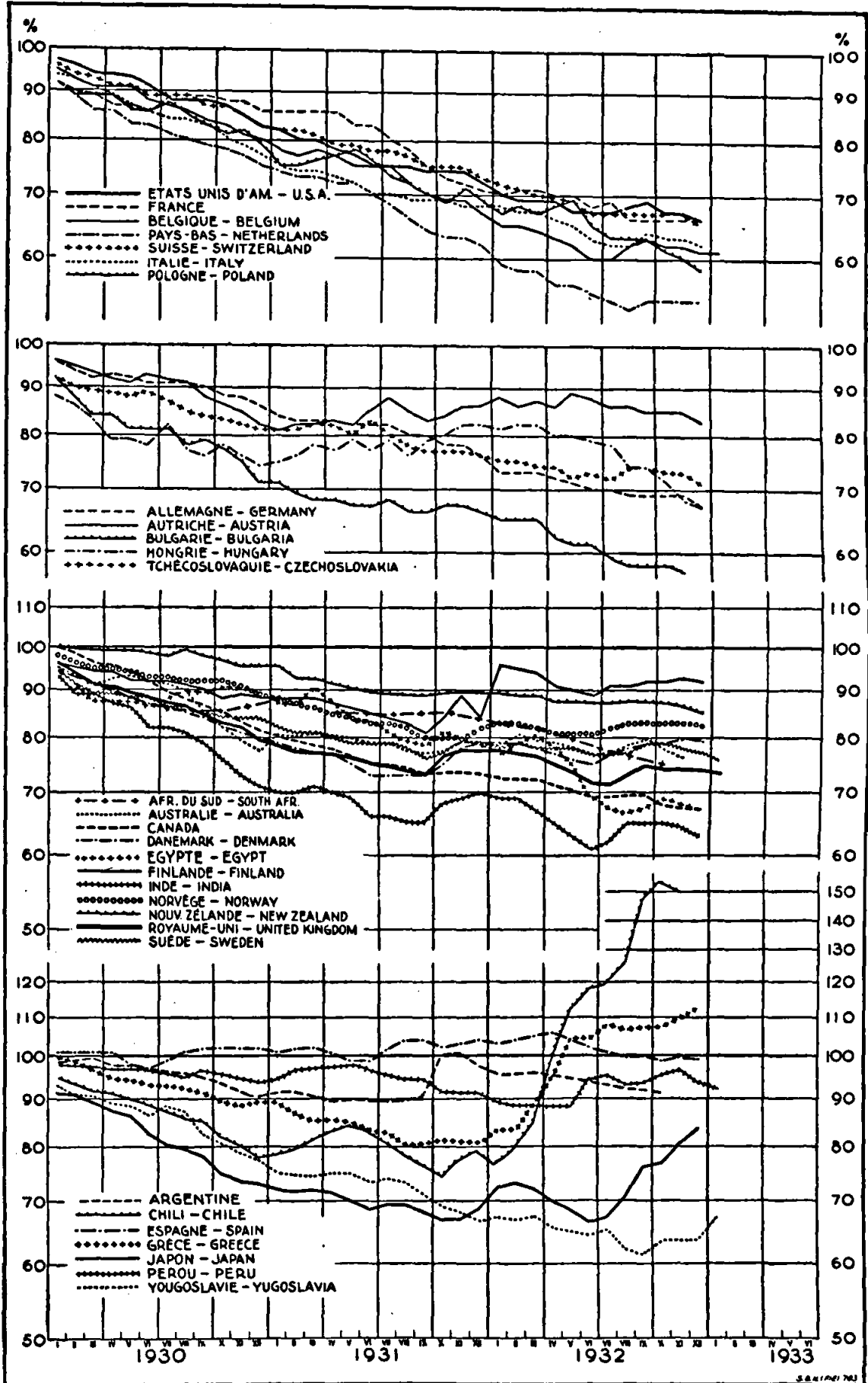
Wholesale prices, and to a lesser extent the cost of living, fell during these years in a majority of countries. This increase in purchasing power, however, was not uniform in all countries, though in spite of this the general tendency—viz., the general fall in prices—was universal in character.

### Exchange Rates

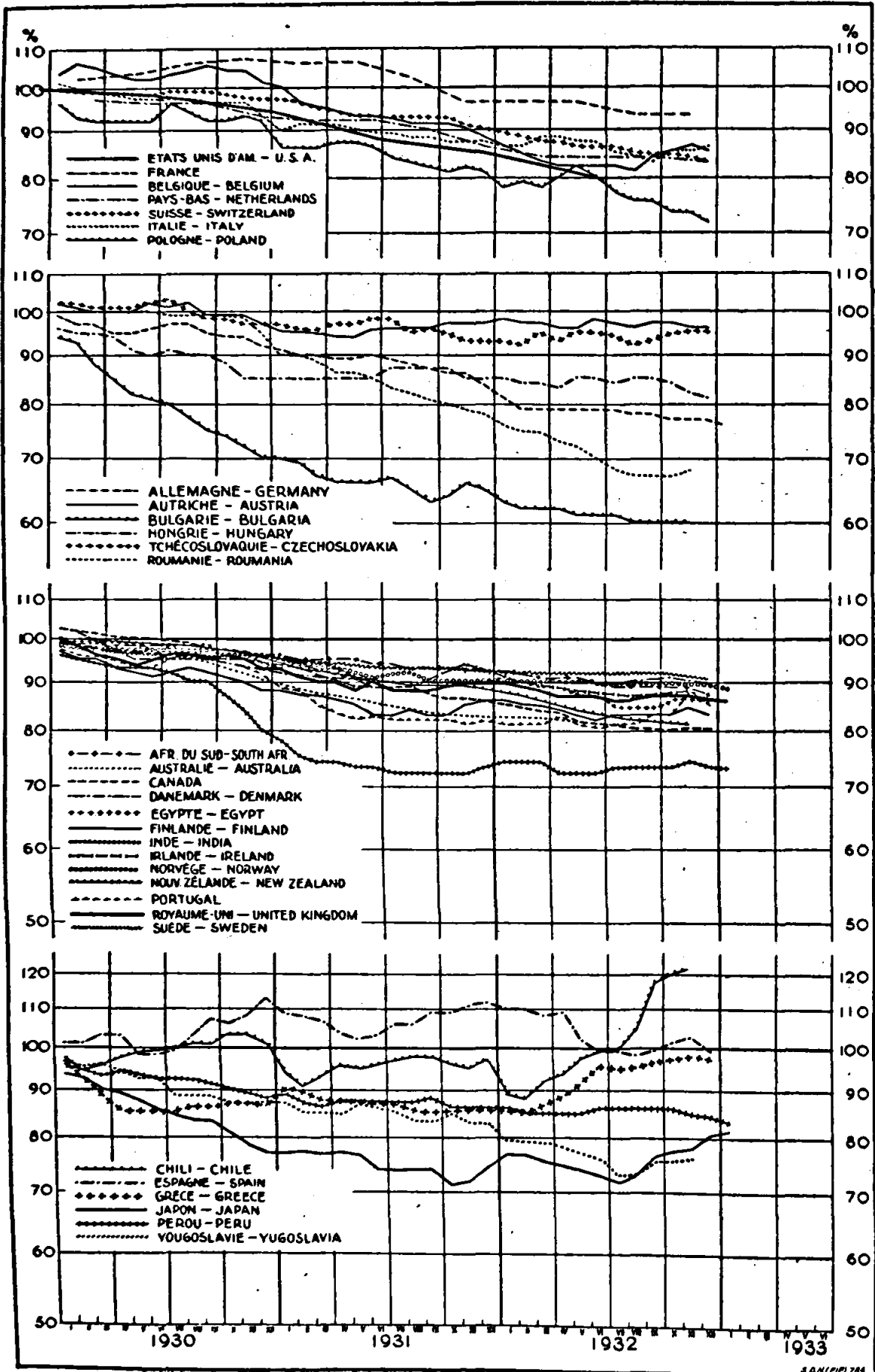
PERCENTAGE VALUE OF CERTAIN CURRENCIES IN RELATION TO THEIR GOLD PARITY.



### Index Numbers of Wholesale Prices In national currency (Basis: 1929 = 100)



**Index Numbers of Cost of Living**  
 In national currency (Basis: 1929 = 100)



**(b) Countries which have abandoned the Gold Standard.** In the autumn of 1931, a large number of countries abandoned the gold standard. That event led to extensive fluctuations in the external value of currencies, whereas, with a few exceptions, their home purchasing power showed a relative steadiness.

The countries which abandoned the gold standard may be divided into two groups. The first includes the countries of the British Empire, the Scandinavian countries, Egypt, Finland and Portugal, and the second the South-American States, Mexico, Turkey, and a number of other countries. In the case of the first group, the wholesale price indices only revealed a slight fall during 1932.

The general impression resulting from the examination of fluctuations in purchasing power in the countries which abandoned the gold standard may be summed up as follows:

- (a) A relative stability in the cost of living;
- (b) Moderate fluctuations in wholesale prices, while
- (c) At the same time the external value of the currencies concerned was subject to extensive variations.

**(c) Countries which have retained the Gold Standard.** The impression resulting from an examination of the fluctuations which have occurred since the autumn of 1931 in countries where the gold standard has been retained is somewhat different. In these countries, the fall in prices which was universal in character up to the autumn of 1931 has in general continued down to the present day. There are, however, certain differences which call for mention. In the first place, a distinction may be drawn between the countries which have retained the gold standard in the full sense of the word, such as Belgium, France, the Netherlands, Poland, Switzerland, the United States of America, and those which have been able, with the aid of certain measures of restriction and control of exchange transactions, to maintain the official rates of their currency in the neighbourhood of gold parity, such as Austria, Czechoslovakia, Germany and Hungary.

In the first group of countries, wholesale prices and the cost of living show a fall the extent of which has not varied very greatly from country to country. For example, in September 1932<sup>1</sup> as compared with September 1931, the wholesale price index had fallen 13 points in France, 14 in Switzerland, and 12 in the United States of America, and the cost-of-living index had fallen 9 points in France, 7 in the Netherlands, 10 in Switzerland, and 12 in the United States of America.

In the countries of the second group, with a "managed" currency, the fluctuations have been appreciable. There is, for instance, a fairly marked steadiness in Austria and a very slight falling-off in the cost of living in Czechoslovakia. In Hungary, on the other hand, wholesale prices have fallen by nearly 15 per cent and the cost of living by about 8 per cent. As regards the U.S.S.R., the Committee was unable to insert any figures in the annexed tables, as exchange rates and cost-of-living indices are not published and as the publication of the wholesale price index has been discontinued since 1930. Attention was also drawn to the fact that even if such statistics could have been produced they would not really have been comparable with those of other countries owing to the difference in accountancy methods and price determination necessarily implied by the dissimilarity of the economic systems concerned.

The Committee has had no occasion to endeavour to analyse the various factors which may have determined the fluctuations in purchasing power during the period under consideration. It has likewise refrained from attempting to make any more or less definite forecasts with regard to the future. For the restricted and essentially practical task which the Committee set itself, it has seemed sufficient to study the extent of these fluctuations.

It would appear that, during the two years preceding the autumn of 1931, it is possible to detect a fluctuation in purchasing power which, though more or less universal

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<sup>1</sup> This enquiry was carried out in January 1933.



in scope, was not uniform in extent in the various countries. During the succeeding period, this tendency would appear to have been maintained in certain countries only, while in others the situation was developing in a variety of ways.

It will also be recalled that, in the post-war period, measures of inflation were followed in certain countries by fluctuations which were both rapid and extensive. In recent years, no such serious fluctuations have been observed in any of the countries for which figures are available.

### C. SCOPE OF THE COMMITTEE'S ACTIVITIES.

(a) When must Limits be adjusted ? After this brief summary of the facts of the position, the Committee attempted to evolve some form of practical machinery for the adjustment of limits in the case of fluctuations of purchasing power.

It at once recognised that it was not necessary to contemplate any procedure to deal with fluctuations of a violent and rapid character. The Committee was agreed that, in cases of this kind, the budgetary method would no longer operate. No machinery is conceivable which would make the adjustments required by a collapse in the internal value of a currency such as the fall of the Reichsmark in 1923 or the devalorisation of the Austrian and Soviet currencies after the world war.

(b) Changes in the Cost of Armaments due to Other Causes than Fluctuations in Purchasing Power. The exact purpose of the Committee's studies was to measure the influence of variations in purchasing power on the cost of armaments themselves. But it is possible that the cost of armaments will vary for reasons which have nothing to do with fluctuations of purchasing power. It may be affected by organic changes, or administrative reforms, or alterations in the methods of production of the material, or improvement in the quality of armaments. All these factors in the increase of the cost of armaments are independent of the question under discussion in this chapter. Only changes in the cost of armaments due to fluctuations in purchasing power are to be considered in the present instance.

(c) Must All Changes in Purchasing Power be taken into Account. The question arises whether provision should be made for readjustment of limits in the case of any variation in purchasing power, however small. A mathematical solution by which the figures of the limits would have to be adapted to any fluctuation in purchasing power would involve very frequent readjustments. The Committee considers that it is not necessary from the practical point of view to proceed to adjustment of the limits whenever there is a variation in the purchasing power. The Budgetary Experts of 1931 took the view that fluctuations in purchasing power should only be taken into account where they have had the effect of seriously increasing the cost of armaments; and they also considered that it was not necessary to readjust the limits in cases where increase in the cost of certain armaments was counterbalanced by simultaneous decrease in the cost of other categories of armaments.

The Technical Committee on this point approves of the conclusions of the Budgetary Experts; but it desires to define the consequences of their conclusions. The readjustment of limits should only be contemplated in cases where the cost of armaments is affected by variations in purchasing power, and not by any other factor. There should be no question of readjustment unless the fluctuations of purchasing power are appreciable. The circumstances under which a readjustment of limits would be necessary are defined in the following formula:

" Whenever a High Contracting Party proves that *appreciable* fluctuations in the purchasing power of currency have *seriously increased* the cost of its armaments, and

that in fact changes in the cost of certain items have not been compensated by changes in the opposite direction in the cost of other items, that High Contracting Party may ask for a readjustment of these limits. ”

The precise meaning of this stipulation will be explained in greater detail on pages 124 and 125, when the procedure for the adjustment of limits is discussed. <sup>1</sup>

#### D. MACHINERY FOR THE ADJUSTMENT OF LIMITS.

(a) **The Automatic System.** After defining the conditions to be realised as a preliminary to readjustment of limits, it is desirable to indicate a machinery under which such readjustment can be effected.

The Experts in 1931 considered the possibility of evolving an automatic system for the purpose. They began by considering whether automatic readjustments of the limits could be effected on the basis of existing indices in the different countries, or a combination of these indices. Owing mainly to the difference in the manner of compiling existing indices in the different countries, and the impossibility of finding any appropriate index for measuring variations in the cost of armaments, the Committee of Experts came to the conclusion that no existing index or combination of existing indices could constitute a suitable basis for the automatic readjustment of the limits fixed by the Convention. The Technical Committee entirely endorsed this conclusion.

The Experts then enquired whether it would be possible to draw up a special index showing the fluctuations in the cost of the national defence services. Such an index would have to be based on the data relating to the four main categories of expenditure in the Model Statement—viz., personnel, transport, buildings and war material. <sup>2</sup>

The Experts' studies led them to the conclusion that the establishment of a special index would meet with serious difficulties, the chief difficulty being the fact that such an index would not be able to measure changes in quality occurring chiefly in the case of material in process of technical development, especially air material. A special index would never be able to serve as a measure for a change of a general character in purchasing power. The Technical Committee accordingly, like its predecessors, has been unable to prepare a sufficiently satisfactory index to allow of automatic readjustment of the limits fixed by the Convention.

(b) **Lump-Sum System.** It has been observed that the initial period of the duration of the Convention will probably have the character of a period of transition. In order to avoid the inconveniences resulting from excessively numerous demands for readjustment during this first period, it is possible to imagine some kind of lump-sum system allowing each State to increase its limit by a given amount to take into account fluctuations in purchasing power. The Committee wishes to communicate this solution to the Conference as a mere suggestion. If countries wish to avail themselves of this latitude, their rights should be defined in precise terms when the Convention is signed. It would be necessary to indicate in the Convention up to what percentage of the limit fixed excesses over that limit will be permitted in case of fluctuations in purchasing power.

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<sup>1</sup> The Committee has taken into consideration the changes in purchasing power which have occurred since 1929. Fluctuations of such a nature, whether upward or downward, might lead to annual applications for a readjustment of the limitation figure. In reality, however, such applications will not inevitably be made, since a rise in prices usually compels a State to effect savings in public expenditure, and these savings may have the very effect of keeping the volume of national defence expenditure under the limitation figure.

<sup>2</sup> To show the relative importance of these four categories, the Technical Committee has drawn up tables, which are annexed to this report (see Annex 11), on the basis of the Model Statements filled in by the States.

The increases thus authorised might be effected without the States having to supply previous explanations. But they would have to notify the extent to which variations in purchasing power have led them to take advantage of the excess percentage, so as to make it possible to see whether other causes have also led to the excess.

This method would give States an opportunity of judging in advance the possible risk of changes in purchasing power. The arrangement would no doubt prevent numerous demands for adjustment in the initial period of the execution of the Convention.

(c) **The Living Organisation.** After this mention of a lump-sum system, it is necessary to study the principal method under which States might ask the Permanent Commission for adjustments of limits which might have been rendered necessary by fluctuations in purchasing power.

The idea of an automatic system based either on existing indices or on a special index having been rejected, the Technical Committee confirmed the conclusion of the budgetary experts that only a *living organisation* would be in a position to readjust limits in the case of fluctuations of purchasing power.

Before stating the reasons for this conclusion, it is desirable to point out that two articles of the draft Convention might be of some importance in connection with the solution of the question of the readjustment of limits by a "living organisation".

*Article 59.* Under Article 59, the limits fixed in the Convention and the methods for which the Convention provides may be the subject of periodical revisions in the course of the execution of the Convention in the event of the conditions under which the obligations for which the Convention stipulates were contracted undergoing (in virtue of technical changes or special circumstances) modifications justifying such revision. In its general tenor, Article 59 may be regarded as covering universal fluctuations of purchasing power also. In view, however, of the fact that the revisions for which it provides can only be effected after a certain interval, they cannot be regarded as a sufficiently rapid and elastic means of settling by themselves the problems arising out of fluctuations in purchasing power. The Committee wishes, however, to state that, from the technical point of view, the provisions of Article 59 might be applicable in the case of fluctuations which are gradual and universal in scope.

*Article 50.* The Committee has also considered whether recourse might possibly be had to the provisions of Article 50 of the draft Convention with regard to derogations. After a study of these stipulations, the Committee is of opinion that this article can hardly be interpreted as covering changes in the cost of armaments due to fluctuations in purchasing power.

*Adjustment of limits.* The Committee is anxious at the outset to define what it means by *adjustments*. An adjustment is not a revision; it does not touch the contractual bases of the Convention and cannot involve or imply the slightest change in the scale of armaments themselves (effectives or material). Its only aim is to express in currency of changing value the same total sum of armaments.

If, in addition to a limitation of the total expenditure on national defence, the Conference considers limits for the expenditure on each force, it will be necessary, after adjusting the general limit, to assign to the special limits the same coefficient of adjustment as to the aggregate limit.

As regards the duties of the body which will be called upon to apply the system of adjustments, the Committee's discussions were singularly facilitated by the indications contained in the report of the Bureau of the Conference on the constitution of a Permanent Disarmament Commission consisting of representatives of every country and entrusted, in general, with the supervision of the execution of the Convention.

In the Committee's opinion, it should be left to this Commission to decide as to the adjustments resulting from fluctuations in purchasing power. No other body would

be better suited to carry out this difficult task. The Committee would nevertheless feel that it was failing in its duty if it did not emphasise here and now that questions of adjustment are of an exclusively statistical nature and that consequently all political elements of whatever nature should be excluded when taking decisions. Setting out from this premiss, it ventures to make the following suggestion:

*Examination of requests by a sub-committee of the Permanent Commission.*

It would seem, as stated in another chapter of this report, that the Permanent Commission might usefully set up a sub-committee whose sole duty would be to study the problems relating to the limitation and publicity of expenditure, and which at the same time would examine applications for an adjustment of limits and lay concrete proposals before the Permanent Commission with regard to these applications. The Commission should not reject these proposals without hearing the said sub-committee.

The sub-Committee should, in the Technical Committee's opinion, be composed, not of representatives of Governments, but of experts in public accountancy and general and military administration; it should also be able to count on the assistance of special statistical experts. <sup>1</sup>

*Co-operation with the Financial Committee of the League of Nations.*

The Technical Committee has thus not thought fit to return to the suggestion put forward in 1931 by the Committee of Experts for entrusting to the Financial Committee of the League of Nations the investigation of requests for readjustment of limits. The Committee did not consider it desirable to ask the Financial Committee, which is already overloaded with problems of a somewhat different nature, to co-operate regularly in the work of the Permanent Commission. Thus, while discarding the idea of constituting the Financial Committee a body regularly entrusted with these special studies, the Technical Committee was at the same time anxious to emphasise that it would be very desirable for the Permanent Commission to be able in case of need to refer to the Financial Committee for advice. The Committee has therefore been glad to receive from the competent services the assurance that the Financial Committee would always be ready to act in an advisory capacity.

#### E. PROCEDURE.

*(a) By whom may Applications for Readjustment be submitted ?*

In the matter of procedure, the first question arising is to determine who is to have the right to ask for adjustment of limits. It is clear that the right to submit a demand for adjustment of the limit allowed it by the Convention rests in the first place with the State concerned. But the Experts in 1931 had proposed that, in the event of an increase in the purchasing power of a country, the other States should be entitled to ask for a readjustment of the limits of that country. The Technical Committee approves of this attitude. Referring once again to the general rule stated above that any change, if it is to be considered, must be of a certain magnitude, the Committee desires to point out that this rule must apply *a fortiori* in the case of applications for readjustment put forward by a State on the basis of an increase of purchasing power in another State. The supervising body will itself estimate as a matter of equity the admissibility of such an application.

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<sup>1</sup> NOTE. — M. WORBS requested the Committee to express its opinion on the question whether the discussions of the Permanent Commission referred to in Chapter III, 2-6, of the report by the Bureau of the Conference regarding a Permanent Disarmament Commission (document Conf.D.148) would take place in the sub-committee or not. The Committee has not desired to express an opinion on this point, since it is a question of the procedure of the future Permanent Commission; M. WORBS therefore desires to draw special attention to this point.

In submitting an application for readjustment to the Permanent Commission, a State must submit all evidence in support of its request.

(b) **Utility of a Preliminary Procedure.** The Technical Committee discussed whether it would not be desirable to lay down certain rules to ensure that the readjustment procedure would not be set in operation by applications with little or no foundation. If, for example, a demand for readjustment is not justified in so far as concerns the primary condition—*i.e.*, changes in purchasing power—it would be useless to set the whole machinery in operation in order to examine whether or not there had been an increase in the cost of armaments. To make allowance for the possibility of such demands, the Committee has suggested a procedure by which they would be "*taken into consideration*", to which it wishes to draw the Conference's attention simply as a practical suggestion.

The sub-committee of the Permanent Commission entrusted with questions of expenditure would form a "small committee" to make a preliminary study of every demand for readjustment with a view to pronouncing on the question whether or not the readjustment procedure should be initiated, and to submitting its recommendation on this subject to the sub-committee for decision. This "small committee" should have power not only to consider demands for readjustment in order to pronounce on the question whether there is reasonable ground for a detailed enquiry, but also to study carefully the nature of the evidence and documentary material supplied, and to ask, if need be, for further particulars. Applications for readjustment would be communicated to the other countries only after being approved by the small committee.

(c) **Criteria required.** The Committee expressed the opinion above that only appreciable fluctuations in purchasing power which have seriously increased the cost of armaments should be taken into consideration. This essential rule also guided the Committee when it approached the problem of the operation of the system.

To establish the facts, price indices will, of course, have to be utilised. At the same time, for the reasons already noted, it is impossible to recommend the use of any particular combination of such indices. It was felt that the system should be as elastic as possible. Accordingly it seems hardly possible to fix definite rules in advance—for example, for the application of the various types of existing indices. It must be laid down as an essential principle that changes should be reflected to an appreciable extent in the different series of indices, including the index in which changes occur most slowly—*i.e.*, the cost-of-living index. As a general rule, changes must clearly be more considerable in wholesale prices than in cost-of-living indices. This rule cannot, however, be definitely fixed by indicating, for example, the mathematical ratio in the variation in the different series of indices which would be required to support a request for adjustment (by saying, for example, that before there can be a readjustment a change of  $x$  per cent must have taken place in the cost of living and of  $y$  per cent in wholesale prices). Such rules would not be sound, since the conditions for the establishment of the indices certainly vary a great deal.

The Committee fully realises that, in laying down the rule that a fluctuation in purchasing power in order to be taken into consideration with a view to a readjustment must be reflected both in the wholesale price index and in the cost-of-living index, certain fluctuations are excluded which, even if they are not reflected in these indices, may nevertheless in special cases possess a certain importance. Thus it was pointed out that, during the year 1931-32, a certain increase in purchasing power permitted the British Army to make economies amounting to about £500,000 sterling, or 1 per cent of its total expenditure. This increase in purchasing power, however, was not clearly reflected in the wholesale and cost-of-living indices. The Technical Committee nevertheless thought it useful to maintain the rule that a fluctuation must be appreciable and must thus be reflected in the cost-of-living index in order to be taken into account with a view to a readjustment. It would be unreasonable to endeavour to take into account every fluctuation.

tuation; and very strong practical reasons militate in favour of the establishment of a somewhat restrictive rule in this respect.

It will now have to be ascertained whether the change in purchasing power has had repercussions on the cost of armaments. This examination will have to refer to all the categories of armaments and to take into account, as the Experts proposed, any possible compensations. In each case, it will be necessary to consider the special conditions in the country concerned. Even if certain definite considerations may be mentioned (and the Committee has made a point of reproducing here the enumeration framed by the experts<sup>1</sup> no list of circumstances to be taken into consideration in examining applications can be regarded as exhaustive.

**(d) On whom will lie the obligation to furnish proof ?** After endeavouring to lay down rules for the working of the system which it recommends, the Committee discussed the question of who should be responsible for supplying proof and what the nature of such proof would be.

In the case of a diminution of purchasing power producing an increase in the cost of armaments, it will be for the State asking for a readjustment to furnish proof. It will thus be for it to prove that the increase in the cost of certain armaments has not been set off by a drop in the cost of other categories of armaments.

On the other hand, in the case of an increase in purchasing power, it will be for the State asking for the readjustment of the limits of another State to supply proof; the last-named State would have the right to refute the evidence and the supervisory body will be free to ask for any information and to take the necessary decisions.

If it may be presumed from the budget figures that the limit assigned to a State will be exceeded, that State must, at the moment when the Model Statement of estimated expenditure is produced (see Chapter XIX), explain whether the increase is caused by the possibility of a rise in prices. If such rise in prices takes place during the execution of the budget, the State must in due time apply for the readjustment of its limits before sending in the Model Statement based on payments.

**(e) Nature of Proof.** It is clear from the foregoing survey that the proof to be adduced before the Permanent Commission will concern a large number of circumstances and facts. There must be proof (a) that fluctuations in purchasing power have occurred, and (b) that such fluctuations have involved a change in the cost of armaments.

In order to show that the purchasing power has varied, it will be necessary to employ indices, in the first place, wholesale price indices and cost-of-living indices. Such indices must cover the whole period which has elapsed since the last fixing of the limits. It follows that each State would do well, after the conclusion of a Convention, to supplement its statistical data so as to be able to supply, if need be, the necessary evidence to show clearly the fluctuations in purchasing power.

As regards ascertaining that a change has occurred in the cost of armaments, it is even more difficult to indicate beforehand the nature of the proof to be adduced. The

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<sup>1</sup> 1. Inflationary developments in a country which no longer maintains the gold standard. In such a case, the readjustment would probably only have to be made in the figures of the country where the inflation has occurred.

2. A general increase of salaries and wages in a country, for instance, as the result of an increase in the cost of living.

3. The question whether or not an increase in salaries or wages represents an endeavour to increase the quality of the defence services by granting higher pay to the personnel.

4. The question whether or not the increase in the pay to the defence personnel is accompanied by an increase in pay in the civil service.

5. Changes in wage levels, the price of the raw materials needed, and the methods of production, affecting the price of war material.

6. The question whether economies have been effected as a result of rationalisation in the widest sense of the word.

7. The question whether an apparent increase in cost is not due to an improvement in "quality", in which case it should not lead to a "readjustment" of the figures.

8. The question whether, in the case of countries purchasing a portion of their war material abroad, there has been a real increase in prices in the country or countries from which the material is purchased.

Committee has therefore not thought it advisable to draw up an exhaustive list of evidence to be given by States. Generally speaking, States must be ready to support applications for readjustment by all the necessary explanations.

The particulars must relate to the date of the application for readjustment and to the date of fixing of the limits subject to readjustment and also to the whole of the intermediate period.

The Committee, considering the putting into operation of the procedure for readjustment of limits in the case of fluctuations in the purchasing power of currency, wondered whether the strict verification of proofs and evidence supplied by States would not mean that they must produce certain information, such as contracts or statistics, which States themselves do not generally make public.

Although this is a general problem relating to the exercise by the Permanent Disarmament Commission of supervision over all contractual obligations arising out of the Convention, the final settlement of which rests with the Conference itself, the Technical Committee feels that it is not exceeding its powers in expressing the opinion that, in such cases, the Permanent Disarmament Commission might, for practical purposes, rest content with the explanations given by the Governments and that the latter should not be required to produce unpublished documents.<sup>1</sup>

(f) **The Powers of the Permanent Commission in respect of Procedure.** In view of the complexity of fluctuations in the purchasing power, the Committee thinks it would be advisable to give the Permanent Commission the greatest possible liberty in examining applications. The Committee believes, moreover, that such liberty would be in conformity with the provisions laid down in the report submitted to the Bureau on December 7th, 1932 (Conf.D./Bureau 39). The report states:

*" Article 7.*

" The Commission shall receive all the information which the High Contracting Parties are bound to communicate to the Secretary-General of the League of Nations in pursuance of their international obligations in this respect. The Commission may request the High Contracting Parties to supply, in writing or verbally, any supplementary particulars or explanations in regard to the said information which it may consider necessary."

(g) **Local Investigations.** The Technical Committee has noted that the report of the Bureau provides for local investigations as follows:

*" Article 10.*

" Any High Contracting Party whose attitude may have been the subject of criticism shall be entitled to request the Commission to conduct in his territory such investigations as may be necessary in order to verify the execution of the obligations of the said Party under the present Convention.

" On receipt of such a request, the Commission shall meet at once in order to give effect to it, to determine the scope of the investigation within the limits of the criticism which has been made, and to lay down the conditions in which the investigation is to take place."

With regard to this provision, the Technical Committee would merely point out that, in order to form an opinion on requests for readjustment, it would appear sufficient to conduct an enquiry by means of documents and oral questions, and that it will not be

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<sup>1</sup> Colonel KISSLING (Switzerland) and Mr. LYON (United Kingdom) express the opinion that although, as a general rule, the production of unpublished documents would not be necessary, they might need to be produced in exceptional cases.

necessary to make investigations in armament factories, Treasury archives or ministries of defence. It should be added that, as regards distant countries, local investigations would certainly not, in the Committee's opinion, constitute a practical means of supervision.

The question has been raised whether, as a result of a readjustment of the limits of one State, the limits of other States must also be readjusted and what procedure should be followed in that case. As, however, the Permanent Commission will consist of representatives of all countries, and consequently the States will be in a position to raise any questions concerning themselves in that Commission, it does not appear necessary to provide for other measures in this respect beyond merely providing that the Permanent Commission should have the power to consider whether, as a result of a revision of limits for one State, a readjustment of the limits of the other contracting parties would also be justified.

This possibility of extending the procedure would certainly be of great value in the case of universal fluctuations in the purchasing power.

#### F. CONCLUSIONS. <sup>1</sup>

In conclusion, the Technical Committee considers that, if violent and at the same time very rapid changes affect the purchasing power of currencies, and if these changes are not universal and occur at different times and in a different measure for various countries, the system of limiting expenditure could no longer function.

But if price fluctuations are not too violent, the Committee is of opinion that the "living system" which it recommends will allow of a readjustment of the limits that will enable the latter to retain their full contractual value.

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<sup>1</sup> NOTE. — M. WORBS (Germany), Major-General BARBERIS (Italy) and M. ANDO (Japan) are, like the other experts, of opinion that the only solution enabling fluctuations in the purchasing power of national currencies to be taken into account is to have recourse to a living organism—*i.e.*, to the Permanent Disarmament Commission.

They think it advisable to draw the Expenditure Commission's attention to the following points, some of which have not only a technical but also a political character, which is not within the Committee's competence:

(1) The figures of the limits fixed for each State in national currency at the time of signing the Convention will not always remain the same during the period of the Convention, but may have to undergo modifications in the case of a greater or smaller number of States;

(2) The Permanent Commission might have much too extensive powers as regards budgetary limitation;

(3) In certain cases it will only be possible for the Permanent Commission to give its sanction a long time after the fluctuations in purchasing power have taken place. For this reason its practical efficacy will be very small.

The above-mentioned experts wish to emphasise that the present economic situation of nearly all the countries of the world does not justify the hope that the purchasing power of national currencies will in future undergo no fluctuations, or will only show fluctuations of small extent. If, however, important fluctuations occur in several States, the proposed system will be unable to operate.

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## Chapter XIII.

### FIXING OF LIMITS SO AS TO ALLOW FOR VARIATIONS IN EXPENDITURE FROM ONE YEAR TO ANOTHER.

**1. Principle of the Limitation of ANNUAL Expenditure.** The system of limitation laid down in Articles 10, 24 and 29 of the Draft Convention set forth in detail in the report of the Committee of Budgetary Experts and in the present report is based on the limitation of the *annual* expenditure of the contracting parties. The fixing of *annual* limits is, in the Technical Committee's opinion, essential alike for the practical application of the Convention by States and for the efficacy of international supervision provided by the Convention.

**2. Deliberations of the Committee of Experts on Budgetary Questions.** (a) *Possible variations in expenditure from one year to another.* The Committee of Budgetary Experts felt that, if all that was done was to fix equal annual limits for each year during the period of validity of the Convention, States would be obliged to ask for high limits in order to meet the inevitable variations which occur in the volume of payments during a number of consecutive years.

The volume of payments on account of national expenditure may indeed vary to some extent in any one country from one year to another. The normal causes of fluctuations in the volume of expenditure may be of several kinds.

(a) Financial difficulties or economic circumstances of an exceptional character may make it impossible to carry out, in the course of the year, part of a programme for which credits have been granted. Should the financial situation improve, it may happen that in the following year both the programme for that year and the work that could not be executed in the previous year will be carried out.

(b) Purveyors and contractors with whom the national defence services have concluded contracts for supplies or construction sometimes effect delivery after the prescribed date, the delay being due to strikes or to a glut of orders. Although, as a rule, such delays carry with them penalties provided for in the contracts, they may assume some importance, and the payments attaching to the deliveries in question which concerned a specific year will not be made until the following year. If, the following year, the deliveries relating to orders placed that same year are effected without any delay, the total payments during the year will be greater than the total payments for the preceding year.

(c) The execution of big orders for material (guns, buildings, ships) may extend over periods of two to five years. First, the plant is set up and the yards organised; next, the raw material and semi-finished products which will be required for manufacture or construction are purchased. Deliveries of finished products are effected serially or all at once. Although, in order to ensure the continuous operation of undertakings, the practice of paying certain sums on account whenever a subsidiary piece of work is executed, or even paying advances before the work is begun, is becoming more and more general, the largest disbursements are effected after delivery, at the time of final settlement. For certain orders,

payments tend to follow an ascending curve and it may thus become necessary to make particularly large payments during a given year.

(4) To obtain better prices, by taking advantage of favourable seasonal market conditions or temporarily favourable prices for certain foodstuffs, raw materials or semi-finished products, it may be expedient to make bulk purchases of the same nature at a given moment. Non-industrial States may also find it advantageous to combine their purchases of material from abroad in order to obtain better prices, for the unitary price of materials varies in inverse ratio to the size of the delivery.

These fluctuations in the volume of payments are encouraged, moreover, by the practice of carrying forward credits—*i.e.*, by the possibility, which exists, in one form or another, in nearly every State, of extending beyond the financial year, for a period of one or more years, the validity of certain authorisations to incur expenditure. This practice of carrying forward credits, concerning which the necessary details are given in Chapter V of this report, does not, however, play any part in the mechanism for the limitation of expenditure based on payments, since all payments effected during any one year must be shown in the Model Statement irrespective of the nature and origin of the credits.

(b) *Necessity of allowing a certain elasticity in fixing the limits.* These considerations suffice to show that, even if no organic reason occurs to cause or justify an increase in expenditure, the payments effected in the course of several successive years may concern quite different sums. If, then, it is desired to ensure that States will not be led to demand high limits in order to cover such fluctuations in the volume of payments, it will be necessary to allow a certain elasticity in fixing the limits.

But there is also one very important reason which would justify such elasticity. As was shown in Chapter IV, the limitation of armament expenditure must have the effect of limiting armaments themselves at the same time. In order to obtain the result, the ideal would be to be able, by limiting the payments for any one year, to limit the armaments manufactured during that year. This, however, is not strictly possible in any case.

Certain countries include in the annual accounts the revenue received and the payments made during a period of twelve months. As a certain lapse of time necessarily occurs between deliveries and payments, in order to carry out operations relating to liquidation or "ordonnancement", certain payments shown in the accounts at the very beginning of the financial year correspond to deliveries effected at the end of the preceding year. Again, at the end of the year of twelve months, material is delivered which will not be paid for until the early days of the following year. Thus, in such countries, the limitation of expenditure will limit not exactly the material delivered during the financial year, but rather the material delivered during a period beginning towards the end of the preceding financial year and ending shortly before the close of the current financial year.

To consider now countries which have additional periods: two cases must be distinguished.

If the additional period is employed simply for the liquidation, "ordonnancement", and payment of deliveries which must necessarily be effected before the close of the twelve-month year, it is certain that, in that case, the limitation of the payments shown in the accounts for that year will involve a limitation of the services rendered and materials delivered during the twelve-month year.

In exceptional cases, however, it is possible, as regards supplies of material, to effect delivery during a part of the additional period; thus, the limitation of the payments shown in the accounts for the year will have the effect of really limiting the deliveries effected, not during a period of twelve months, but perhaps during a period of thirteen, fourteen or even fifteen months.

**3. Proposal  
of the Budgetary  
Experts  
with regard to an  
Average Limit  
for a Period of  
Several Years.**

It will be seen, then, that the limitation of the payments shown in the accounts applies at the same time to different periods during which payments must be effected in order to be booked in the accounts of that year, and also that the effects of the limitation of expenditure on armaments manufactured will not be the same in every case. By limiting annual payments, it will therefore be impossible to effect the limitation of armaments during the same periods for all States. For these various reasons, the Budgetary Experts proposed that the limitation of payments should apply, not to payments for each year, but to the average level for a period of several years. They accordingly proposed the insertion in the Convention of the following clause:

“ Each of the High Contracting Parties undertakes:

“ (a) To maintain during each consecutive period of four years the average level of its annual expenditure within the limits laid down in Articles 10, 24 and 29 of the draft Convention of the Preparatory Commission for the Disarmament Conference;

“ (b) Not to exceed during any given year this average limit by more than a percentage fixed for the High Contracting Party in Table . . . ”

Thus, according to the Budgetary Experts' proposals, States should undertake not to exceed a specified total of expenditure during each period of four years and not to exceed one quarter of that total in any one year. This last-named figure might, however, be exceeded up to a certain percentage during part of the four-year period, provided that any such excess were set off by corresponding reductions during the rest of the period. Account could thus be taken of the normal fluctuations in the volume of payments during the execution of the Convention.

**4. Impossibility  
for the Technical  
Committee  
to make Definite  
Recommendations  
at the  
Present Stage of  
the Conference's  
Work.**

Having examined the Experts' proposals and recognised the necessity for an annual limit in accordance with the general provisions of the draft Convention, the Technical Committee does not see its way at present, particularly in the absence of indications as to the duration of the Convention and the relations that might exist in fact between the figures for the actual expenditure of the various States and the limits fixed by the Convention, to submit definite recommendations either as regards the duration of the period for which an average limit might be contemplated or as regards the portion of the excess percentages or even as to the conception of such a percentage. Only when the financial effects of the Conference's decisions can be estimated will it be possible to express a definite technical opinion on this point.

**5. Considerations  
which should be  
taken into  
account.**

The Technical Committee is, however, of opinion that the period to which any annual average limit should apply should be long enough to provide opportunity during that period of ascertaining how the States have proved that they are fulfilling their obligations in respect of limitation. The period to which the obligations in respect of limitation apply must also be short enough for the final evidence in respect of the annual average limit to be obtained fairly rapidly.

Without wishing to deal here with the problem of fixing contractual limits, the Committee considers that, from the technical point of view, apart from other considerations, account must be taken of expenditure relating to military activities which are not subject to any special limitation; moreover, the limits must not prevent the

contracting States from ensuring the regular execution of programmes of manufacture or construction of material drawn up by the various States within the framework of the decisions taken by the Conference or of the limitations provided for by other conventions remaining in force after the conclusion of the Disarmament Convention; nor must the States be prevented from providing for the upkeep of material.

Lastly, the fixing of limits in the Convention, or on the occasion of the revisions to be undertaken under Article 59 of the draft Convention, must enable the contracting States to give their personnel and troops an adequate standard of living.<sup>1</sup>

### APPENDIX TO CHAPTER XIII.

#### PROPOSAL BY M. JACOMET.

Without wishing to prejudge questions regarding the fixing of an annual average limit and a percentage of permissible excess, M. JACOMET (France) desires to submit to the National Defence Expenditure Commission the following considerations, which might be utilised at a later stage of the work.

#### I. Average Annual Limit.

If the principle of an average annual limit were established, there would be no objection to allowing a State to exceed its average limit in any given year, provided that *the average expenditure incurred by it from the beginning of the application of the Convention should at no time exceed the amount of its average limit.*

If the limit is taken as  $L$ , then at the end of  $n$  years the State must not have spent a sum exceeding  $n \times L$ . In other words, a State cannot during the  $n$ th year exceed its average limit by more than a sum equal to the difference between  $n \times L$  and the amount previously spent by it during that year or the previous years.

*Example in the event of the period to which the average limit applied being four years. —*  
A country having an annual average limit of 100 might spend, for example:

In the first year . . . . .	90
In the second year . . . . .	95
In the third year. . . . .	110
In the fourth year . . . . .	105

The same State, however, would not be allowed to spend 105 in the first year, 110 during the second; 95 in the third and 90 during the fourth.

Under such a system, the State may utilise the *whole* of the sum it is authorised to spend *during the period of the Convention.*

If the expenditure for the four years is denoted by  $a$ ,  $b$ ,  $c$  and  $d$  respectively, and  $L$  is the average limit for four years, the following conditions will have to be fulfilled:

First year . . . . .	$a \leq L$
Second year . . . . .	$\frac{a + b}{2} \leq L$
Third year . . . . .	$\frac{a + b + c}{3} \leq L$
Fourth year. . . . .	$\frac{a + b + c + d}{4} \leq L$

<sup>1</sup> NOTE. — Major-General BARBERIS and M. WORBS point out that in any case the supervision of expenditure on a juridical basis will not be final until after a long period, which might perhaps amount to six or seven years, and that consequently this supervision will be ineffective.

They feel it necessary to emphasise that this constitutes a vital defect in the system contemplated by the Budgetary Experts.

2. *Fixing of a Percentage.*

The fixing of a percentage for an annual excess beyond the average limit may be useful in giving the Convention more flexibility, in view of the fluctuations in the expenditure level that occur in all countries. It would prevent States being led to ask for very high limits above their permanent requirements, and it would be in no way incompatible with the system considered above. The utilisation of the percentage should, however, be made subject to the following conditions: if  $L$  is the average limit for four years and  $p$  the percentage of excess, then a State's expenditure should in no case have exceeded:

At the end of the first year:  $L + p$ .  
At the end of the second year:  $2L + p$ .  
At the end of the third year:  $3L + p$ .  
At the end of the fourth year:  $4L$ .

*Example.* — Suppose a State has an average limit of 100 and an excess percentage of 5. The State can spend in the first year 105.

Suppose in the second year the State spends 90.

In the third year, it can then spend 110 but not 115, because there can be no question of allowing it to utilise the percentage from the moment that its annual expenditure already exceeds the average limit plus the percentage ( $100 + 5 = 105$ ).

In such a case, it is clear that the State cannot spend more than 95 in the fourth year.

Allowance may also be made for the possibility of a State's not using in a given year the whole excess percentage to which it is entitled. It will be seen from the above formulæ that, in such a case, the balance of the percentage may be used in the following years.

*Example.* — A State spends 102 in the first year.

It may spend 103 in the second year, or 102 in the second year and 101 in the third year, etc.

The point of this proposal is that, for each year of the period to which the annual limit applies, it enables the maximum figure which each State must not exceed to be fixed *automatically*, while allowing States to make use of all the rights conferred upon them by the annual average limit, and makes it possible to ascertain each year that the States have not exceeded the figure thus automatically fixed.

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## Chapter XIV.

### TRANSFERS<sup>1</sup> BETWEEN THE LIMITS OF THE THREE FORCES.

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The question of transfers (*virements*) between the limits of the three forces could arise only if it should be found possible to separate the expenditure of the three forces with a view to the special limitation of such expenditure.

This latter question has been dealt with in Chapter IX. According to the conclusions of this chapter, if the Conference decides that separation of the expenditure on the three forces should be verifiable on the basis of figures taken *en bloc*, in a high proportion, from the audited accounts, this separation is not possible for all countries as their accounts are at present made up. Such separation, however, is not of itself impossible, provided that countries which do not at present keep separate accounts for the expenditure of each force agree to institute such a system of accounts. Only in case the Conference felt it should accept, for the separation of the expenditure on the three forces, a distinctly lower degree of controllability than can be achieved in isolating the total expenditure of each State could separation of the expenditure on the three forces be regarded as possible.

The Committee was in favour of dealing with the question of transfers between the limits of the three forces in the event of the Conference's discussing the separation of expenditure on the three forces. But this question will be dealt with only from the theoretical standpoint, particularly as any attempt to deal with it in a concrete manner would encounter difficulties of the same nature as those which were explained in Chapter XIII in connection with the average limit of expenditure for a period of several years and the annual percentage by which this limit might be exceeded.

The question must be examined from three different aspects, to which the three subdivisions of the present chapter correspond:

- A. Should the possibility of transfers between the limits fixed for the three forces be admitted or not ?
- B. How should transfers, if any, be effected ?
- C. Between what limits could transfers be allowed ?

#### A. SHOULD THE POSSIBILITY OF TRANSFERS BETWEEN THE LIMITS FIXED BE ADMITTED OR NOT ?

It might be thought that, once separation of expenditure for the three forces is decided upon, no variation between the limits should in theory be admitted, as this would be contrary to the very principles on which the decision for separation was based.

Nevertheless, due account should be taken of the difficulties which exist, especially in certain States, in effecting separation. These difficulties, the importance of which was recognised by the Committee in Chapter IX, were emphasised in the Expenditure Commission by the representatives of China, Czechoslovakia, Estonia, Finland, Germany, Japan, Persia, Poland, Portugal, the United States of America, and Yugoslavia.

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<sup>1</sup> The term "transfer" has been employed by analogy with the terminology adopted in the Naval Agreements, in which reference is made to the possibility of transfers of tonnage between the different categories of vessels subject to limitation.

On the same occasion, it was also asked that, if the principle of separation were broadly admitted, exceptions should be allowed, for example, for States whose national defence expenditure does not exceed a given figure<sup>1</sup> or for those placed in special situations (Polish proposal—document Conf.D./C.D.24.<sup>1</sup>).

The Committee, having recognised in principle that the degree of controllability in present circumstances which can be achieved in separating the expenditure on the three forces for limitation purposes is distinctly lower than that which can be achieved in verifying the total expenditure of each country, considers that if, notwithstanding this difficulty, the Conference thought it advisable to decide in favour of the separation of the expenditure on the three forces, there would be no grounds for agreeing, in the case of transfers, to exceptions which would be contrary to the principle of equality between the signatory States. On the contrary, the difficulties in the matter of separation might be reduced for all countries if it were possible to make transfers between the limits allotted to the three forces, and this possibility, which would be a mitigation of the actual principle of separation, might facilitate its acceptance and systematic application. Allowance might be made for the major difficulties adduced by some countries by agreeing in their case to the possibility of larger transfers between the limits of the three forces. These problems would ultimately have to be considered.

Another case considered by the Committee was that in which direct limitation of the armaments of one of the three forces (say, naval armaments) should already have been admitted for a number of States, and it was pointed out that, in this case, the limit for expenditure on this force should correspond to the rights recognised to each State in the other parts of the Convention, and that consequently no transfer of funds could any longer be admitted, since it would upset the balance between budgetary limitation and the limitation of material.

This is quite true, but it may be pointed out that, even in this case, there might be fluctuations of expenditure which would make it advisable to authorise certain transfers between the limits. In such cases, however, a very small margin should be fixed for possible transfers.

The question was also raised whether transfers between limits should apply even to expenditure on war material included in Head IV of the Model Statement in the event of the limitation of expenditure on such materials being prescribed.

It was pointed out in this connection that the said expenditure being included in the totals of expenditure of each of the three forces, should the possibility of transfers between the limits of the three forces be allowed, these transfers will also apply implicitly to the expenditure of Head IV.<sup>2</sup>

As, moreover, the question of the limitation of air material has never been referred to the Committee, it cannot deal with the question of transfer of the expenditure relating to this material.

## B. HOW SHOULD TRANSFERS BE EFFECTED ?

The Committee of Experts on Budgetary Questions, in Chapter 15 of its report, dealing with " *virements* " as between the limits of the three forces, drew attention to a proposal submitted to it to allow *virement* within narrow limits in the event of its being decided to limit land, naval and air expenditure separately.

The proposal might take one of two forms:

1. A limit (A) would be fixed for the aggregate expenditure on the three forces and separate limits (*a*, *b* and *c*) for the total expenditure on the several forces, limit A being less than the sum of *a*, *b*, and *c*;

<sup>1</sup> See Minutes of the National Defence Expenditure Commission, page 48.

<sup>2</sup> In Chapter X of the report, the Committee has made a technical study of the problem of the separation of expenditure on land and naval material. For similar reasons to those given for the separation of expenditure

2. A separate limit would be fixed for the total expenditure on each of the forces, but percentages of *virement* authorised between these three limits would also be prescribed. These percentages would be fixed by agreement between the Powers represented at the Disarmament Conference for each country in accordance with its special situation.

The Committee examined the two forms of this proposal:

Theoretically, the first is characterised by greater elasticity. The difference between the total of the three limits *a*, *b* and *c* and the limit *A* for expenditure as a whole represents as it were a reserve fund which can be transferred for the benefit of one or other of the three forces, provided that the individual limit fixed for each of them is not exceeded.

In practice, however, each of the ministerial departments, or each of the component services of a single national defence department, responsible for providing for the needs of the three forces must of necessity know at the very beginning of the *exercice* on what sum it can count with certainty. In the first place, therefore, it will be necessary to fix three lesser limits *a'*, *b'*, and *c'*, which together must equal limit *A*; these lesser limits will represent the sums to be placed at the disposal of the ministries or services responsible for the expenditure of the forces concerned, with the proviso that they may be raised to the higher limits *a*, *b* or *c* through the transfer of sums withdrawn from the credits allocated to the two other forces.

As the difference between *a* and *a'*, *b* and *b'*, *c* and *c'* can be easily converted into a percentage of *a*, *b* or *c*, the first formula would in practice lead to the same result as the second, which has the advantage of being more readily understood.

It might be set out explicitly in the following terms:

Transfers shall be allowed between the limits fixed for each of the three forces, provided that the resultant increase does not exceed for each limit the following percentages:

Land Forces . . . . .	<i>x</i> %
Naval Forces . . . . .	<i>y</i> %
Air Forces . . . . .	<i>z</i> %

The percentage might, of course, be the same for the three forces.

### C. BETWEEN WHAT LIMITS COULD TRANSFERS BE ALLOWED ?

The excess percentages to be applied to the limit fixed for each of the three forces would have to be fixed by the General Commission and the percentages fixed should be low.

Attention should be drawn to the fact that the question of transfers between the limits of the three forces belongs to the group of four questions relating to the fixing of the limits and that, consequently, the conclusions to be adopted for each of them should be examined within the general scheme for the fixing of those limits.

These questions are so closely bound up with one another that any attempt to reach separate conclusions which did not take sufficient account of the necessity for estimating the total effects of such a mode of procedure might lead to situations differing greatly for the various Powers, and likely also to affect appreciably the original relationship between the expenditure on the three forces.

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on the three forces, the Committee considers that, on this assumption, it would be necessary to admit the possibility, within each limit for the expenditure on land and naval forces, of transfers between the respective expenditure limits for land and naval material and the other expenditure of each of the land and naval forces.



Account must, however, be taken of other factors which would ensue, more especially from the difficulty of separating accurately the expenditure of the three forces. As has already been shown, such separation frequently necessitates recourse to estimates based upon subjective criteria which in consequence can only be approximate. In the present report, moreover, we have examined certain problems relating to the value of material supplied by one service to another and also to the volume of payments in arrears. These problems would be calculated to affect variations in the limitation figures as between the expenditure on each of the three forces. Though for the moment it is unnecessary to dwell upon the relationship between these questions, the foregoing considerations point to the need for great strictness in regard to the possibility of allowing derogations or of permitting fluctuations in the limits fixed if the limitation of armaments by the budgetary method is to produce effective results. In the case under consideration, it would appear extremely desirable to fix the percentage of variation which might be authorised between the expenditure on the three forces at a very low figure.

In conclusion, the Committee considers:

- (1) That the possibility of transfers between the limits of the three forces should be allowed in the case of a separation of the expenditure for the three forces;
- (2) That the maximum limit within which transfers would be authorised should be fixed in the form of a stated percentage of the limit fixed for the expenditure on each force;
- (3) That this percentage should be low.

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NOTE BY MR. LYON.

1. I do not think that this chapter deals sufficiently with the question of principle implied in the proposal to permit transfers between the limiting figures for the Land, Naval and Air Forces.

2. The question, of course, only arises if separate limits are fixed for the three services. With a single limitation figure covering all three services, it is obvious that Governments will retain the right of dividing that limiting figure in any proportion they like as between the three forces. New circumstances or an invention, for example, might render one force much more important than another, and, with a single limiting figure and complete right of transfer, a State could develop this force at the expense of the less important force or forces.

3. The prevention of this operation appears to me to be one of the main principles upon which the desirability of having separate limits for each force is based. The right of transfer would tend to facilitate the very operation which separate limits are designed to prevent. The proposal therefore appears to me illogical.

The proposal also appears to me to be contrary to the spirit of the resolution adopted by the General Commission on July 23rd, 1932 (document Conf.D.136(1)), paragraph III 2 (a) of which states that "the Conference shall decide . . . what systems of limitation . . . of expenditure will . . . prevent the measures of qualitative and quantitative disarmament . . . from being neutralised by increases or improvements in authorised armaments".

4. The proposals, moreover, appear to me to be unnecessary. If a limiting figure is adopted for each service, this figure, if the Convention is to be logical, must presumably reflect in money the rights to armaments permitted to Governments under the other sections of the Convention or elsewhere. If this is so, each service (Army, Navy, Air) will have all the money it needs and no transfer seems to be necessary.

5. If the limiting figure is not constructed on the above basis, I do not feel in a position to arrive at any opinion on the subject without knowing the principles upon which the limiting figure will in fact be constructed. In any case, I do not agree with the reason for proposing the right of transfer, as given in the report of the Budgetary Experts of 1931 (Chapter 15, paragraph 2): viz., that transfer should be permitted because a State cannot foresee " the development of expenditure which will follow the technical evolution of the respective forces ". This reason seems to be opposed to the principle of the resolution of the General Commission quoted above.

(Signed) K. LYON.

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## Chapter XV.

### SPECIAL PROCEDURE REGARDING CERTAIN UNFORE- SEEABLE AND EXCEPTIONAL EXPENDITURE NOT INVOLVING AN INCREASE IN THE ARMAMENTS OF THE COUNTRY INCURRING IT.

In Chapter II of this report mention was made of certain unforeseeable and exceptional expenditure not involving an increase in the armaments of the country incurring it. When, for example, in consequence of natural disasters—such as earthquakes, cyclones, tidal waves, floods, serious explosions, and epidemics—the armed forces are called upon to assist civilians, their intervention entails additional expenditure under such heads as transport, increased rations, and wear-and-tear of effects or of certain material. It is possible, of course, that such expenditure may be wholly or partly repaid by the recipients of assistance from the armed forces. Such natural disasters or accidents may also involve the loss or destruction of naval units or military material, the reconstruction or reconstitution of which will entail additional expenditure. Again, the suppression of internal disorders, civil wars, and revolts in distant possessions, and the protection of the imperilled lives and property of nationals, may call for the intervention of the armed forces and involve exceptional expenditure. Lastly, in consequence of the reduction of armaments itself, Governments may be obliged, on account of the withdrawal of certain garrisons, to compensate municipalities which have already incurred expenditure for the accommodation of the troops. The cancellation of certain contracts for supplies or buildings—*e.g.*, the cancellation of a contract for the building of a warship—may entail the payment of large compensation.

The Technical Committee is not entitled to prejudge any questions that may arise in regard to the legitimacy of any particular case contemplated above; and, considering the matter from the technical standpoint alone, it expresses the opinion that the Convention would be lacking in fairness if it did not provide a procedure enabling States to have such expenditure excluded from the figures they would be called upon to produce in evidence of the fulfilment of their contractual engagements. The Technical Committee therefore recommends the following procedure for such cases:

When a State is called upon during a year to meet extraordinary expenditure in respect of the cases enumerated above, it must, as was stated in Chapter II, include the expenditure in the Model Statement produced in evidence of limitation, but it may indicate to the Permanent Commission the nature and amount of such exceptional expenditure, and may prove by definite evidence that that expenditure does not represent an increase in its armaments.<sup>1</sup>

Having considered that evidence, the Permanent Disarmament Commission would examine:

- (a) Whether the expenditure in question had really been applied to one of the exceptional cases referred to above;
- (b) Whether it had enabled the country concerned to increase the strength of its armaments.

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<sup>1</sup> As regards the nature of this evidence, see Chapter XX.

The amount of the said expenditure would be deducted from the Model Statement produced in evidence of limitation, unless the Permanent Disarmament Commission established by a reasoned decision that one or other of those two conditions had not been fulfilled. Should the Commission establish that part of the exceptional expenditure had had the effect of enabling armaments to be increased, the amount of the corresponding expenditure would be maintained in the Model Statement produced in evidence of limitation.

Should certain of the events enumerated above assume such gravity as to threaten the national safety, the provisions of Article 50 of the draft Convention would be applicable.

The Permanent Commission would have to consider and indicate precisely the possible effects of this special procedure should there be an average limit covering several years (see Chapter XIII).<sup>1</sup>

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<sup>1</sup> NOTE. — Major-General BARBERIS and M. WORBS make the same remark as on page 127 regarding the greatly extended powers that the procedure proposed by the Committee would confer on the Permanent Commission.

## Part VI.

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# INSTRUMENTS OF THE MACHINERY OF LIMITATION AND PUBLICITY.

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## Chapter XVI.

### THE MODEL STATEMENT.

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#### A. FORM OF THE MODEL STATEMENT.

In Chapter III of the present report, the Technical Committee has demonstrated the necessity for a uniform presentation of national defence expenditure by means of an international *Model Statement*.

In Chapter IX, the Committee, when considering whether it was possible to separate the expenditure of the three categories of forces (Land, Naval and Air) and expenditure on land material as also that on naval material, incidentally studied the structure of this *Model Statement*.

At the risk of repetition, it may be worth mentioning here both the original form which had been given to this statement by the Committee of Budgetary Experts and the conclusions which the examination of the documentation supplied by the States enabled the Technical Committee to reach as regards the final form to be adopted.

**1. The Model  
Statement  
proposed by the  
Committee  
of Budgetary  
Experts.**

It will be remembered that the *Model Statement* proposed by the Committee of Budgetary Experts provided for publicity of defence expenditure in the following form:

- (1) A table for each of the three forces.
- (2) Each of the tables for the Land Forces and the Air Forces was divided into five columns representing:

Expenditure on the armed forces stationed at home;  
Expenditure on the armed forces stationed overseas;  
Expenditure on formations organised on a military basis stationed at home;  
Expenditure on formations organised on a military basis stationed overseas.  
The total for the above forces and formations.

- (3) The table for the Navy omitted the columns relating to armed forces stationed overseas and formations organised on a military basis stationed overseas.

(4) Each of these tables and columns had to be filled in with detailed figures under four heads:

- I. Effectives.
- II. Transport.
- III. Buildings.
- IV. War material.

**2. Results of the First Efforts of the States to complete the Model Statement.** The examination of the documentation showed that, in spite of difficulties, the States have to a large extent succeeded in filling in the thirty-one compulsory items and that only a few of them have filled in the whole or part of the optional columns.

Hence the Technical Committee, while recognising these difficulties, expresses the opinion that the Model Statement as prepared by the budgetary experts is not too detailed in its conception, that it will not prove too complicated in practice, and that its headings, for reasons which differ in each case, will make it possible to present for each State the publicity of its national defence expenditure in correct final form and will permit the verification in detail of the accuracy of the figures providing evidence for purposes of limitation.

It therefore recommends its adoption, with the single modification which has been indicated in Chapter XI (new division of Head IV for the Navy).

For greater clearness, the Technical Committee proposes the adoption of the following order:

- Table I. — Expenditure on Land Forces.
- Table II. — Expenditure on Naval Forces.
- Table III. — Expenditure on Air Forces.
- Table IV. — Total expenditure on the three forces together.

**3. Commentary on the Model Statement proposed by the Technical Committee.** The statement in its final form will thus comprise four main heads for each of the tables I, II and III above:

- Head I. — Expenditure on effectives.
- Head II. — Expenditure on transport.
- Head III. — Expenditure on buildings.
- Head IV. — Expenditure on war material.

*Head I*—expenditure on effectives—includes under various sub-heads:

(a) Expenditure on pay, wages, salaries and allowances for officers, other ranks (including N.C.O.s) and civilian personnel employed in military departments or formations. It classifies this expenditure according to whether the various personnel normally forms part of military formations, departments and establishments, or not.

(b) Expenditure for meeting the material requirements of the troops, whether intended for effectives with the colours or for creating stocks of provisions, materials and supplies for formations to be mobilised.

*Head II* includes expenditure on movement and transport. These terms are taken in the widest sense and cover all movement of effectives and material. For the Land Forces, expenditure on the purchase of horses and their upkeep is placed in a separate sub-head.

*Head III* shows separately the expenditure on the construction of organised defences and the expenditure on construction, upkeep, furnishing and interior equipment of barracks and other buildings.

*Head IV* comprises expenditure on war material. This head is much the most important. In order to give it a well-defined individuality, the following considerations have had to be taken into account: certain States buy their material from private industry or from foreign Governments. The expenditure incurred by these States for such material is entered *en bloc* in the accounts on the basis of the purchase price. If this expenditure is sufficiently subdivided according to the nature of the material, there is no difficulty in transferring it to Head IV of the Model Statement. Other States have their material manufactured in their own establishments. If these establishments have autonomous accounts—*i.e.*, if, like any other industrial undertaking, they deliver their manufactured materials to the ministerial departments against payment, the expenditure of these departments is calculated according to the purchase price, and again no difficulty arises in transferring it to Head IV.

But the State undertakings do not always possess budgetary and administrative autonomy and, if they do not, their working expenses are provided for by means of budgetary credits, which are usually divided up among numerous items of the accounts. It is with these credits that the State undertakings procure raw materials and the products necessary for manufacture, defray the labour costs, and the pay and salaries of the managing staff, the costs of transport and, in short, all overhead charges of manufacture. These undertakings do not charge the military departments for the material which they manufacture for them. It is therefore the budgetary expenditure enumerated above which must be entered in Head IV of the Model Statement, and rules have had to be provided in order that all the expenses which make up the cost of production (raw materials, wages, overhead charges), and which are scattered throughout the accounts, may be assembled under Head IV. Thus, subject to the very important considerations which have been set forth in the course of the report, the head set aside for expenditure on material would have as nearly as possible the same meaning for all States.

**4. Information given as an Annex to the Model Statement.** The budgetary experts recognised that the ideal from the point of view of simplicity and clearness would be to have a Model Statement combining in a clear and explicit form all the elements necessary for publicity or evidence as regards limitations of national defence expenditure. But, at the same time, they thought it essential, since the Model Statement in itself was not sufficient to achieve this aim, to attach a certain number of particulars in the form of annexed tables.

The Technical Committee agrees that this is necessary, and expresses the opinion that the special information in question should be regarded, not as mere annexes, but as documents as essential as any of the others to the machinery of publicity and limitation which it wishes to set up.

Nevertheless, for reasons which will be stated in the next chapter, it considers that some of the original tables (Tables A and B) should not be retained in the new system and that the wording of some of the others should be modified.

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A specimen of the Model Statement and of the headings for the entry of the special particulars which the Committee recognised to be necessary appears as an annex to the present part of the report.

## B. DATE OF SENDING IN THE MODEL STATEMENT PROVIDING EVIDENCE OF LIMITATION BASED ON THE PAYMENTS EFFECTED.

It has been shown above how the Model Statement should be filled in on the basis of the closed accounts. It is now necessary to determine the date of its despatch to the Permanent Commission. The Committee considered all the possible causes of delay in this despatch and the means of obviating such delay. The main object of its deliberation

was to determine whether the Model Statement could be submitted soon enough after the expenditure is effected to allow it to be ascertained at a comparatively early date whether the obligations as regards limitation had been observed.

After examining the documents furnished, the Committee found that delays in sending in the statements might be due to the following different causes:

**1. The Existence of Additional Periods.** An examination of the budgetary systems of thirty-three States has shown that seventeen of them have an accountancy system of twelve months, while sixteen have additional periods of varying length during which payments on account of the financial year may be made. Among these sixteen countries there are seven in which the additional period does not exceed two months and eleven in which it does not exceed three months, so that, in twenty-four out of thirty-three countries, payments on account of the "exercice" may be made within a period of less than fourteen months and in twenty-eight countries within a period of less than fifteen months (see table herewith).

*Periods within which Payments must be effected in order to appear in the Accounts of the Financial Year or "Exercice".*

States	12-months accounts	Additional period in months											
		1	2	3	4	5	6	7	8	9	10	11	12
1. Albania . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
2. Australia . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
3. Austria . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
4. Belgium . . . . .	—	—	—	—	—	—	—	—	—	—	×	—	—
5. United Kingdom . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
6. Bulgaria . . . . .	—	—	—	×	—	—	—	—	—	—	—	—	—
7. Czechoslovakia . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
8. Denmark . . . . .	—	×	—	—	—	—	—	—	—	—	—	—	—
9. Estonia . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
10. Finland . . . . .	—	—	×	—	—	—	—	—	—	—	—	—	—
11. France . . . . .	—	—	—	—	×	—	—	—	—	—	—	—	—
12. Germany . . . . .	—	1½	—	—	—	—	—	—	—	—	—	—	—
13. Greece . . . . .	—	—	—	—	×	—	—	—	—	—	—	—	—
14. Hungary . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
15. India . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
16. Irish Free State . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
17. Italy . . . . .	—	×	—	—	—	—	—	—	—	—	—	—	—
18. Japan . . . . .	—	×	—	—	—	—	—	—	—	—	—	—	—
19. Latvia . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
20. Lithuania . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
21. Netherlands . . . . .	—	—	—	—	—	—	—	—	—	—	—	—	×
22. New Zealand . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
23. Norway . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
24. Poland . . . . .	—	—	—	×	—	—	—	—	—	—	—	—	—
25. Portugal . . . . .	—	1½	—	—	—	—	—	—	—	—	—	—	—
26. Roumania . . . . .	—	—	—	×	—	—	—	—	—	—	—	—	—
27. South Africa . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
28. Spain . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
29. Sweden . . . . .	—	—	2½	—	—	—	—	—	—	—	—	—	—
30. Switzerland . . . . .	—	—	×	—	—	—	—	—	—	—	—	—	—
31. U.S.S.R. . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
32. United States of America . . . . .	×	—	—	—	—	—	—	—	—	—	—	—	—
33. Yugoslavia . . . . .	—	—	—	—	—	×	—	—	—	—	—	—	—
33 States . . . . .	17	5	3	3	2	1	—	—	—	—	1	—	1



The Committee is well aware of the advantages that would be obtained by generally introducing the twelve-months accountancy system. It was, however, obliged to recognise that such general introduction would raise great difficulties and that the question could not be settled in the process of drawing up the Convention for the Limitation of Armaments.

The Committee is convinced, however, that, if the unduly long additional periods existing in some countries are maintained, it would be difficult to obtain juridical evidence of the limitation of expenditure on the basis of the final accounts at a sufficiently early date.

The figures and facts examined by the Committee prove that, in many cases, the States concerned could perfectly well close their budgetary accounts within a comparatively short period (two to three months) after the end of the financial year. The existence of long additional periods (sometimes of as much as twelve months) would seem to be due rather to certain administrative traditions and customs than to essential and imperative technical requirements. There is, indeed, in a number of countries a marked tendency to reduce the additional periods. Thus, in Portugal, this period was reduced in 1930 from twenty-four months to one and a-half months. In France, the Finance Minister announced in December 1932 that the Government was contemplating the reduction of the additional period on the occasion of the reform of the public accountancy system.

Since it would be more reasonable and advantageous to secure some change in administrative customs than to accept considerable delay in the submission of juridical evidence showing that States have fulfilled their undertakings in regard to the limitation of expenditure on armaments, the Committee wishes to recommend the reduction of the additional periods to two or three months. Such a reduction, while enabling the accounts to be promptly prepared, would provide for the rapid publicity of expenditure.

**2. Methods adopted  
by the  
Administrations  
in preparing  
Final Accounts  
for Audit by the  
Higher Auditing  
Authorities.**

In some countries, this work takes from two to six months. During this period, the administrative authorities draw up the accounts and prepare them for examination by the Courts of Audit or other higher auditing bodies. The accounts are checked, not only from the accountancy point of view, but also in respect of their conformity with the budgetary laws. This is extremely detailed work and requires much time. The time taken depends to a large extent on the audit carried out during the execution of the budget. The Committee considers that the possibility of reducing this period is a matter of real interest, since it might affect the fixing of the date for sending in the statement.

In view of the above, the Committee has reached the conclusion that the auditing of the accounts, even for countries having additional periods, might take place comparatively soon after the end of the financial year. It is very much to be desired that the time required for this auditing should not exceed five months. If this were the case the seventeen countries without additional period would have the whole of this time to prepare their final accounts, while the eleven countries with an additional period of one to three months would have four to two months at their disposal. The time-limit of five months could therefore hardly be observed unless the additional period was shortened to three months at the most.

**3. Audit of the  
Final Accounts  
by the  
Higher Auditing  
Authorities.**

In some countries, this work at present takes from four to six months. It may even happen that, as a result of delays in the drawing-up of accounts by Ministers, the audit may take much longer.

In any case, in twenty-six countries considered by the Committee in this connection, the reports of the Courts of Audit or other higher auditing authorities, or the accounts themselves when they are drawn up by these bodies, are submitted within the following periods after the end of the budgetary year:

New Zealand . . . . .	1½ months	Japan	} . . . . .	11 months
Sweden . . . . .	2½ months	Spain		
United States of America . . . . .	5 months	Germany	} . . . . .	12 months
		Yugoslavia		
South Africa	} . . . . .	Poland . . . . .		14 months
Austria		} . . . . .	India . . . . .	15 months
Italy			Denmark . . . . .	19 months
Albania	} . . . . .	France . . . . .		22 months
Bulgaria		} . . . . .	Portugal . . . . .	24 months
Czechoslovakia			} . . . . .	Norway . . . . .
Hungary				
Australia	} . . . . .			
Irish Free State				9 months
Latvia	} . . . . .			
Roumania		} . . . . .		
United Kingdom				10 months
U.S.S.R.				

In some countries, these periods are legal periods which are not observed.

The Committee thought it should endeavour to ascertain the nature of the audit carried out by the higher auditing authorities in view of the different meaning attached thereto in different countries. In some countries, the accounts are prepared by the Court of Audit itself. In this case, they can be produced within five or six months. In other countries, the general accounts are drawn up by central authorities. Such is the case in Denmark, Germany, Norway and Switzerland, where the accounts are published within periods of four to seven months after the end of the financial year. In France, the law prescribes that the bill for the final regularisation of the budget of the last closed "exercice" must be submitted, and the Department's account in support thereof must be produced, at latest at the opening of the ordinary session of the Chambers following the close of the "exercice". These legal time-limits are not at present observed.

The Courts of Audit are called upon to give the Parliaments, after such publication, a guarantee that the provisions of the budgetary law have been faithfully observed. They point out any irregularities they have ascertained, but they have no power to change the figures of the accounts. In these cases, the Committee thinks that it might be advisable merely to require the production of the published accounts without waiting for the subsequent production of the results of the audit by the higher auditing authorities, which, in the countries in question, require from twelve to thirty months from the end of the financial year; from the point of view of the Convention, this is too long.

On the other hand, the Committee cannot but recognise the value of the guarantee of authenticity given to the accounts by the audit of higher auditing authorities of an entirely independent character. Hence, the Committee thinks that it is possible to be satisfied with the published accounts, on condition that the results of the audits are produced in due course.

The Committee is inclined to think that, in some cases, part of the delay in rendering the accounts is due to the fact that Governments do not need to hasten their preparations for drawing up the final accounts, because they merely require to submit them to Parliament at the moment when the draft budget is being prepared for the second year following that for which the account is made up. Thus in Denmark, the reports of the State auditing authorities must be submitted during the second ordinary session of Parliament after the end of the financial year. In several countries, and more particularly in the U.S.S.R. and Yugoslavia, the law provides that the accounts must be submitted to Parliament with the draft budget for the second succeeding year. In such cases the delays

are not due to technical reasons, and it may be hoped that it will be possible to submit the accounts at an earlier date in order to satisfy the requirements of the Convention.

**4. Approval of the Final Accounts by the Competent Legislative Authorities.** The Committee is of opinion that this is primarily a political act, since the supervision is exercised by Parliaments over the manner in which the responsible ministers have executed the budget within the limits of the expenditure authorised. On the other hand, Parliaments do not as a rule proceed themselves to an audit of the final accounts. They consider rather the administration of the credits on the basis of the audit and observations of the higher auditing authorities. Furthermore, it should be borne in mind that legislative supervision is sometimes exercised after a considerable lapse of time, which may amount to several years.

The Committee, while recognising the importance of the legislative approval of the final accounts, is nevertheless of opinion that this act has no direct connection with the authenticity of the figures, which is essentially the outcome of the audit of the higher auditing authorities.

\* \* \*

The Committee considers that it would in practice be possible to supply, within a maximum period of fourteen months after the end of the financial year, Model Statements drawn up in accordance with the final accounts published and in most cases audited by the higher auditing authorities. But, in certain cases, the results of the audits will only be produced after this interval. The length of the time-limit for the production of the Model Statement presents drawbacks which have already been pointed out. Hence, the Committee proposes to obviate them by organising a system of additional publicity which might be effected more rapidly (see Chapter XIX).

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## Chapter XVII.

### SPECIAL PARTICULARS ADDED TO THE MODEL STATEMENT WITH A VIEW TO LIMITATION AND PUBLICITY.

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#### I. INTRODUCTION.

In 1927, the Budgetary Experts proposed that three tables<sup>1</sup> should be added to the Model Statement showing:

*Table A.* — The division of the pay of reservists as between that paid outside periods of training to reservists not employed and that paid during periods of training to reservists called up.

*Table B.* — The division of expenditure on shipbuilding as between new construction on the one hand and maintenance and repairs on the other.

*Table C.* — The total amounts outstanding on block credits granted for more than one year.

The Committee of Experts of 1930-31, which continued the work of the first Committee of 1927, further considered that, in order to fill up a possible gap in the machinery of limitation, the various countries should furnish the figures of their "credit purchases" and decided to add to the three annexed tables mentioned above a fourth—viz., "*Annexed Table D*":

"Amount of credit purchases or deferred payments in respect of goods delivered or services rendered, in cases where the due dates of payment are later than those customary in contracts of the same kind which do not provide any special credit facilities."

#### *Annexed Table E.*

As, moreover, the Committee of Budgetary Experts attached importance to the question of State subsidies to, and participations in private armament undertakings, it provided that, if certain subsidies were granted to private undertakings for purposes other than national defence—for instance, for social purposes—they would not be included in the statement, but, in order to facilitate supervision, States should specify in a special publicity table the reasons why such subsidies had been excluded from the Model Statement.

#### *Annexed Tables F and G.*

The Committee of Budgetary Experts also provided for two special tables, one of which (*Table F*) was to show expenditure on pensions and the other (*Table G*) the principal modifications introduced each year into the provisions of laws or regulations capable of reacting on the amount of national defence expenditure.

The various annexed tables differed therefore greatly in respect of their origin, importance, content, form and even of the principle on which they were based. It was necessary to examine them one by one in the light of the documentation submitted by States.

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<sup>1</sup> In 1927, provision had, indeed, been made for another table in which would be entered the effectives shown in the budgets. As this statement was rendered unnecessary, however, by the special provisions in the Convention relating to effectives, it was not mentioned in the 1931 proposals.

It may, however, be pointed out at this stage that, although publicity was the object of all seven annexed tables proposed by the Budgetary Experts, three of them—Tables C, D and E (and especially Table D)—were directly connected with the machinery for the limitation of expenditure.

## II. EXPENDITURE ON RESERVES.

Annexed Table A was worded as follows by the 1930-31 Committee of Experts:

- (1) Remuneration outside periods of training of personnel not employed;
- (2) Remuneration during training of reservists called up.

The Technical Committee, when discussing this table, found itself at the outset faced by two difficulties requiring settlement.

The first was the question of the meaning of the word "reserves".

A number of entirely different views on the subject were put forward and supported in the documents submitted to the Committee.

In the United Kingdom and in almost all the Dominions, there are certain military institutions, firmly rooted in tradition, which have nothing or very little to do with the Regular Army. They include the Territorial Army in the United Kingdom, the Auxiliary Air Force, the University Air Squadrons, the Militia Forces in Australia and the Auxiliary Forces and Territorial Forces in India.

In these countries, such institutions can scarcely be regarded as "reserves" of the Regular Army; in fact, only men who have previously served in the Regular Army and are under definite obligations are regarded as forming part of the "reserves" of that Army.

For these reasons, neither the United Kingdom, nor India, nor Australia, have shown expenditure on the Territorial Army and similar organisations in Annexed Table A.

The United States of America, on the other hand, regarded their National Guard as a reserve formation, and showed in Annexed Table A expenditure incurred by the Federal Government for this body. Similarly, the United States included in the same table expenditure incurred by the Federal Government for the Organised Reserves and for the Citizens' Military Training Camps, which are military institutions having to a still less extent the character of "reserves", in the sense in which this term is used in the United Kingdom.

Certain countries treated as reserve armed forces such institutions as rifle clubs, physical culture associations and the Red Cross.

Lastly, it may be noted that Switzerland has been led to consider the question whether she should not enter all expenditure on the personnel of her Army under the sub-head relating to "reservists". This is of course due to the very special position of an Army, such as that of Switzerland, which has no permanent troops or cadres. In document Conf.D.125, of June 15th, 1932, moreover, Switzerland stated the difficulty or even impossibility of bringing her Militia Army under the general régime of the future Convention.

It would thus appear necessary to settle an important preliminary question which is outside the competence of the Technical Committee; this question comes within the province of the Committee on Effectives, whose duty it would be to give a definition of "reserves" and "reservists".

There is another preliminary difficulty which the Technical Committee is not in a position to settle.

Nearly all the Powers possess officers of various categories who, though not entirely on active service, are nevertheless not definitely retired.

There are, for instance, in the United Kingdom and in some Dominions, in Sweden, Norway and Belgium, half-pay officers who, though generally speaking they do not perform any active duties, cannot nevertheless be regarded as fully retired.

The French Reserve *Cadre* contains over 940 general officers, a fact which is in itself sufficient to demonstrate that the "pay" of these officers, which is moreover calculated at the same rates as pensions, should be regarded mainly as a "pension"; the French delegation was therefore justified in deducting this expenditure from the Model Statement and in excluding it from Annexed Table A, Article 1, although a proportion of these general officers may be called up from time to time. But can the same be said in the case of "officers on long leave," of "unattached officers", and "officers on half-pay"?

An examination of the case of the "retired officers", for whom an expenditure of \$20,113,145 is entered in the War Department budget of the United States of America for 1930, will show that this expenditure is included in Annexed Table A because, in the opinion of the United States delegation, these officers should be regarded, not as definitely retired, but rather as officers always ready to answer any summons (although thirty-three of these officers were already serving in 1865).

There are, moreover, in almost every Army other categories of reserve and supplementary officers, etc., who are not ex-officers, who have served with the colours. These include young men who, during their period of higher education, have received appropriate military training (Czechoslovakia, France, Poland, Roumania, United States of America, etc.) It should be noted that this last category of reserve officers frequently contains doctors, pharmacists and veterinary surgeons.

The remarks regarding officers apply in certain Armies also to non-commissioned officers and men. It is not possible to decide what expenditure should or should not appear in Annexed Table A unless we have first defined the exact position of officers and men, who, after service with the colours, are still under certain military obligations. The Committee felt some doubt in the case of the *Wartegelder* in Germany and the *Wachtgelden* in the Dutch Indies, etc., and also regarding the Association of Retired Soldiers in Japan, which receives from the Government a subsidy of 250,000 yen as a contribution towards its administrative expenses.

These examples will show how necessary it is, should special information be desired concerning reserves, for the Committee on Effectives to give a decision as to which categories of officers and men, in the case of each separate Power, should be regarded as "reserves" and which categories should be regarded as "definitely retired".

After an examination of the question from a strictly budgetary standpoint, it would moreover appear doubtful whether Annexed Table A can at present be satisfactorily filled in.

Is it, in the first place, advisable to extend the wording of the two items of Annexed Table A so as to include *all* expenditure on reserves, and not merely the "remuneration" of reservists?

In the case of certain Powers such extension might be possible; the United States of America, for instance, could quite easily specify all expenditure (*i.e.*, all *Federal* expenditure) in the "appropriation" for the Militia Bureau, including arms, clothing, barracks, etc., for the National Guard; but this would appear to be almost impossible, for instance, in the case of the United Kingdom, for the Territorial Army, since vote 2 covers practically pay only, whereas "stores supplies, etc." are paid for out of votes 6 to 9 of the "Army Estimates" and cannot be distinguished from those intended for the Regular Army.

It should also be remembered that the Experts' Committee of 1927, when it expressed the desire to receive particulars of expenditure on "reserves", wished to make public the expenditure incurred by the various Powers on calling up and training reservists; for this reason, that Committee thought it necessary that expenditure specifically incurred in calling up reservists should receive special publicity.

It is clearly very difficult accurately to identify the various items of expenditure directly arising out of the calling-up of reserves; very often such expenditure cannot be separated from the general administrative expenditure. There are, however, certain points which will remain for discussion, even if we assume that the Committee decides that it is inadvisable to endeavour to ascertain *all* expenditure upon "reserves", in order to show it in Table A. These points are as follows:

(a) It is reasonable to include in the expenditure arising out of the calling-up of other ranks the assistance granted by various Powers to the families of reservists called up, more particularly as in some cases—*e.g.*, in Belgium—this assistance is deducted from the remuneration which in theory is granted to the soldier who has been recalled. It may be pointed out, moreover, that, whereas in Poland and Czechoslovakia allowances to families of reservists called up appear in a special chapter of the budget (117,851 zlotys and 4,468,621 crowns respectively), in the case of the majority of Powers assistance of this nature either is not granted or is not shown in special chapters, so that, if the expenditure were shown under a special heading in Annexed Table A, it could not be checked.

(b) A more difficult problem is that arising out of schools for reserve troops. It has three different aspects, corresponding to the three different kinds of schools—those for officers, non-commissioned officers and men respectively. Very different interpretations have in fact been given to Annexed Table A on this point.

As regards reserve officers, it often happens, as has already been seen, that young men at the universities (particularly those studying engineering and medicine) who follow certain special courses obtain a commission in the Reserve. What meaning must be attached to the phrase "expenditure on such schools"? Is it to include salaries of military instructors or merely additional allowances? Allowances given to the students? Or other expenditure such as that on travelling? Should expenditure on buildings and material be included?

In the case of non-commissioned officers and men, schools for reserve personnel are comparatively rare; generally speaking, such personnel is simply incorporated with the active personnel and takes part in the drill, etc.; some Powers, however, possess schools, particularly for certain specialists; these schools raise the same difficulties as those arising from schools for reserve officers.

It is in any case difficult to distinguish between schools for military reserve personnel and ordinary instruction courses, as these schools are sometimes attended both by active and reserve

list personnel and there is great difficulty in separating the expenditure incurred in respect of the latter.

It would therefore seem preferable not to include in the Annexed Table expenditure on such schools, but to show only expenditure for reserve personnel attending them and to agree that other expenditure (training staff, buildings and material, etc.) should be shown in the relevant sub-heads of the Model Statement.

(c) A third point for discussion is whether the term "remuneration" which appears in the Annex should be understood as meaning only "pay, salary and allowances" or should include the "maintenance" of reservists when called up.

France is the only Power which has given to the wording the latter interpretation, which for the following two reasons appears to be a reasonable one:

(a) This procedure gives a more accurate idea of the expenditure incurred on the training of reservists;

(b) Certain Powers pay reserve personnel at a higher rate in view of the fact that such personnel have to bear either entirely or in part their own maintenance expenses; the sum shown in Annexed Table A, if it referred only to "remuneration", would thus become very elastic in its meaning and would no longer meet the requirements for which the table was drawn up. This difficulty would clearly be completely overcome if, under point 2, were shown "remuneration", including "maintenance".

An examination of the material submitted, however, brings to light a serious difficulty; in the case of nearly every Power (Belgium, Italy, Japan, the Netherlands, Poland, Roumania, U.S.S.R., etc.) it is not possible to check expenditure on "maintenance" of reservists called up against any chapter of the closed account; if, therefore, the sum shown in Table A were to include both "remuneration" and "maintenance", it would be of doubtful value.

(d) Closely connected with this problem is another; is it possible to check the figures shown in the second heading of Annexed Table A by means of the closed accounts of the various Powers?

The reply furnished by the material submitted in this respect is entirely negative.

Out of twenty-seven dossiers examined, in only one case (Yugoslavia) did the amount shown in Annexed Table A correspond exactly with a chapter in the closed accounts. Item 567 of the Closed Account—"Pay and various allowances for reserve officers and sergeant-majors called up for military-training"—is transferred bodily to Article 2 of Annexed Table A. But, if not only officers and non-commissioned officers but also men had been called up, the expenditure on the latter could in all probability not be shown separately; similarly, in the case of other Powers, such expenditure can only be shown separately on an approximate basis and with the help of internal accounts.

It may therefore be stated that examination of the material received shows that the second part of Annexed Table A can only be filled up with the help of figures *which cannot be checked by the closed accounts*.

In these circumstances, would it not be better to omit this item?

Item 1 is a little easier to check; and such a check can, for instance, be carried out in the case of the United Kingdom, Sweden and certain other Powers.

Nevertheless, what information is to be gained from this item?

That the United Kingdom, for instance, in 1929-30 expended £2,228,174 on reserve personnel of the Regular Army which was not called up. It might be asked whether, instead of showing the £2,228,174, it would not have been more accurate to show the £4,438,214 in respect of the Territorial Army, which is in fact a second reserve; in any case, after reading this figure, we are left with the impression that there is no real use in the item and that the figures shown are entirely devoid of importance.

We thus reach the conclusion that it would be better to do without an annexed table which serves no useful purpose and in all probability would only give rise to confusion.

This conclusion is strengthened by two further considerations.

In the first case, the Model Statement contains a sub-head D—"Persons undergoing preparatory military training, reservists and reserve organisations"—which gives an idea of the expenditure incurred by the various Powers on such "reserves"; furthermore, this sub-head, which has been drawn up in rather wider terms, covers in fact other expenditure which is more or less of the same kind. Furthermore, as in a large number of cases no expenditure is incurred for persons undergoing preparatory military training or such expenditure is not regarded as military expenditure, the result reached was that sub-head D gave the same total as Annexed Table A, which was thus a mere repetition.

It must also be borne in mind that, in 1927, when the Preparatory Commission was sitting, there was a particularly keen discussion on the question of "trained reserves" and that it appeared more important than is the case to-day to use an indirect method—namely, that of expenditure—to ascertain the extent of the "reserves" maintained by each Power. Now that

the Conference is developing along new lines in connection with the period of service, this question becomes of considerably less importance.

In short, the Technical Committee is of the following opinion:

(a) If Annexed Table A is to be filled up, it is first necessary to ask a competent committee, such as the Committee on Effectives, to define: (a) what armed forces should be considered as "reserves"; (b) what officers, non-commissioned officers and men should, in the case of each separate Power, be regarded as occupying "reserve appointments"? We must face the FACT THAT SUCH DISTINCTIONS ARE VERY DIFFICULT TO DRAW, that in all probability the dividing line will be to a large extent arbitrary, and that it is difficult to see how in practice it will be possible to ensure that this dividing line is respected;

(b) If we assume that the required definitions can be supplied, it would still remain true that the figures shown in Annexed Table A cannot be checked in any way, and would thus be of very little value even for purposes of publicity;

(c) The annexed table is, to some extent, a repetition of sub-head D in the Model Statement and would not be of any particular value. Furthermore, it is probable that the information which should appear therein is no longer considered so important as was the case in 1927.

Such being the case, the Committee considers that Annexed Table A should be omitted.

### III. SPECIAL INFORMATION RELATING TO NAVAL MATERIAL.

When dealing with the subdivision of Head IV in the statement regarding Naval Forces into two sub-heads L and M,<sup>1</sup> it was found that the subdivision into "shipbuilding" proper and "arms and ammunition" was unsuitable and that it was preferable to replace these two items by "new construction" ("shipbuilding," "arms and ammunition") and "maintenance" ("ships," "arms and ammunition") respectively.

Annexed Table B as proposed by the Committee of Experts in 1930-31 distinguished between expenditure on new shipbuilding and expenditure on the maintenance of vessels.

It was, however, found to be somewhat difficult to separate expenditure on shipbuilding from that on arms and ammunition. When, moreover, a naval programme is drawn up and taxpayers are informed of the price of a new vessel, it is clear that what chiefly interests them is the cost of the "complete" vessel, including guns, ammunition, torpedoes and all the equipment.

It would therefore appear that the really valuable information would be shown in the Model Statement itself provided that sub-heads L and M are given the new meaning proposed. Annexed Table B could then be omitted.

### IV. BLOCK CREDITS.

The Committee of Budgetary Experts proposed to attach to the Model Statement a Table C with the following heading: "Statement of the amount outstanding at the end of the financial year of block credits voted for expenditure in more than one year."

Failing clear instructions, the different Powers interpreted this table in the most various ways. Certain States, for example, entered amounts outstanding from credits voted for several years outside the budget, whereas others gave the amounts of credits carried forward from one year to another irrespective of whether the carry-forward had been re-authorized by Parliament or not. As, moreover, the legal implications of the voting of a credit of course vary greatly from country to country, certain States have shown the difference between the amount of the credit carried forward and commitments entered into in respect thereof, while others stated the difference between the amount of the credit carried forward and the orders for payment issued; others, again, showed the difference between the credits carried forward and payments actually made. The difficulties encountered by the various Powers impressed upon the Committee the necessity for a clear definition of the meaning and scope of the proposed table.

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<sup>1</sup> See page 102 and following pages.



In order clearly to define what this table is meant to embody, a number of essential distinctions should first be drawn.

The most typical case of block credits are credits dealt with in a special account—*e.g.*, the credits for the organisation of the frontiers in France and Belgium; once the authorisation of expenditure has been given, it remains valid until the financing of the work is completed. In such cases, it is important to be informed, at the end of each year, of the difference between the original amount of the block credit and the payments already made—that is to say, what proportion of the block credit will remain available during subsequent years for financing the work dealt with in the special account.

It is also possible that a block credit may be granted with the proviso that the total amount shall be split up between a number of successive budgets in yearly instalments. It is important to be informed at the end of each year of the difference between the block credit and the instalment or instalments already shown in the budgets.

But there are also other forms of block credits. The system of the United States of America, for example, includes continuing credits which may be expended over a number of years. In this case also, it is important to be informed at the end of each year of what proportion of such credits remains available.

It is already known that, in almost all countries, there are also carry-forward credits—that is to say, credits voted at the beginning of a given financial year which may be expended in the course of the following “exercice” or “exercices” in so far as they have not been exhausted during the financial “exercice” in which they originated. In certain cases such credits may be carried forward automatically; in other cases, on the contrary, they cannot be carried forward without a new authorisation from Parliament. Even if no distinction is drawn between the rules governing carry-forward, it is also important to be informed at the end of each year of the difference between the amount of the carry-forward credit voted and expenditure already effected against this credit in the course of the year—that is to say, of the amount outstanding to be transferred to the following financial year or years.

In certain countries (such as Italy) where the voting of the credit limits the commitments which may be entered into in the course of a given year, the difference between the credit and the commitments entered into during that year is in principle automatically cancelled; but the difference between commitments entered into and payments actually made is transferred to a residuary account. It is, moreover, possible that the system in such countries also includes carry-forward in the strict sense of the term—that is to say, that the difference between the credit voted at the beginning of the year and the commitments entered into is not automatically cancelled and that the difference between the total amount of the commitment credit and the payments actually made during the financial “exercice” is transferred to the residuary account. Even if no distinction is made between these two cases there can be no doubt that that part of the credits which is transferred to the residuary account at the end of the “exercice” constitutes a fund available for use in the course of one or more years and, such being the case, it is also necessary—for publicity purposes—that the amount of such residuary credits should be known.

In certain countries, however, Parliament authorises the defence services to enter into commitments during a given year on the understanding that the expenditure involved shall only be paid out of the financial provision of the following year or years. Such commitment authorisations are to some extent analogous to commitment credits as defined above; the two must not, however, be confused. Whereas commitment credits at the same time authorise payment, commitment authorisations must of necessity be succeeded in the following year by a special payment authorisation. This should preclude the possibility of deliveries being made during the year in which the commitment authorisation is granted. It is nevertheless true to say that commitment authorisations make it possible to conclude contracts and are therefore a reliable pointer to the financial effort which will be devoted to armaments in the future. No doubt, the payments corresponding to the commitments entered into will be included in the Model Statement for the following year or years; it is nevertheless important to mention in the Model Statement for each year all commitment authorisations in respect of that year, as such commitments represent, as it were, potential armaments.

These particulars relating to residuary credits and commitment authorisations are important:

(1) Because, when the Convention comes to be signed, it will be impossible to overlook the fact that certain Powers have available credits against which the Governments may have entered into commitments which will result in deliveries and consequently in payments;

(2) Because, if the termination of the Convention could be anticipated, it would be possible, merely by entering into commitments without making payments, to procure a certain quantity of armaments which might be almost ready for delivery towards the end of the Convention and which might be paid for immediately after delivery—that is to say, immediately after the Convention expires.

The latter consideration emphasises the importance of a Convention which would have an unlimited duration—*i.e.*, which would be renewable by tacit consent at the end of the successive periods laid down therein, in accordance with Article 57 of the draft Convention. In any case, the Committee considers it its duty to point out that the efficacy of limitation will increase in direct ratio to the length of the period for which the Convention is concluded.<sup>1</sup>

In the event of the Convention's being concluded for an unlimited period, these foregoing particulars would still have their importance from the point of view of publicity and also from that of the information necessary for the revision and adjustments for which the draft Convention provides.

Lastly, the Committee considers that, in the same connection, it would be useful to be kept informed every year of the balances at the disposal of autonomous establishments and capable of being used for further capital outlay or for the constitution of stocks.

The Committee therefore considers it desirable that the contracting parties should be asked to give information on the following points:

(a) The difference between the initial amounts of the block credits voted for several years and any part of such credits already entered in the budgets, including the budget for the year to which the Model Statement refers;

(b) The difference between carry-forward credits—that is to say, credits which may be used for meeting expenditure during the year in question or subsequent years—and payments in respect of such credits shown in the accounts for the former;

(c) Authorisations to enter into commitments granted apart from credits voted in the budget of the year to which the Model Statement refers;

(d) The difference between the block credits contained in special accounts and payments already made against such accounts, including those made during the year in respect of which the Model Statement has been compiled, together with all other credits available in special accounts;

(e) The credit balance of autonomous establishments remaining at the disposal of those establishments.

If this proposal is adopted in principle, very precise instructions will have to be drawn up in order to define the exact nature of the particulars to be inserted. These instructions will have to make it clear that, in order to determine what proportion of funds previously

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<sup>1</sup> NOTE. — In this connection, Major-General BARBERIS and M. WORBS feel bound to emphasise the inefficiency of the system proposed in the present report in the event of the Convention being concluded for a short period only.

authorised still remains available, all countries should deduct the amount of payments made up to the date under consideration from the original amount of the funds in question.

In this way, the meaning conveyed by the particulars produced by the various countries will be as nearly identical as possible.

Should the closed accounts or other published official documents not give these particulars, it would be advisable to recommend the Powers concerned to publish them in order to facilitate the task of the organs of the Permanent Commission which will have to check the Model Statements.

## V. DEFERRED PAYMENTS AND CREDIT PURCHASES.

### 1. General Considerations. Work of the Committee of Experts on Budgetary Questions.

The limitation of expenditure applies to payments. If the payments are made within a fairly short period, they are almost contemporary with the services rendered and the deliveries effected, so that, by the limitation of payments, actual armaments are limited at the same time.<sup>1</sup>

But it always happens that, at the end of the "exercice", there are a certain number of payments in arrear, the amount of which is proportionately small if there is an additional period of long duration. The existence of payments in arrear to a small extent is quite a normal phenomenon and one which is shown by experience to recur year after year. If this small amount of payments is of the same volume each year, the limitation of payments rigidly restricts, not the armaments obtained during the year, but those obtained during a period commencing some time before the beginning of the "exercice" and ending some time after the end of that period.

But if for any reason States deferred certain large payments for a relatively long period, and particularly if they had recourse to credit purchases—that is to say, if, under the contracts for supplies and constructions, they obtained terms of payment considerably longer than the terms of delivery—that would create a situation requiring special consideration.

The Budgetary Experts even held that the development of orders for goods or services on the one hand and of payments on the other hand might be influenced or disturbed by the very fact of the restrictions established by the Convention, and that, for this reason, payments might be postponed, not by accident, but deliberately.

In such cases, payments deferred during a relatively long period and payments in respect of credit purchases may not appear in the closed accounts for the year or for a number of years following the services rendered or the delivery effected. It would thus be possible for a State, during a given year, to remain within the limit fixed for the annual amount of payments, while still procuring, during that year, armaments exceeding in value the amount of that limit.

Such a possibility cannot be allowed. The Budgetary Experts, therefore, after showing that normal payments in arrear did not influence the effectiveness of limitation, provided for the inclusion in the Convention of the following contractual clause:

"The High Contracting Parties undertake not to employ the system of credit purchases or any other system of deferred payments in such a way as to increase their armaments, and in particular their war material, beyond the level which the Parties would have been able to attain under the Convention if the payments had not been deferred."

This clause aimed at preventing the amount of payments entered in the Model Statement in one year and the value of the armaments obtained and not paid for during that year from exceeding the limit allotted to each State for its expenditure.

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<sup>1</sup> See Chapter IV.

In order to obtain evidence that such an obligation was being carried out, the Experts contemplated two methods:

- (a) The insertion in the Model Statement itself, in addition to the payments, of the value of the armaments obtained and not paid for at the end of the year;
- (b) The production of a table in which States would indicate the value of the armaments obtained during the year and not paid for at the end of the year.

The Budgetary Experts of 1930-31 were anxious that authenticated figures of payments extracted from the closed accounts should not be mixed up in the Model Statement with estimated figures of expenditure which for the most part do not appear in the public accountancy documents; they therefore recommended the second method, and suggested a publicity table with the following title:

"Statement of the amount outstanding at the . . . (date) in respect of purchases on credit or deferred payments relating to goods delivered or services rendered, in cases where the due dates of payment are later than those customary in contracts of the same kind which do not provide any special credit facilities".

In the opinion of the Experts, the publicity suggested should take place within a comparatively short period, in any case shorter than the period allowed for the sending of the returns of expenditure. They considered that the return of credit purchases and deferred payments might be sent in at the same time as the return of expenditure, the former return referring, however, to a more recent twelve-month period than the latter.

The Committee of Experts considered that the practice of credit purchases and deferred payments might be of special importance in cases where certain Governments obtained credits from other Governments for the manufacture of war material. It therefore proposed that, in order to make the above-mentioned contractual undertaking more effective, the Conference should consider whether it would be desirable for the parties to undertake to refrain from the following proceedings, so far as they may have an influence on the efficacy of limitation:

- (1) The grant of credits to other States in order to enable the latter to purchase armaments; and
- (2) The grant of assistance to enterprises in their own countries such as would enable these enterprises to deliver war material on credit to foreign States.

The Committee of Budgetary Experts confined its consideration more particularly to purchases made from private firms, and reached the conclusion that, since the deferred payment of a sum will have to be effected sooner or later, it will not in practice be possible to have recourse indefinitely to credit purchases. A time will always come when the accumulation of the debts of the State will lead, during a given year, to payments which cannot be effected without danger of exceeding the fixed limit. Thus the fear of exceeding the limit should restrict the possibility of States having recourse to credit purchases, with the exception, naturally, of cases where they can anticipate the end of the Convention.<sup>1</sup>

**2. Results of the Examination of the Documentation by the Technical Committee.**

The Technical Committee, in the light of the documentation, has endeavoured to form an opinion as to the value and scope of the Budgetary Experts' recommendations.

Of twenty-seven Powers whose replies were examined, twenty-one made the entry "Nil" in the table relating to credit purchases. They asserted that they did not have recourse to credit purchases and payments deferred beyond the usual terms. It was noted that, in the case of Germany, the payment of certain expenditure for the year 1930 was postponed for lack of funds to 1931 (see Summary, B), and that, in the case of Australia, wages unpaid at the end of the year were transferred to corresponding "suspense funds" ("unclaimed militia pay; unpaid salaries 1929-30"). But in these cases they were not real credit purchases such as those considered by the Experts, but "suspense funds".

<sup>1</sup> See reservation on page 153.

Six Powers gave figures in the table relating to credit purchases:

(a) The United States of America inserted a figure in the table as the result of an erroneous interpretation, and, after the discussion of the documentation supplied by that country, it was acknowledged that the United States did not need to insert any figure.

(b) Norway gave a figure, also as the result of an erroneous interpretation.

(c) Yugoslavia gave the amount due from the Ministry of the Army and Marine to the Ministry of Communications for transport in 1929-30. Yugoslavia stated that, "during the budget year 1929-30, there were no credit purchases which would have contributed to the increase of supplies of material, without involving any expenditure".

(d) Roumania showed an amount of 12,000,000,000 lei divided into ten yearly amounts of 1,200,000,000 lei each, plus interest. This represents part of the yearly expenditure on the General Staff's investment plan and programme. The Roumanian delegation stated that in 1930-31 no payment was made, and that "the credits relating to this programme will be voted together with the budget for each of the years over which the programme is spread".

(e) Poland did not give any figure. An examination of the documentation showed, however, that the system of credit purchases or deferred payments, as understood in the Experts' report, is practised in Poland, but in 1929-30 there were no deliveries in respect of which payment was not made.

(f) The U.S.S.R. gave the figure of 10,340,000 roubles as the "liability of the People's Commissariat for Military and Naval Affairs in respect of orders abroad".

It thus seems that the system of credit purchases is employed to-day by only four of the twenty-seven Powers whose documents were examined. It is, moreover, possible that the absence of detailed instructions for interpreting the headings of the publicity table led to confusion.

The examination of the documentation supplied therefore did not furnish the Committee with a sound basis on which to form an opinion.

With a view to proposing definite solutions to the Conference, the Technical Committee first endeavoured to fix the conditions under which States might have recourse to deferred payments and credit purchases.

It should be at once observed that credit purchases and deferred payments may relate, not only to war material proper, but to all supplies, and also to services rendered by individuals and public and private firms and establishments. The problem has therefore been considered in all its aspects by the Committee.

**3. Purchases from Private Firms.** So far as purchases from private firms are concerned, it should be observed that any delay in payments is costly for a State.

The latter, like any debtor, must pay interest in respect of the delay in settlement of its debt, and compound interest if payment is not made within one year. When a State buys on credit, the prices are necessarily higher than for cash, because, in order to execute their orders, the contractors are obliged to consume their own reserves or to borrow, unless they regularly receive the amounts due to them. It is the purchaser who in the last resort bears the consequences of such operations. A State will therefore only exceptionally purchase on credit from private industry. It may even be observed that the tendency in States at the present time is to pay large amounts on account at the various stages of manufacture, rather than to delay payments. In some countries, such as France, these payments on account may amount to eleven-twelfths of the value of the material, so that the material may be very largely paid for before delivery.

**4. Services rendered by Personnel.** As regards remuneration to personnel, the Committee does not think that States can delay their payments with the sole object of maintaining more than the normal personnel in their service.

Wages and various allowances are usually based on rates common to all State employees, and it is difficult to take special measures for the pay of the fighting services in this

respect. Moreover, such measures become immediately known on account of the anxiety to which they give rise. It would therefore not appear that this is a matter of apprehension in applying the Convention.

**5. Transfers from One Government to Another.** On the other hand, the Committee considers that the practice of credit purchases may become serious from the point of view of the Convention when a Government obtains credits from another Government for the manufacture or construction of war material. In this case, payments for material may be made to the private suppliers or State establishments by the Government in whose territory the material has been manufactured, and such payments may be charged against the credits which it has granted to the Government for which the material is intended. The latter Government will no doubt repay its debt, but it will not make payments direct to the suppliers, and the payments in respect of material supplied will not appear specifically in the accounts. The Committee considers that, in view of the Convention, the two Governments concerned should undertake to declare the value of the material at the time of delivery and to give the value separately for land, naval and air material. Such a declaration would make it possible to ascertain the value of the material delivered and not paid for during each year. The study of this proposal would appear to be within the competence of the Committee dealing with the regulation of the trade in and private and State manufacture of arms and implements of war. If effective supervision were established over the production of war material, as suggested in the General Commission's resolution of July 23rd, the question of credit purchases between Governments would be automatically settled, at all events as regards its effect on the efficacy of the mechanism of the Convention.

**6. Transfers of Material from One Department to Another.** The Committee then considered cases of transfers from one department to another in the same State. It has been pointed out that as the State is itself the creditor, it might defer payment for material transferred to the military departments. It should be remembered that, although *transfers from one department to another* can be made from a civil ministry or service to a military ministry, they become of importance to national defence only in the case of transfers from one national defence ministry to another national defence ministry; it should, however, be noted that the materials common to the various arms are not numerous.<sup>1</sup> Nevertheless the ministries that make the transfer require the immediate refund of the value of the material transferred, in order to continue manufacturing the material they require for their own needs and hence the practice of deferred payments cannot in this case give grounds for serious apprehension as regards the application of the Convention. Certain difficulties may, however, arise owing to delay in regularisation—for example, as a result of disputes between services.

**7. Transfers made by Autonomous Establishments.** When transfers of material are made to the national defence services by autonomous establishments, the State might conceivably grant special conditions of payment to the fighting services, whereby they would have more latitude for deferring payment than in the case of goods supplied by private firms. But, if the autonomous establishments are not paid for the goods they supply, their operation will be immediately suspended, since it is, in point of fact, supported by the revenue derived from deliveries made to the various public services. These are the very reasons for the regulations according to which the whole or most of the payment for transfers is usually required before delivery (for instance, in France and Italy). Consequently, in the case of transfers between public departments or transfers from an autonomous establishment to national defence departments, the possibilities of postponing payment are limited.

<sup>1</sup> See, in this connection, pages 83, 87-88.

Nevertheless, it has been pointed out that, in certain special cases and for very short periods, it would be possible for a State to employ such a procedure.

**8. Case in which the Supplier transfers His Claim against the State to a Bank.** A private firm manufacturing material for the account of a State may assign its claim against the State to a bank. In this way, it receives the sums due to it and the bank becomes the creditor of the State. A special agreement concluded with that bank for regulating advances to contractors may enable the State to postpone payment of the sums due.

If such a procedure were employed, the defence departments might have already received the material without any payments being shown in the State's accounts for the year in which the material was delivered.

**9. Payment in Treasury Bonds.** The Committee examined the case of payments made in Treasury bonds. If the sum produced by such bonds is included in the budget as revenue and the cost of the material entered as expenditure, this practice is not open to any objection. If the operation were an extra-budgetary one, and if, when they fell due, the Treasury bonds were redeemed from the service of the public debt, no payment would be shown in the budget, and, consequently, no sum would be included in the Model Statement. The Committee has no information that any such practice is followed. Moreover, it implies that Treasury bonds must be legal tender.

**10. Solution proposed.** But the fact that some or all of these possibilities may become effective simultaneously shows that the system of credit purchases and deferred payments might enable a State to some extent to accumulate armaments of which the value would be shown only in returns for years subsequent to that in which delivery was effected. This phenomenon might naturally occur more particularly towards the end of the Convention, if the States could count upon its not being renewed.

The above considerations show that, in order to avoid any abuse in respect of credit or deferred payment purchases, it is necessary, as the Budgetary Experts proposed, to insert special provisions in the Convention.

The Technical Committee accordingly recommends the insertion of the following clause in the Convention:

“ The High Contracting Parties undertake not to employ, in any form whatsoever, the system of credit purchases or any other system of deferred payments in such a way as to increase their armaments beyond the level which the Parties would have been able to attain under the Convention if the credit purchases had not been effected and if payments had not been deferred.

“ Consequently, the High Contracting Parties undertake, during each successive year of the Convention, to limit their payments to the maximum figure represented by the difference between the annual limit assigned to them and the value of the services rendered and materials supplied that have not been paid for during the year.”

In order to enable the Permanent Commission to verify the execution of such an obligation, the Technical Committee has examined the two solutions proposed by the Experts. Like them, it has refrained from proposing that the amount of the State's liability should be inserted in the Model Statement beside the payment figures. The examination of the State accounts has proved that very few of them show the amounts of “ liquidations ” (acknowledged debts) any more than the difference between the

« liquidations » (acknowledged debts) and the payments. The statement could therefore only contain estimated figures and not authenticated figures of the amounts "liquidated".

Consequently, the Committee recommends that States undertake to show in a publicity item the amounts "liquidated" for materials delivered and services rendered during the "exercice" in respect of which no payment has been made before the latest date up to which payments may be made in respect of that "exercice".

These "liquidated" amounts are always known to the Governments, but the figures given will usually not be verifiable. If verified figures were required, all the States would have to change their financial systems so as to show these amounts in the published and audited documents.

Should such a reform appear to the Conference to be too far-reaching, it should be noted that the deferred payments must of necessity *appear* in the later accounts and statements. It will therefore be possible for the Permanent Commission to check *ex post facto* the accuracy of the figures given.

The particulars in question might be given under the following heading:

"Amounts 'liquidated' (acknowledged debts) for services rendered and materials delivered but not paid for at the end of the year".

\* \* \*

The Technical Committee has considered whether it could draw a practical distinction between payments made with a normal delay and payments postponed beyond the customary term; but it was obliged to note that practice varies widely in different countries. In some countries payment is usually made quickly, while in others certain administrative formalities delay it; it appeared to the Committee that any distinction on this subject would be arbitrary. Moreover, it considered that the important thing was to ascertain the total of the amounts "liquidated" for materials delivered and services rendered during the year for which corresponding payments do not appear in the Model Statement for the same year, but which are to be shown in the statements for following years.

**11. Credits opened by** . Moreover, as the Committee considers that the practice of  
**One Government** credit purchases may be of importance, especially in a case where  
**in favour of** a Government opens credits in favour of another Government, it  
**Another.** recommends that the following additional clause be inserted in  
**Contractual Clause.** the Convention:

"Each High Contracting Party undertakes, should it grant credits to other States in order to enable the latter to buy armaments, to declare to the Permanent Commission the nature and value of the material thus transferred, together with the name of the consignee and the date of delivery.

"Each High Contracting Party undertakes, should it grant credits to its private armament industries to enable them to deliver material on credit to other States, to ensure that such private industries, under the supervision of the State, shall declare the nature and value of the material transferred, together with the name of the consignee and the date of delivery."

**12. Instructions** . If the Conference accepted the Technical Committee's view,  
**to be drawn up** very clear instructions would naturally have to be subsequently  
**subsequently.** laid down in order to show the States how the publicity item  
should be filled up.

In these instructions, regard might be had to the following principles:

Only payments made during the financial "exercice" should be shown in the Model Statement, the amounts of payments in arrears being, whenever possible, given in the special publicity item.



The amounts "liquidated" for services rendered and material delivered for which payment has not yet been made would be shown in the publicity table.

With this system, it might be possible to furnish proof of the observance of an undertaking in respect of limitation, account being taken of the amounts "liquidated" and not paid at the beginning and end of the period or of the successive periods of application of the Convention for limitation of expenditure.<sup>1</sup>

**13. Conclusion.** In conclusion:

Considering that the system of credit purchases and payments deferred beyond the normal time-limits<sup>2</sup> is burdensome for the States, and that accordingly they have recourse to this system only in exceptional cases;

Considering that the system of credit purchases is of special importance only in cases where a Government opens credits to another Government for the manufacture of war material, and that the work of the Committee for the Regulation of the Trade in and Manufacture of Arms and Implements of War might make it possible to ascertain the exact date of these consignments, the kind of material delivered,<sup>3</sup> and its value;

Considering that this practice can be dangerous only at the end of the period of validity of the Convention if States are able to anticipate its termination;

Considering that, if services are rendered and material delivered in the course of one year without payments therefor being shown in the accounts, those payments will have to be shown in the accounts of the following year or years, and that accordingly the determination of an annual limit will prevent recourse to the practice of credit purchases:

The Committee is of opinion that States should be requested to show in the public accounts the amounts "liquidated" (acknowledged debts) for services rendered and materials delivered and not paid for during the "exercice";

And that, in the absence of such a reform, the production of the publicity table of amounts "liquidated" and not paid, and the observance of the provisions laid down in the case of credits being opened by one Government in favour of another for the manufacture of war material, will enable the Permanent Commission to exercise a sufficiently effective supervision over credit purchases, and to satisfy itself that States have not had recourse to this system in order to procure services and material of a value in excess of the limit of expenditure assigned to them. This supervision must, moreover, be exercised more strictly during the last year of the Convention or of each of its periods of execution.

<sup>1</sup> If we call

$P_{34}$	the payments effected in 1934	=	$P_{34}$	normal payments	+	$P'_{34}$	deferred payments,
$P_{35}$	"	"	1935	=	$P_{35}$	"	" + $P'_{35}$ " "
$P_{36}$	"	"	1936	=	$P_{36}$	"	" + $P'_{36}$ " "
$P_{37}$	"	"	1937	=	$P_{37}$	"	" + $P'_{37}$ " "
$R_{33}$	expenditure "liquidated" and not paid in 1933 and previous years,						
$R_{34}$	"	"	"	1934	"		
$R_{35}$	"	"	"	1935	"		
$R_{36}$	"	"	"	1936	"		
$R_{37}$	"	"	"	1937	"		

Tables IV and headings 7 of Table V of the Model Statement will give the following for the years:

Table IV of the	1933	1934	1935	1936	1937
Model Statement	$P_{34} = P_{34} + P'_{34}$	$P_{35} = P_{35} + P'_{35}$	$P_{36} = P_{36} + P'_{36}$	$P_{37} = P_{37} + P'_{37}$	
Heading 7 of Table V	$R_{33}$	$R_{34}$	$R_{35}$	$R_{36}$	$R_{37}$

Assuming a limitation of expenditure based on the average limit of expenditure of four years, proof of the observance of the undertaking would be furnished on the basis of the following formula:

$$P_{34} + P_{35} + P_{36} + P_{37} + R_{33} \leq L = \text{Limit of four years.}$$

<sup>2</sup> NOTE. — Major-General BARBERIS and M. WORBS emphasise the impossibility of giving a definition of "normal delays of payment" and hence of "credit purchases".

<sup>3</sup> Land, naval, and air material.

## VI. SUBSIDIES, LOANS AND PARTICIPATIONS.

The Committee of Budgetary Experts had proposed a table the heading of which was to read as follows:

Table E — "Statement for the financial year . . . of loans made to, or participations acquired in, enterprises having among their objects the furnishing of goods or rendering of services for armament purposes, where these have been excluded from the return on the ground that they are not regarded as armament expenditure."

Although Chapter 8 of the report of the Budgetary Experts and the actual text of the heading of Table E itself may have led to confusion (because of the insertion of the expression "rendering of services"), it is certain that the Experts wished to include in national defence expenditure only subsidies to enterprises supplying the armed forces in peace-time. As, moreover, subsidies may be given to such enterprises for purposes other than that of increasing their production (for social purposes, for example), the Committee recognised that States should be entitled, on showing good grounds, to exclude those subsidies from the Model Statement. The fact of their exclusion, with the grounds therefor, was to be stated in Table E, which was specifically intended for the statement of grounds for exclusions of this character.

The first Powers to send in their Model Statements in accordance with the circular of the League Secretariat dated June 13th, 1931 (the United Kingdom, France and the United States of America), gave to Chapter 8 of the Experts' report and to the heading of Table E the narrow interpretation which the Experts themselves intended them to bear. In the case of these Powers, it is well known that there are certain large enterprises interested essentially in the development of the natural resources of the State which are at the same time of importance for national defence. Their several Governments have given or are giving them subsidies or have taken up large amounts of their shares. That is true of the Panama Canal and the Shipping Board in the United States of America, the Suez Canal and the Anglo-Persian Oil Company in the case of the United Kingdom, and the "Compagnie générale transatlantique" in France. States rightly interpreted the Budgetary Experts' proposal in not including such subsidies in the Model Statement.

The other Powers that sent in their Model Statements later took the same view and inserted expenditure on subsidies in the Model Statement only in respect of subsidies to private enterprises manufacturing war material in time of peace. Thus, States had not inserted in their Model Statements expenditure incurred to strengthen their war potential.

Nor had they in such cases to give grounds in Table E for exclusions in respect of subsidies granted to such undertakings for purposes other than national defence. Annexed Table E is thus found to be blank for all the Powers except in the case of two countries, Germany and Poland, which have indeed shown in it subsidies actually granted to private armament enterprises, but which they considered should be excluded from the Model Statement on the ground that they were of no importance for national defence. This procedure on the part of the several Governments is entirely in harmony with the general view held by the Committee, an expression of which is to be found in Chapter II of the present report—viz., that the idea of including in the Model Statement all expenditure for the increase of war potential must be abandoned.

The Technical Committee is of opinion, further, that Table E (or the publicity item which will replace it) must retain the character given to it by the Budgetary Experts—namely, that it should be a means of proving that all subsidies to private armament enterprises have been duly inserted in the Model Statement, the table showing very accurately all cases in which subsidies of this kind for purposes other than national defence have been excluded from the Model Statement.

No difficulty of interpretation can arise, and the documentation shows that, in point of fact, no such difficulty has arisen, in the case of subsidies granted direct by the State to private undertakings engaged exclusively in the manufacture of armaments.

Very frequently, however, enterprises manufacturing war material in peace-time also manufacture other material for current use. The subsidies granted by the State to such establishments may be accorded for purposes partly economic, partly financial, partly social, but at the same time also for purposes of national defence.

It would be useless to hope to be able to trace and insert in the Model Statement all subsidies of this kind in all their bearings upon national defence. Only where the subsidy was of quite obvious importance for national defence should its insertion in the Model Statement be required. Such subsidies are generally granted in the countries concerned by virtue of legislative provisions and it would thus be possible to check their inclusion in the Model Statement, particularly if the States were to show in a publicity item why they have thought fit to exclude certain subsidies from their Model Statements. Each Power, in short, would be asked to insert its expenditure of this kind in the Model Statement when it is obviously for a national defence purpose, and to show in a publicity item all cases of exclusion of such expenditure from the Model Statement.

The heading of this item, however, will have to be made clearer. As it is difficult to express a concise heading of this kind sufficiently clearly to preclude any possibility of misinterpretation, it would seem expedient to append to the heading detailed instructions.<sup>1</sup>

The heading itself might read: " Expenditure not included in the Model Statement for subsidies to and participations in enterprises having among their objects the furnishing of war material in time of peace ".

By omitting the words " rendering of services for armament purposes " from the original heading of Table E the confusion to which the wording was previously liable is eliminated, while it is made clear that the only subsidies to be inserted in the Model Statement are such as relate to private firms manufacturing arms and ammunition, aviation material of a military character, and to yards and establishments for naval construction—in fact, to firms covered by the conventional list inserted in Appendix 2 of Chapter II.

In conclusion, the publicity item should enable States to indicate the cases in which they considered that subsidies given to enterprises were not military in character and should therefore be excluded from the Model Statement. This item will therefore be designed solely to show that all expenditure on subsidies covered by the conventional list is included in the Model Statement.

It may be noted that, in dealing with these questions, the Committee has throughout excepted the special situation of the U.S.S.R. In the U.S.S.R. there is no private war industry. Consequently, the Soviet delegation has not included in the Model Statement any expenditure for subsidies to the State manufactories of war material on the ground that the other Powers ought to include in the Model Statement, not merely the subsidies and participations of the State, but also the capital invested in these enterprises by private persons. This question, moreover, is far wider than the scope of the present observations. Here it need only be noted that the U.S.S.R. was justified in writing " Nil " in Table E, since there are no private enterprises in the U.S.S.R. and there is accordingly no reason to include such expenditure in the Model Statement.

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<sup>1</sup> These special instructions would form part of the instructions to be framed later.

## VII. EXPENDITURE ON PENSIONS.

**1. General Observations.** The first Committee of Budgetary Experts, that of 1926-27, discussed at length the question whether military pensions were to be regarded as national defence expenditure.

Logically, it should be admitted that *ordinary pensions*, more particularly service pensions—*i.e.*, pensions payable after a certain period of service—do represent national defence expenditure, since they form part of the emoluments of soldiers of the Regular Army when their career is considered as a whole. On the other hand, war pensions should not constitute national defence expenditure within the meaning of the Convention, since they can only be regarded as compensation for personal injuries sustained by the pensioner as a result of the war.

At the same time, the Committee of 1926-27, whose conclusions were confirmed by the Committee of Budgetary Experts of 1930-31, came to the conclusion that ordinary pensions should be excluded from the Model Statement, since the diversity in the methods of accountancy and the complexity of the pensions systems made it impossible to find a uniform criterion applicable to all States or to distinguish in the accounts between ordinary pensions and war pensions, owing more particularly to the existence of mixed pensions.

It may be observed that the first reason named by the Budgetary Experts for excluding pensions from the list of national defence expenditure loses all force by reason of the fact that the Technical Committee admits the impossibility of comparing armaments of all countries by comparing the corresponding expenditure.

Moreover, the documentation has made it clear that the distinction between ordinary pensions and war pensions is in many cases quite easy to establish.

**2. War Pensions.** As regards war pensions, it will be noted that, of the twenty-seven Powers whose documents have been examined, seven (Albania, Irish Free State,<sup>1</sup> Netherlands, Norway, Sweden, Switzerland, U.S.S.R.) have no war pensions. Of the other twenty countries, the majority draw a definite distinction in their budgets and accounts between payments for war pensions and other pensions.

In some of these countries there are mixed pensions, in regard to which it is difficult to differentiate in the accounts between the amounts paid by way of ordinary pension and for war disablement respectively. The Powers in whose accounts a fairly accurate distinction of the expenditure on ordinary pensions and war pensions can be made include those in which the burden of war pensions is heaviest; in these last-named countries, war pensions are as a rule paid out of a budget other than the budget in which ordinary pensions appear or else the latter categories of pensions are kept in a separate account.

The cases of two Powers—Japan and India—call for the following remarks:

(a) War pensions do not amount to a very large sum; the total amount of pensions is itself not very high.

(b) There is reason to think that, if these countries were asked to make an effort in that direction, their administrations would succeed in time in isolating ordinary pensions from those that should be regarded as war pensions.

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<sup>1</sup> The war pensions paid to soldiers of the Irish Free State who served in the Great War are paid by the United Kingdom. The Powers which took no part in the Great War but which pay war pensions include Denmark, which has undertaken to pay the war pensions of ex-service men from Schleswig.

(c) It is possible in both these countries to separate payments for invalidity pensions and mixed pensions (service and invalidity). It would perhaps be possible, during an initial period of the Convention's application, to regard invalidity pensions and mixed pensions very roughly as war pensions, since cases of disablement are of course commonly due to war.

**3. Ordinary Pensions.** The Experts of 1927 and those of 1930-31 observed that, among the ordinary pensions paid to soldiers, appear both invalidity pensions and service pensions. It might be held that only the latter should be included in the Model Statement, because soldiers entitled to a service pension may, to a certain extent, be subject to military obligations. It should be pointed out, however, that among those in receipt of service pensions are ex-officers so advanced in age that the possibility of recalling them to the colours is purely theoretical.

Moreover, it is sufficient to examine the various pensions systems to realise that the ordinary pension and pay are often ultimately one and the same thing.

When a big concern undertakes to pay retiring pensions to its staff, it includes in its expenditure both the pay while in its service and the pension. If the man in the street or taxpayer wishes to estimate the amount of the national defence expenditure, for which he has ultimately to pay, he cannot make a subtle distinction between the various items of national defence expenditure and regards as such the ordinary pensions paid to the personnel of the land, sea and air armed forces.

An examination of the various ways in which pensions are made up will, moreover, reveal the close link which in many cases exists between pension and pay.

**4. Various Systems of financing Pensions.** The Government may (as is done in the United Kingdom several Dominions and the U.S.S.R.) make no deduction for pensions from the pay of regular members of the forces and may then pay their retiring pensions out of public funds. Or, on the other hand, the Government may make a fairly large deduction from pay, such deduction being paid into a pension fund, out of which pensions will be paid without any further Government assistance. In the latter case, the Government, in point of fact, increases the pay by an amount which includes the sums necessary to provide for pension; thus regular members of the forces do not need themselves to make over a percentage of their pay to a special fund in order to be sure of a service or invalidity pension.

Several Powers follow an intermediate system: the Government pays the pensions without recourse to a special pension fund. The Treasury itself acts, so to speak, as a pension fund and for that purpose deducts a certain amount from the gross pay. If the amount deducted is not sufficient to make up the pension in its entirety, the Government adds the additional sums required.

Of twenty-seven Powers whose documents have been examined, nineteen have no pensions fund; it is the Government itself that pays the pension either by making a deduction from the pay (6 per cent in France and Italy) or without making any deduction (the United Kingdom, certain Dominions and the U.S.S.R.).

In some countries (Denmark, Norway, Dutch Indies, Roumania) there is an autonomous pension fund to which the Government makes a grant, which it adds to the sums withheld for pensions from officers' pay (5 per cent in Denmark, 10 per cent in Roumania).

In Switzerland, the Government pays insurance premiums for soldiers.

These various systems for the establishment of pensions may be summarised in the following table:

	WITHOUT SPECIAL FUND		WITH SPECIAL FUND			
	NATIONAL BUDGET		NATIONAL BUDGET		BUDGET OF SPECIAL FUND	
	<i>Receipts</i>	<i>Expenditure</i>	<i>Receipts</i>	<i>Expenditure</i>	<i>Receipts</i>	<i>Expenditure</i>
<b>A. — Without deduction from pay.</b>		Pay . . . . 100 Pensions . . 20 <hr/> Total expenditure 120		Pay . . . . 100 Government contribution to fund . . 20 <hr/> Total expenditure 120	Government contribution 20	Pensions 20
<b>B. — With deduction from pay covering part of pensions.</b>	Deduction from pay . 10	Pay . . . . 110 Pensions . . 20 <hr/> Total expenditure: (a) gross . 130 (b) net . . 120		Pay . . . . 110 Government contribution to fund . . 10 <hr/> Total expenditure 120	Officials' contribution 10 Government contribution 10	Pensions 20
<b>C. — With deduction from pay covering total pensions.</b>	Deductions from pay. 20	Pay . . . . 120 Pensions . . 20 <hr/> Total expenditure: (a) gross . 140 (b) net . . 120		Pay . . . . 120 <hr/> Total expenditure 120	Officials' contribution 20	Pensions 20

**5. Should Ordinary Pensions be shown in a Special Publicity Table ?** It might appear reasonable to regard expenditure in connection with ordinary military pensions as true national defence expenditure and so to include it in the Model Statement.

It should, however, be pointed out that, if the Model Statement is to be regarded as drawn up with a view to a Convention for the limitation of expenditure, and, similarly, if it is regarded purely from the point of view of publicity, expenditure on pensions differs in kind from other national defence expenditure.

Whereas other expenditure on national defence might be curtailed if a general reduction in armaments were decided upon, pensions are a sacrosanct State obligation and therefore cannot be cut down. In the event of any reduction in armaments, pensions would on the contrary increase commensurately with any decrease in the military establishment.

While it is useful from every point of view to know the expenditure on pensions, it should be clearly distinguished from other expenditure. The Committee therefore proposes to show expenditure on ordinary pensions in a special publicity item, which would follow immediately upon the Table A, which gives the total expenditure on the armed forces. A global figure only would be given, as it would not be possible to distinguish between service pensions for the various armed forces.

**6. Personnel in receipt of Pensions.** The personnel whose pensions are to be included in the proposed table must be clearly defined.

Hitherto, attention has been devoted to professional service-men, but every Army and Navy employs civilian officials and workers also.

The remarks made in respect of professional service-men apply with equal force to civilian officials, and the expenditure on pensions of such officials should appear in the publicity item.

The position is different as regards workers. In some countries, the Government pays a direct pension to some or all of these workers (the "established" personnel in the United Kingdom, and the permanent labour personnel in France and Italy); but in most countries (Belgium, Germany, U.S.S.R., etc.), the workers are insured with old-age insurance funds in accordance with the provisions of their national legislation; in certain countries they are insured with accident insurance funds. In these circumstances, it does not appear possible to ask *all* States to show pensions paid to workers. Most of the workers are, moreover, in the establishments and workshops engaged on the manufacture, repair and maintenance of material, and pension payments are included, like wages, in the cost of manufacture, repair or upkeep of material.

A fundamental distinction should, however, be made between the working staff with appointments and a real status and the staff which has no legal position which might in practice be assimilated to that of civil officials—for instance, the working staff which is bound by a mere contract of service.

In the case of *permanent workers* with pension rights on the same footing as civil officials, it is advisable to include pensions in the publicity table, while, as regards the other workers, it would be advisable to include in the Model Statement the insurance contributions paid by the State to the old-age insurance funds.

Definite instructions will naturally have to be drawn up subsequently to cover these cases.

**7. Conclusions.** As regards war pensions, the Committee is of opinion that expenditure arising therefrom, which in some States (Australia, Austria, Germany, New Zealand, South Africa, United States of America) is very considerable, occasionally even exceeding expenditure on national defence, cannot in any way be regarded as expenditure on national defence, and there is no need to consider the inclusion of such expenditure, which would entirely alter the nature and structure of the Model Statement. As was said above, out of the twenty-seven Powers dealt with, only twenty pay war pensions and it may be presumed that the majority of the thirty-five Powers that have not been examined do not pay them, or only pay comparatively small sums. It cannot be maintained that, because a Power assists those who shed their blood for their country in the war, such a Power is preparing in any way for a new war.

To quote only one author among all those who have dealt with this problem, it may be remembered that JACOBSON, in a study on military expenditure ("Armaments Expenditure of the World"), which appeared in *The Economist* of October 19th, 1929, divides "military" expenditure into (a) expenditure in preparation for future wars, including ordinary pensions, and (b) expenditure for the liquidation of past wars; war debts and *war pensions* are included in the latter class.

The Committee considers that information on the second class of expenditure would be out of place in a Convention for the limitation of armaments and, furthermore, that it would be incomplete, as it would not give a true idea of the financial burden imposed upon the various Powers with a view to liquidating the past; in countries in which, for purely financial reasons or as a result of a fundamental change in their political outlook, the Government does not pay any war pensions, the dire and grievous inheritance of

the war falls upon the population itself and, even if it cannot be shown in the Model Statement, it none the less exists.

It is principally owing to the absence of any connection between such expenditure and preparation for war that the Committee proposes that no information should be asked for regarding this expenditure under the heading of publicity.

It proposes, on the contrary, that ordinary pensions, the importance of which in relation to national defence has been emphasised, should be included in a special publicity item inserted in the Model Statement immediately after the table of expenditure on the three forces.

This item might usefully comprise an optional heading enabling States which are able and wish to do so to state the *amounts of pensions granted as a result of dismissals due to a reduction of armaments.*

#### VIII. SERVICES AND GOODS NOT PAID FOR IN CASH.

During the discussions in the Expenditure Commission, the German delegate submitted the following proposal:

“ States that use services and goods required by the national defence organisations which are not paid for in cash and therefore do not appear in the budget expenditure should fill up a corresponding table annexed to the Model Statement. The form and the details of this table shall be fixed by the Technical Committee of the Commission.”<sup>1</sup>

The Committee has carefully examined this proposal.

In view of the distinction laid down in Chapter IV of the present report in respect of services rendered free of charge, it has not considered it desirable to obtain information regarding any possible difference between the average wages of an unskilled worker and the subsistence expenditure (including pay) of a soldier called up under conscription, nor the theoretical earnings which might have been gained by members of associations recognised as formations organised on a military basis. It is sufficient, in the opinion of the Committee, that the expenditure of the armed forces and of formations organised on a military basis should be shown in the Model Statement exactly as it appears in the accounts. But a number of interesting cases have been brought to the notice of the Committee.

For instance, it may happen in exceptional cases that a soldier, on entering military service, brings his horse, arms and the whole or part of his uniform; he may also be entrusted with their maintenance during his service without having any claim to compensation from the State. Obviously, the military budget might be relieved by such a procedure in the same manner as if a part of the national defence expenditure were borne by private persons.

In the same way, certain members of formations organised on a military basis might themselves supply their own food, clothing and equipment and even pay certain transport expenses.

In some States, it may happen that work on national defence is performed by workers normally in the employ of undertakings or individuals who pay them for such work, the State not effecting any payment under this head.

A State might also engage unemployed workers on certain national defence works and pay them a wage additional to their unemployment allowance.

In accordance with the very principle of the limitation of expenditure, all expenditure of the kind mentioned above is subject to such limitation.

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<sup>1</sup> See Minutes of the National Defence Expenditure Commission, page 37.



If such expenditure is accounted for, these accounts should be produced by the State concerned as evidence in order to check the insertion of the expenditure in the Model Statement.

It may, however, happen that the amount of such expenditure cannot be ascertained except by means of estimates. The Committee therefore proposes that the amount of this estimate and the foundations on which it is based should be shown in a special publicity table in order that an opinion may be formed as to the method in which the amount of the expenditure inserted in the Model Statements has been estimated.

In such cases, however, any estimate may encounter material impossibilities, and the Committee considered that, in these cases, the States should, however, insert in this publicity table as complete information as possible regarding the nature and importance of such services rendered to the State free of charge.

In this publicity table, the States should also insert all particulars as to the volume of services in kind rendered to the armed forces or formations organised on a military basis—such as free lodging provided by the local authorities in connection with the movements of troops, or supplies of foodstuffs, etc., whatever the nature of such supplies. The Committee therefore suggests, in accordance with the German delegation's proposal, a special publicity item which might be entitled:

“Information regarding unpaid services and supplies for national defence.”

Instructions must be subsequently drawn up in order to make clear the meaning of the information.

#### SUMMARY AND CONCLUSIONS.

1. Having studied in the light of the documents furnished by the various Governments the proposals of the Committee of Budgetary Experts regarding the particulars to be appended to the Model Statement, the Technical Committee has arrived at the following conclusions:

The following tables should be abolished:

*Table A*: Expenditure on pay of reserves.

*Table B*: Expenditure on shipbuilding.

The importance of the latter table disappears owing to the fact that Head IV of the Model Statement (Naval Expenditure) has been rearranged so as to show separately the expenditure on shipbuilding, including arms and ammunition and maintenance costs.

2. In place of the Annexed Tables proposed by the Committee of Budgetary Experts, the Technical Committee recommends that the table giving the total expenditure for the three forces should be followed by a fifth table, which would include a number of particulars or would show in the first place the total expenditure on ordinary pensions (Information Item No. 1). The statement of this total amount might be followed by an optional indication of the amounts of pensions granted as a result of reductions in armaments. This information regarding pensions, coming immediately after the total expenditure on the three forces, may enable the reader to add up the expenditure on pensions together with the expenditure on armed forces and formations organised on a military basis.

This Table V would also include the following information:

(2) The difference between the initial amounts of the block credits voted for several years and any part of such credits already entered in the budget, including the budget for the year to which the Model Statement refers.

(3) The difference between carry-forward credits—that is to say, credits which may be used for payments to be made during the year or subsequent years, and payments in respect of such credits shown in the accounts for the former.

(4) Authorisations to enter into commitments granted apart from credits voted in the budget of the year to which the Model Statement refers.

(5) The difference between the block credits contained in special accounts and payments already made against such accounts, including those made during the year in respect of which the Model Statement has been compiled, together with all other credits available in special accounts.

(6) The credit balance of autonomous establishments remaining at the disposal of those establishments.

(7) Amount liquidated and not paid for materials supplied and services rendered.

(8) Expenditure not included in the Model Statement for subsidies to and participations in private undertakings having among their objects the furnishing of war material in peace-time.

(9) Various information regarding unpaid services and supplies for national defence.

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## Chapter XVIII.

### POSSIBILITY OF ASCERTAINING THAT EXPENDITURE APPEARING IN THE ACCOUNTS HAS BEEN CORRECTLY TRANSFERRED TO THE MODEL STATEMENT.

#### A. RECONCILIATION TABLES.

**1. Introduction.** The principle of the reciprocity of obligations implies that the provisions of the Conventions must be observed equally and uniformly by all the signatory States. If the Convention obliges States to limit their national defence expenditure, either as a whole or separately for the various forces or for war material, those States will desire an assurance, in the first place, that the expenditure of none of the contracting parties will exceed the limit or limits assigned to them and that they cannot evade the limits provided for transfers between the categories of limited expenditure. Such an assurance can only be obtained if it is possible adequately to supervise the fulfilment of the undertakings assumed by the various States. The States must show the amount of their national defence expenditure, as defined by the Convention, in the form of a Model Statement, the necessity for which has been shown in Chapter III. The figures of payments entered by the States in the Model Statement are taken almost entirely from the published accounts, the authenticity of which is guaranteed by the existence of internal supervision in the various countries, and sometimes also by the public scrutiny to which they are subjected in Parliament (see Chapter VI).

**2. Necessity for a Reconciliation Table.** The actual accounts of national defence departments—to speak of no others—differ entirely from the Model Statement, both in general structure and in their subdivisions. The Model Statement groups the expenditure on the land, sea, and air forces under thirty-one sub-heads, whereas the accounts often comprise hundreds<sup>1</sup> of subdivisions. In order to fill up, for instance, sub-head E (Maintenance) of the Model Statement, most of the States must include in it the figures of numerous subdivisions of their accounts; in other cases, on the contrary, they must split up certain items of their accounts and divide them among various sub-heads of the Model Statement. In fact, in order to calculate the figures to be inserted in the statement, States are obliged to change to a great extent the arrangement of the figures appearing in their accounts. A further complication arises when, in filling up the statement, expenditure entered in the accounts of other ministries in special accounts, or expenditure incurred by regional or local collective entities or private associations or persons, has also to be taken into consideration.

The Model Statement alone could not show the connection between the figures contained in it and those entered in the accounts. For this purpose, a guide, or a link, as it was termed by the Budgetary Experts in Chapter 14 of their report, is required to connect the accounts and the statement and show how the figures in the statement have been extracted from the accounts. Only a reconciliation table will make it possible to grasp the relationship between the figures of the statement and the accounts themselves, and to check and verify the correctness of the figures entered in the statement.

<sup>1</sup> In this connection, see the table in Chapter V, page 36.

If a Convention is concluded, the contracting parties must show by means of the Model Statement how they have fulfilled their contractual obligations, but it will be by the State accounts and the reconciliation table that they will prove the correctness of their statement.

**3. Object of the Reconciliation Table.**

The object of the reconciliation table, therefore, is to show exactly how each figure in the accounts and all figures obtained from other sources have been transferred to the statement, so that it may be possible to determine and verify whether the statement is complete and accurate.

Without going, for the moment, into the form of the reconciliation table, we will consider the various functions which the table must fulfil in order to attain its purpose.

*(a) Indication of various accounts concerned.*

In the first place, the reconciliation table must give a complete list of all expenditure items in the accounts and other original documents which, under the Convention, must be transferred to the statement. In other words, it must mention all national defence expenditure within the meaning of the Convention, whatever the nature and the origin of the resources out of which such expenditure is defrayed. The first task of a country drawing up this statement must be to prepare such a list. Before dividing up the expenditure among the heads and sub-heads of the Model Statement, it must list all the national defence expenditure which it incurs and which is covered by the conventional list of such expenditure.

The essential documents for drawing up such a list are in this case the budgetary accounts of the national defence departments, which, as has been shown in Chapter VII, contain the bulk of military expenditure. Next come, in order of importance: the budgetary accounts of civil departments or other public services, the special accounts which sometimes contain the expenditure defrayed out of special resources, including foundations or bequests by private persons or organisations, and, lastly, the accounts of local or regional collective entities. In certain States, national defence expenditure is found in all the accounts above mentioned; in other States, it is found only in some of those accounts, but it is essential that each State should show in its reconciliation table all the items in its accounts which bear national defence expenditure.

*(b) Indication of the method followed in transferring the figures from the accounts into the Model Statement.*

The reconciliation table has to perform a second and its most important function—namely, to indicate the manner in which military expenditure appearing in the accounts of national defence departments or elsewhere has been distributed among the heads and sub-heads of the Model Statement.

This function of the reconciliation table is extremely important, since, without this information, it would be impossible to see how the figures in the statement had been extracted from the accounts of the State, and therefore to verify their accuracy. It is also the information in the reconciliation table that alone enables an exact idea to be formed of the meaning of the figures contained in the accounts and of the real purpose of the expenditure incurred.

The correct allocation of expenditure in the statement is specially important for two reasons. The draft Convention provided for the possibility of separate limitation and publicity of expenditure on the land, sea, and air forces. Consequently, a special table is also proposed in the statement for each of these categories. The accounts of only very few States, however, clearly separate the expenditure for the three forces: in particular, the expenditure on the Air Forces is frequently combined with that on the Army or Navy. The separation of the expenditure for the three forces is just the problem which presents the most serious difficulties (see Chapter IX). This shows how essential it is that the reconciliation table should show very exactly the way in which this separation has been made. The draft Convention also provides for separate publicity and limitation for war material; it

therefore becomes particularly important also to distinguish exactly the expenditure under that head.

As stated in Part IV of the report, the Committee, when examining the material laid before it, found that many States had met with certain difficulties in allocating the expenditure to the various heads of the Model Statement. The problem, however, is not inherently insoluble. The essential point is to analyse each item in the accounts carefully, in order to ascertain to what sub-head of the statement it corresponds by its nature, and whether it is possible to include it entirely under one sub-head or whether it must, on the contrary, be divided or split, so as to allocate the different kinds of expenditure that it covers to their proper places in the statement. Suppose, for instance, that the accounts of a State contain an item relating to barracks and including no other expenditure of a different kind: that item must be transferred in full to sub-head K. Suppose, however, that another item includes, not only expenditure relating to pay, but also expenditure for the commissariat. Pay is entered under sub-head B, and food supplies under sub-head E, in the statement; the item must therefore be split up, and the appropriate parts allocated to sub-heads B and E. After each item of the accounts has been thus analysed and correctly classified under the sub-heads of the statement, the figures allocated to each sub-head must be added up in order to obtain the totals, which are the only figures to be entered in the Model Statement.

The operation is either more or less simple according to the form in which the States keep their accounts. The more detailed the accounts and the more their headings refer to distinct objects the greater is the number of items that may be transferred complete to the statement and the easier it is to check the accuracy of any subdivision. It is a different matter if many figures in the accounts have to be split up and allocated to various heads and sub-heads in the Model Statement. Subdivisions of this kind have had to be made for almost all the countries whose documentary material has been examined (see Part IV and the tables annexed thereto).

But the reconciliation table must not merely show the numerical distribution of the items of the accounts: it must also indicate, in cases where they have been split up, the rules according to which this has been done. Study of the documents submitted has shown that the rules followed have been of the most diverse character. It is, however, possible, as stated in Part IV, to distinguish two main cases in this connection. It may be necessary, in order to split up the items, to refer to unpublished administrative documents. Though the process of splitting up does not allow of exact supervision, it certainly offers in this case a relatively sure guarantee of the accuracy of the allocation. The items may also be split up solely on the basis of estimates, in which case the supervision will be less effective. Naturally, the degree of accuracy of the estimate varies in such cases according to the basis on which the estimate is compiled and the possibility of checking it. It should, however, be borne in mind that difficulties arise which the reconciliation table cannot always entirely eliminate. These difficulties have also been stressed in Chapters IX and X.

It is essential therefore that all signatory States should undertake to furnish, in connection with the reconciliation table, any useful information regarding the allocation of the figures of their accounts, and in particular the manner in which these figures have been split up.

(c) *Indication of expenditure not included in the Model Statement.*

The reconciliation table has a third function which is closely related to this distribution of expenditure among the sub-heads of the Model Statement.

A study of the documents has shown that, amongst the expenditure appearing in the accounts of the defence ministries, there are some which, wholly or in part, are not national defence expenditure within the meaning of the Convention.<sup>1</sup> The same may be observed in regard to other accounts in which certain expenditure appears which is partly devoted to military,

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<sup>1</sup> See Chapter VII, pages 61.

but also partly to purely civil purposes.<sup>1</sup> The sums used for non-military purposes should naturally not appear in the Model Statement, but should on the contrary be deducted from the heads in which they appear. Deductions of this nature should be mentioned in the reconciliation table, the exact reason being given.

(d) *Application of rules laid down for drawing up the Statements.* If the reconciliation table is to serve as a guide and show accurately throughout how the figures entered in the accounts have been transferred to the Model Statement, it would be incomplete if it did not also show how the rules to be laid down in the Convention for drawing up the Model Statement have been applied. These rules must naturally be exactly observed by all parties. But, when a State has been obliged to make certain derogations,<sup>2</sup> it must explain the reason for such derogations and their extent with the aid of the reconciliation table.

**4. Form of the Reconciliation Table.** The Committee of Budgetary Experts of 1931 expressly refrained from drawing up a model reconciliation table, and even from giving general instructions for the drawing up of such a table. It merely defined the object of the table. Each State was thus free to choose whatever form it preferred in the case of this table.

This solution offered certain advantages, but it also had serious drawbacks. The drawing up of the table involved considerable difficulties for the States, and the tables submitted differ not only in form but also—which is more serious—in their intrinsic value. All the tables have not wholly met the required object and the Committee has therefore been obliged to ask for a great many explanations.

Consequently, if a Convention is concluded, steps should be taken to ensure a uniform presentation of these tables. In view of these considerations, the Committee has chosen models (see the Annex to this chapter) which comprise one table containing an analysis of all the accounts relating to national defence, tables containing a synthesis of the figures entered in these statements of each of the three forces, and summaries. It will also be essential subsequently to prepare definite instructions for the use of these tables.

**5. Conclusions.** There is no doubt that the reconciliation tables constitute instruments which will enable the nature and amount of military expenditure of the various States to be gauged more accurately than has hitherto been possible. It is therefore gratifying to note that all States, and in particular the majority of the great military Powers, have not hesitated to submit their reconciliation tables to the Committee. In this way a great step forward has already been taken as regards publicity of military expenditure, and there is now reason to hope that effective supervision may be possible should a Convention be concluded.

The above considerations show that the reconciliation tables doubtless cannot solve all the difficulties inherent in the present form of presentation of certain accounts. Their value is to some extent dependent on the nature of the indications in the internal accounts of States. The Committee considers, however, that the reconciliation tables drawn up on the lines set forth above should afford the Permanent Commission a means of ascertaining that the expenditure entered in the accounts of the various States has been correctly transferred to the statements. In particular, they will constitute a valuable instrument for the examination of the closed accounts, and will enable the destination and use of sums spent on national defence to be clearly seen. In course of time, as a result of its use, States may be induced to draw up their accounts in such a way as to make the transfer of the figures to the Model Statement an increasingly easy matter; it will thus help

<sup>1</sup> See Chapter VII, page 63.

<sup>2</sup> See page 174 and following.

to standardise the accounts of the various States and will enable the development of the military expenditure of the States which have acceded to the Convention to be followed year by year.

## B. DEROGATIONS.

**1. Budgetary Experts' Views on Derogations.** On several occasions in the present report, and in connection with the reconciliation table in particular, the term "derogations" is employed. It is now necessary to state what the Committee understands, generally speaking, by this expression.

It will be remembered that the Budgetary Experts Committee drew up certain rules which it inserted either in its report or in the annexed instructions. In particular it laid down fundamental principles to the effect that:

- (1) *All* national defence expenditure should be subject to publicity and limitation;
- (2) Such expenditure should be classified for international purposes in accordance with the various heads and sub-heads of a Model Statement;
- (3) The figures used for the purpose should be taken from the audited and published closed accounts.

Although the Budgetary Experts took the view that the Governments would, in general, be in a position to carry out the instructions relating to the Model Statement, they recognised that certain States might not be able to comply rigidly with these instructions. They accordingly considered that it was necessary:

- (a) *That the Parties to the Convention should appreciate exactly what they undertook to limit; and*
- (b) *That the definition of the elements limited should remain unchanged from year to year during the period for which the Convention was to apply.*

To this end the Committee recommended: (1) that each Government should fill up the Model Statement before the Conference, following as closely as possible the instructions with regard to totals and with regard to Head IV (War material) of the Model Statement; (2) that the Model Statement should be filled up on the basis of the last closed accounts; (3) that the method followed by each State should be explained in detail to the Conference; and (4) that each Government should undertake to adhere strictly to its own method of filling up the Model Statement, as accepted by the Conference, and that its undertaking in this connection should be stipulated in the Convention.

The Budgetary Experts' Committee considered that the recourse to certain derogations by States could not affect the working of the limitation machinery. The essential point in its view was that, in the case of each State, the exact meaning of the expenditure should be evident and that each State should bind itself to follow the same methods for the duration of the Convention in entering its expenditure in the Model Statement. As armament expenditure cannot serve as a standard of comparison for armaments themselves, there was no objection, in the view of the Budgetary Experts, to the States making certain derogations from the instructions.

**2. Examination of the Question by the Technical Committee.** In the course of its study of the documentary evidence, the Technical Committee attached particular importance to the derogations found necessary by the Governments when first drawing up the Model Statement.<sup>1</sup> These derogations may be divided into three main categories:

**Classification of Possible Derogations.**

- (a) *Derogations of content—i.e., where all defence expenditure is not included in the Model Statement;*

<sup>1</sup> It should be observed that certain derogations have been involuntary, owing to the absence of sufficient precision in the definition of certain categories of expenditure. Instructions to be drawn up subsequently will take the various difficulties encountered in this connection into account.

(b) *Derogations as regards accuracy of figures, where, in default of the requisite figures in the accounts, the amount of the expenditure is based on estimates;*

(c) *Derogations of classification—i.e., where defence expenditure is included in the Model Statement, but certain figures have not been allocated to the different sub-heads of the Statement, prescribed in the instructions in the draft annex.*

**3. Derogations of Content.** The documents show that derogations as regards the content of the total defence expenditure are not serious. The most important are due to absence of clear definition of certain categories of expenditure.

Clearness of definition will also reduce difficulties connected with "marginal cases", where a service may be regarded as partly civil and partly military—as, for instance, expenditure on Protection of Fisheries, which could be regarded either as purely coastal police work or as containing a national defence element.

Clear instructions will also be required as to how certain minor free<sup>1</sup> services should be treated.

**4. Derogations as regards Accuracy of Figures.** The present Committee agrees with the formula proposed by the Committee of Budgetary Experts—namely, that annual expenditure should mean the payments recorded in the final accounts relating to the year in question.

The Committee has found that this condition has been generally fulfilled in so far as total expenditure is concerned, because by far the greatest part of defence expenditure is included in the accounts of military departments. A small proportion of defence expenditure, however, is borne by civil departments or by local authorities, private associations and individuals.

(a) *Defence expenditure incurred by civil departments.* It appears to the Committee not unreasonable to demand, in principle, as high a standard of authenticity from civil departments in regard to the amounts included in their expenditure for national defence as from the defence departments themselves. The Committee therefore recommends that, if important expenditure directly related to national defence is entered in the accounts of civil departments, it should be rendered easily identifiable in their final accounts with a view to its inclusion in the Model Statement. A derogation should only be permitted in the case of those services common to civil and military authorities, such as postal services, etc. In this case, in view of the relatively small amounts involved, an element of estimation might be permitted, but the Committee recommends that estimates of such expenditure should be clearly shown in some official document.

(b) *Defence expenditure provided by local authorities, private associations and individuals.* This expenditure is relatively small and may be regarded as being on a rather different footing from national defence expenditure borne direct by the State. The documents show that, in some cases, this expenditure is not shown in published accounts. Certain services which may be rendered by local communities—for instance, the placing of certain premises at the disposal of the military authorities—may involve expenditure (for instance, repair of damage) which, as it does not require immediate cash provision, is not evaluated for accountancy purposes. It also happens that the accounts of local authorities draw no distinction between expenditure for general purposes and expenditure connected directly with national defence. In these cases, the expenditure figures inserted in the Model Statement, which will not in any case be of great importance, will not be audited figures.

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<sup>1</sup> See Chapters IV and XVII.



**5. Derogations of Classification.** The Budgetary Experts of 1931 did not define the extent to which derogation from the principles of completeness of content or of accuracy of figures should be permitted. The Technical Committee is of opinion that the possibility of departing from these principles should be permitted in re-stating defence expenditure depends on the purpose for which such re-statement is used. In so far as expenditure is to be limited, the statement of such expenditure should, *in principle*, (a) represent all the relevant expenditure and (b) the expenditure included should be identifiable in the published accounts. Otherwise control by the Permanent Disarmament Commission would become both difficult and vexatious. Minor departure from this principle might of course be permitted. In so far, however, as expenditure would not be subject to limitation, but only to publicity, it would not be necessary to insist, as regards the possibility of identifying the expenditure in the items of the accounts and as regards their classification, on the strict observance of the above principles. In this case, States should, in the opinion of the Committee, be permitted to use unpublished figures to a very much greater extent than would be permissible if the figures were to be subject to juridical limitation. At the same time, States should undertake both to explain the methods they have used and to adhere to them for the duration of the Convention, provided that no administrative change or alteration in the accountancy system obliges them to modify the methods which they originally undertook to follow in filling up the Model Statement. In such cases, States should notify the Permanent Commission and explain the reasons for which they desire to alter their methods.<sup>1</sup>

If this suggestion is followed, the subdivisions of the expenditure returns of each country will continue to have the same meaning as long as the Convention remains in force or, at least, the Permanent Commission will be able to ascertain what precisely is included under each subdivision of the Model Statement in the case of each separate State.

**6. Conclusion.** If a Convention for limitation and publicity of expenditure is adopted, instructions for its application will have to be carefully drafted. In the absence of a decision on principle, the Committee has, of course, not drawn up these instructions, but has only indicated what, in its opinion, should be the fundamental principles upon which such rules should be based.

When decisions of principle are taken, it will be necessary for each State to indicate clearly what derogations it is compelled to ask for in virtue of accounting or administrative exigencies, without, of course, infringing the fundamental principles of the system of limitation and publicity. Each of these derogations, which the Committee trusts will be few in number, must be accepted by the Conference when the latter specifies the limitation figures for each State. States will have to undertake not to make any derogations other than those allowed to them.

In addition, any derogation in the matter of classification made during a financial year subsequent to the signing of the Convention must be notified to the Permanent Disarmament Commission, such notification to be accompanied by detailed explanations as to the reasons.

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<sup>1</sup> NOTE. — Major-General BARBERIS and M. WORBS point out a further defect in the system recommended in the present report. If there is a limitation Convention, it will obviously not be sufficient to communicate for purposes of publicity “ administrative changes or alterations in the accountancy system”, but the Permanent Commission must also consider their effect on the figures, and this will not always be an easy matter. If it is decided not to take into account the resultant differences or to regard them as covered by the normal margins of error, there is a danger that injustice may be done.

APPENDIX I TO PART VI.

Country

Year

**MODEL STATEMENT.**

Table I.

LAND FORCES.

SUB-HEAD	CATEGORY OF EXPENDITURE	Armed forces stationed in the home country (optional)	Armed forces stationed overseas (optional)	Formations organised on a military basis stationed in the home country (optional)	Formations organised on a military basis stationed overseas (optional)	TOTAL
		(1)	(2)	(3)	(4)	(5)
	<b>HEAD I.</b>					
	<b>Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds: Officers. . . . .					
B	Ditto: N.C.O.s and men .					
C	Ditto: Civilian personnel.					
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations . . . . .					
E	<i>Maintenance of personnel referred to in subheads A to D</i>					
	<b>HEAD II.</b>					
	<b>Transport.</b>					
F	Horses and other animals, forage, harness and shoeing. . . . .					
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . .					
	<b>HEAD III.</b>					
	<b>Buildings.</b>					
H	Construction of new fortifications and defence works . . . . .					
K	Barracks, other buildings, upkeep, furniture . . .					
	<b>TOTAL: HEADS I TO III .</b>					
	<b>HEAD IV.</b>					
	<b>War Material.</b>					
M	Arms, ammunition and fighting material . . .					
M(a)	Engineer and other warlike stores . . . . .					
N	Expenditure not divisible between subheads M and M(a) . . . . .					
	<b>TOTAL: HEAD IV. . . . .</b>					
	<b>GRAND TOTAL. . . . .</b>					

Table II.

NAVAL FORCES.

SUB-HEAD	CATEGORY OF EXPENDITURE	Armed forces (optional)	Formations organised on a military basis (optional)	TOTAL
		(1)	(2)	(3)
	<b>HEAD I.</b>			
	<b>Effectives.</b>			
	<i>Personnel normally forming part of formations and services:</i>			
A	Pay and allowances of all kinds: Officers . . . . .			
B	Ditto: N.C.O.s and men. . . .			
C	Ditto: Civilian personnel . . .			
	<i>Personnel not normally forming part of formations and services:</i>			
D	Persons undergoing preparatory military training, reservists and reserve organisations . . . . .			
E	Maintenance of personnel referred to in subheads A to D . . . . .			
	<b>HEAD II.</b>			
	<b>Transport.</b>			
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .			
	<b>HEAD III.</b>			
	<b>Buildings.</b>			
H	Construction of new fortifications and defence works. . . . .			
K	Barracks, other buildings, upkeep, furniture . . . . .			
	<b>TOTAL: HEADS I TO III. . . . .</b>			
	<b>HEAD IV.</b>			
	<b>War Material.</b>			
L	New construction . . . . .			
M	Maintenance. . . . .			
N	Expenditure not divisible between subheads L and M . . . . .			
	<b>TOTAL: HEAD IV . . . . .</b>			
	<b>GRAND TOTAL. . . . .</b>			

**Table III.**

**AIR FORCES.**

SUB-HEAD	CATEGORY OF EXPENDITURE	Armed forces stationed in the home country (optional)	Armed forces stationed overseas (optional)	Formations organised on a military basis stationed in the home country (optional)	Formations organised on a military basis stationed overseas (optional)	TOTAL
		(1)	(2)	(3)	(4)	(5)
	<b>HEAD I.</b>					
	<b>Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds: Officers. . . . .					
B	Ditto: N.C.O.s and men .					
C	Ditto: Civilian personnel.					
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations . . . . .					
E	Maintenance of personnel referred to in subheads A to D . . . . .					
	<b>HEAD II.</b>					
	<b>Transport.</b>					
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses. . .					
	<b>HEAD III.</b>					
	<b>Buildings.</b>					
K	Barracks, other buildings, upkeep, furniture . . .					
	<b>TOTAL: HEADS I TO III .</b>					
	<b>HEAD IV.</b>					
	<b>War Material.</b>					
M	Arms, ammunition and fighting material. . . .					
	<b>TOTAL: HEAD IV . . . . .</b>					
	<b>GRAND TOTAL. . . . .</b>					

Table IV.

TOTAL EXPENDITURE FOR THE THREE FORCES.

LAND FORCES . . . . .	.....
NAVAL FORCES . . . . .	.....
AIR FORCES. . . . .	.....
GRAND TOTAL . . . . .	.....

Table V.

SPECIAL INFORMATION ADDED TO THE MODEL STATEMENT, IN PARTICULAR AS REGARDS NATIONAL DEFENCE PENSIONS.

1. *Ordinary Pensions* . . . . .
- Including pensions granted as a result of the reduction of armaments (*optional*). . . . .
- Other Special Information added to the Model Statement.*
2. Difference between the initial amounts of the block credits voted for several years and any part of such credits already entered in the budget, including the budget for the year to which the Model Statement refers . . . . .
3. Difference between carry-forward credits—that is to say, credits which may be used for payments to be made during the year or subsequent years—and payments in respect of such credits shown in the accounts for the former . . . . .
4. Authorisations to enter into commitments granted apart from credits voted in the budget of the year to which the Model Statement refers . . . . .
5. Difference between the block credits contained in special accounts and payments already made against such accounts, including those made during the year in respect of which the Model Statement has been compiled, together with all other credits available in special accounts . . . . .
6. Credit balances of autonomous establishments remaining at the disposal of those establishments . . . . .
7. Amount liquidated and not paid for materials supplied and services rendered . . . . .
8. Expenditure not included in the Model Statement for subsidies to or participations in private undertakings having among their objects the furnishing of war material in peace-time . . . . .
9. Various information regarding unpaid services and supplies for national defence . . . . .

APPENDIX II TO PART VI.

**MODEL RECONCILIATION TABLES.**

A. SUMMARY.

**I. Total Expenditure inserted in Table I of the Model Statement (Land Forces).**

Total expenditure of the Ministry of War (or Ministry of National Defence) . . . . .		.....
<i>To be deducted:</i>		
Non-military expenditure of the Ministry of War . . . . .		.....
Expenditure relating to Naval Forces . . . . .		.....
Expenditure relating to Air Forces . . . . .		.....
Sums the insertion of which would entail duplication . . . . .		.....
.....		.....
<i>To be added:</i>		
Expenditure for Land Forces borne on the budget of the Ministry of Marine . . . . .		.....
Expenditure for Land Forces borne on the budget of the Air Ministry . . . . .		.....
Expenditure for Land Forces borne on the budgets of the Civil Ministries:		
Ministry of . . . . .		.....
Ministry of . . . . .		.....
Ministry of . . . . .		.....
Ministry of . . . . .		.....
Expenditure from Special Accounts . . . . .		.....
" " " " . . . . .		.....
Reconstruction of the gross expenditure . . . . .		.....
Expenditure of the regional and local budgets . . . . .		.....
Expenditure of the Colonies . . . . .		.....
.....		.....
		<u>.....</u>
		<u>.....</u>
Total of Table I of the Model Statement (Land Forces)		<u>.....</u>

**II. Total Expenditure inserted in Table II of the Model Statement (Naval Forces).**

Total expenditure of the Ministry of Marine (or Ministry of National Defence) . . . . .		.....
<i>To be deducted:</i>		
Non-military expenditure of the Ministry of Marine . . . . .		.....
Expenditure relating to Land Forces . . . . .		.....
Expenditure relating to Air Forces . . . . .		.....
Sums the insertion of which would entail duplication . . . . .		.....
.....		.....
<i>To be added:</i>		
Expenditure for Naval Forces borne on the budget of the Ministry of War . . . . .		.....
Expenditure for Naval Forces borne on the budget of the Air Ministry . . . . .		.....
Expenditure for Naval Forces borne on the budgets of the Civil Ministries:		
Ministry of . . . . .		.....
Ministry of . . . . .		.....
Ministry of . . . . .		.....
Ministry of . . . . .		.....
Expenditure from Special Accounts . . . . .		.....
" " " " . . . . .		.....
Reconstruction of the gross expenditure . . . . .		.....
Expenditure of the regional and local budgets . . . . .		.....
Expenditure of the Colonies . . . . .		.....
.....		.....
		<u>.....</u>
		<u>.....</u>
Total of Table II of the Model Statement (Naval Forces)		<u>.....</u>

**III. Total Expenditure inserted in Table III of the Model Statement (Air Forces).**

Total expenditure of the Air Ministry (or Ministry of National Defence) . . . . .	.....	
<i>To be deducted:</i>		
Non-military expenditure of the Air Ministry . . . . .	.....	
Expenditure relating to Land Forces . . . . .	.....	
Expenditure relating to Naval Forces . . . . .	.....	
Sums the insertion of which would entail duplication . . . . .	.....	
.....	.....	.....
<i>To be added:</i>		
Expenditure for Air Forces borne on the budget of the Ministry of War . . . . .	.....	
Expenditure for Air Forces borne on the budget of the Ministry of Marine . . . . .	.....	
Expenditure for Air Forces borne on the budgets of the Civil Ministries:		
Ministry of . . . . .	.....	
Ministry of . . . . .	.....	
Ministry of . . . . .	.....	
Ministry of . . . . .	.....	
Expenditure from Special Accounts . . . . .	.....	
Reconstruction " " " " of the gross expenditure . . . . .	.....	
Expenditure of the regional and local budgets . . . . .	.....	
Expenditure of the Colonies . . . . .	.....	
.....	.....	.....
Total of Table III of the Model Statement (Air Forces)		..... ..... .....

**B. ANALYTICAL TABLE.**

**Distribution of Expenditure between the Tables of the Model Statement and their Subheads.**

CHAPTERS, ARTICLES, PARAGRAPHS, OF THE ACCOUNTS			DISTRIBUTION OF THE TOTAL AMOUNT				OBSERVATIONS <sup>1</sup>
No.	Heading	Total amount entered in the closed account	Sums excluded from the Model Statement	Sums included in the Model Statement			
				Amount	Number of the table of the Model Statement	Chapter of the Model Statement	
1	2	3	4	5	6	7	8

<sup>1</sup> See page 173, d (Indication of derogations).

C. SYNTHETIC TABLES.

I. Table relating to Table I of the Model Statement.

LAND FORCES.

Chapters of the Accounts (To be filled in according to the headings in use in the country)		Amounts to be distributed (see column 5 of the Analytical Table)	Head I. — PERSONNEL					Head II. — TRANSPORT		Head III. — BUILDINGS		Head IV. — WAR MATERIAL		
			Personnel normally forming part of formations and services			Personnel not normally forming part of formations and services	E Maintenance of personnel referred to in subheads A to D	F Horses and other animals, forage, harness and shoeing	G Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses	H Construction of new fortifications and defence works	K Barracks, other buildings, upkeep, furniture	M Arms, ammunition and fighting material	M (a) Engineer and other warlike stores	N Expenditure not divisible between subheads M and M (a)
No.	Abridged heading	A Pay and allowances of all kinds Officers	B Pay and allowances of all kinds N.C.O.s and men	C Pay and allowances of all kinds Civilian personnel	D Persons undergoing preparatory military training, reservists and reserve organisations									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

Totals of Table I of the Model Statement.



II. Table relating to Table II of the Model Statement.

NAVAL FORCES.

Chapters of the Accounts (To be filled in according to the headings in use in the country)		Amounts to be distributed (see column 5 of the Analytical Table)	Head I. — PERSONNEL					Head II. — TRANSPORT	Head III. — BUILDINGS		Head IV. — WAR MATERIAL		
No.	Abridged heading		Personnel normally forming part of formations and services			Personnel not normally forming part of formations and services	E	G	H	K	L	M	N
			A	B	C	D							
			Pay and allowances of all kinds Officers	Pay and allowances of all kinds N.C.O.s and men	Pay and allowances of all kinds Civilian personnel	Persons undergoing preparatory military training, reservists and reserve organisations	Maintenance of personnel referred to in subheads A to D	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses	Construction of new fortifications and defence works	Barracks, other buildings, upkeep, furniture	New construction	Maintenance	Expenditure not divisible between subheads L and M
1	2	3	4	5	6	7	8	9	10	11	12	13	14

Totals of Table II of the Model Statement.

III. Table relating to Table III of the Model Statement.

AIR FORCES.

Items of the closed account (chapters, items, articles, paragraphs)  (To be filled in according to the headings in use in the country)  Chapters of the Accounts		Amounts to be distributed (see column 5 of the Analytical Table)	Head I. — PERSONNEL.					Head II. — TRANSPORT.	Head III. — BUILDINGS.	Head IV. — WAR MATERIAL.
			Personnel normally forming part of formations and services			Personnel not normally forming part of formations and services	E	G	K	M
			A	B	C	D				
No.	Abridged heading		Pay and allowances of all kinds Officers	Pay and allowances of all kinds N.C.O.s and men	Pay and allowances of all kinds Civilian personnel	Persons undergoing preparatory military training, reservists and reserve organisations	Maintenance of personnel referred to in subheads A to D	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses	Barracks, other buildings, upkeep, furniture	Arms, ammunition and fighting material
1	2	3	4	5	6	7	8	9	10	11

Totals of Table III of the Model Statement.

## Part VII.

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# SUPERVISION AND THE PUBLICITY REQUISITE TO ENFORCE IT.

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### INTRODUCTION.

In the previous parts of the present report, the Committee's chief object was to define the juridical basis of the Convention for the limitation and publicity of expenditure, to determine, in the present state of affairs, the technical possibilities of its application, and to prepare the instruments needed for its practical operation.

It is now necessary to describe the manner in which the execution of the Convention could be supervised. This supervision is based essentially on the verification of the transfer of the figures in the accounts to the statements of expenditure, but, if it is to produce its full effect, it must also be possible to follow the course of the national defence expenditure of States. The publicity accompanying commitments and the actual execution of budgets<sup>1</sup> will make it easier for the Permanent Commission to obtain the information needed to judge of the real nature of the national defence expenditure of each of the States which have signed the Convention.

In the present part of the report, efforts will be made in two separate chapters to explain what published data are needed for the supervision of the Convention and to formulate certain technical observations concerning the practical operation of this supervision.

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<sup>1</sup> See Chapter V.

## Chapter XIX.

# PUBLICITY OF CREDITS AND PROOF OF THE OBSERVANCE OF LIMITATIONS.

### A. GENERAL OBSERVATIONS.

**1. Usefulness of Publicity.** Publicity is one of the essential features of the financial administration of modern States. Whereas under older regimes Treasury administration was usually kept secret, public opinion is now more and more anxious to follow the use made of the sums taken by the State each year from the national wealth for the working of the public services. The second part of this report showed the extent to which Parliaments exercise control over the public finances by the voting of the budgets, the granting of additional or supplementary credits in the course of the year and general supervision over the use to which credits are put. The manner in which supervision is exercised over the execution of the budget, of which the final act consists in the establishment of the final accounts, is also shown in the present report. The provisions of the laws or regulations promulgated for the purpose of communicating to the public periodical statements of commitments, orders for payment or payments, Treasury operations, the general accounts of the Finance Department, the statements and reports of the Court of Audit and other higher bodies responsible for the audit of accounts, have the same object in view.

It was only natural that, in order to procure for the future supervisory body all the data which may facilitate its work, the Technical Committee should have endeavoured to utilise this publicity to the greatest possible extent. Consideration will be given in this chapter to the question of the data which States can be asked to furnish for the purpose of assisting the Permanent Commission in its task of supervision without placing them, however, under too heavy a burden. In the Committee's opinion, the published data requested from States in regard to their expenditure figures should be accompanied by various particulars as to the system of public accounts and the actual nature of the various resources from which national defence expenditure is met.

**2. Technical Conditions for Publicity.** In dealing with the problem of publicity, the Committee felt bound to lay down the technical conditions to be fulfilled by publicity with a view to the application of the future Convention. This question is, in the Committee's view, of special importance: the Committee thinks that no machinery for publicity could be devised, nor could its form and purpose be determined, without previously defining the technical conditions essential for its working and effectiveness.

On this subject, the Committee was unanimous in recognising:

(1) That publicity must be *current—i.e.*, supply information as rapidly as possible concerning the respective expenditures of the contracting parties likely to interest the Permanent Disarmament Commission;

(2) That publicity should be *general—i.e.*, compulsory for all contracting parties;

(3) That it should be *simultaneous—i.e.*, that communication should be made by the contracting parties as far as possible on the same date, and that the information supplied should refer to the same periods of time;

(4) That it should be *in sufficient detail* to fulfil the purposes of the Convention.

**3. Aims of Publicity.** In the light of experience gained during the course of its work, the Committee envisages publicity from two different aspects:

(a) Publicity which would constitute juridical proof of the fulfilment of obligations in regard to the limitation of national defence expenditure. It would enable the carrying out of these obligations to be supervised.

(b) Publicity which would be independent of proof of the limitation of national defence expenditure, but the purpose of which would be to inform the Permanent Disarmament Commission as to the expenditure of States on national defence and which would thenceforth furnish this Commission with very helpful data from the point of view of the supervision which it would be called upon to exercise.

The Committee desires to emphasise the differences existing between these two forms of publicity in view of the objects respectively assigned to them. Such a distinction between these two classes of publicity seems essential for avoiding any confusion in the interpretation of the subject dealt with in the present chapter. Notwithstanding their different objects, their external form and their degree of detail may, however, be the same.

The necessity for submitting expenditure figures within the uniform framework of a Model Statement was shown in Chapter III. In the Committee's opinion, the detailed information supplied in this statement would be the same for purposes of limitation and for purposes of publicity.

In the event of global limitation, it might be thought that it would be sufficient to produce a single figure for the total expenditure and that, in the event of the separate limitation of expenditure on each of the three armed forces and their respective war materials, it would be sufficient to supply one figure for each category of expenditure so limited. In reality, even in the event of the Conference's adopting global limitation alone, it would be necessary, in the Committee's opinion, to prove the observance of this limitation by means of a fairly detailed Model Statement. First, the correctness of all the figures which composed the grand total of national defence expenditure must be ascertained, and for this purpose all the items of expenditure under which these figures are entered must be analysed. The more detailed the Model Statement the greater the need for the analysis of the accounts in order to discover the true object of the expenditure, and the greater the efficacy of the supervision to be entrusted to the Permanent Commission. On the other hand, the heads of the Model Statement are indispensable to give an idea of the true object and allocation of the expenditure and to provide a true picture of the armament of each country. The supervision of a global limitation of expenditure on the basis of a detailed Model Statement will provide useful indications for estimating the economies realised by reductions made in armaments themselves—for instance, effectives and war material. It will also make it possible to bring about the realisation of the technical conditions necessary for the separate limitation of expenditure on the three forces and on land and naval material, a limitation which is difficult to achieve at present for the reasons set out in Chapters IX and X.

On the other hand, States cannot be asked to supply an over-detailed statement, the compilation of which would necessitate the splitting up of too many figures for allocation to the various heads.

**4. Publicity unconnected with the Proof of the Observance of Limitations.** After examination of the conditions required in the case of publicity intended as proof of the fulfilment of obligations in regard to limitation, it is now necessary to consider to what extent supplementary publicity might be requested of States with a view to supplying the Permanent Commission with the data needed for the exercise of supervision. In this connection, the Committee thought that publicity should be laid down as a fundamental principle, the application of which would be limited only by the impossibility of imposing upon States obligations with which the administrations would be unable to cope.

The obligations which should be assumed in this sphere should help to enlighten the Permanent Commission as to the various financial efforts which States devote to their

national defence. The detailed information furnished by means of publicity will enable the true nature of the expenditure of the contracting parties to be traced within the framework of their obligations, and there is no doubt that supervision over the execution of the Convention will thus be made more effective.

This chapter will deal successively with:

- Publicity of credits based on parliamentary votes;
- Publicity of annual disbursements;
- Advisability of the communication of certain laws and regulations that may bear on national defence.

## B. PUBLICITY OF CREDITS BASED ON THE BUDGETS.

**1. Summary of Previous Efforts.** This problem was considered before the Limitation Conference from two different aspects:

*From the exclusive standpoint of publicity.* — The Committee of Budgetary Experts of 1927 concluded that it was necessary to draw up a Model Statement of national defence expenditure based on the budgets as voted. It did not bring out in its report the arguments in favour of a statement of military expenditure actually incurred. M. JACOMET, former Chairman of the Committee of Budgetary Experts, furnished the Technical Committee with additional explanations from which it results that the production of a Model Statement based on estimates had in 1927 been looked at solely from the standpoint of publicity. The Committee of Experts of 1931 had emphasised the importance of the part played by Parliament and public opinion when credits are being voted. It is at this moment that Parliament and public opinion are most interested in the financial effort made for national defence purposes. The Committee of Experts had considered that, in the event of limitation, the competent organs (Government or Parliament) would be led to take the necessary steps to explain publicly how the credits to be asked for or voted would fall within the limits laid down by the Convention.

*As legal proof of limitation.* — For the reasons stated in the first part of the present report,<sup>1</sup> it is not possible to base limitation on Parliamentary votes; this publicity of estimated expenditure could not serve as juridical proof of the fulfilment of the obligations in regard to the limitation of expenditure, since the Committee proposes that this should be based on the payments effected.

Nevertheless, this publicity is of very great importance from the point of view of the Convention, and for this reason the National Defence Expenditure Commission decided, after a preliminary discussion, to entrust the study of the question to the Technical Committee.

Various proposals concerning this publicity have also been referred to the Technical Committee :

(a) The French delegation's proposal for the reference of budgets to the Permanent Disarmament Commission (Minutes of the Expenditure Commission, page 28).

(b) The German delegation's proposal concerning services not paid for in cash (Minutes, page 37); this proposal is connected with the publicity of expenditure in that it draws attention to the desirability of the Permanent Commission's being informed, not only of the estimated expenditure appearing in the budget, but also of the services and contributions which the State requires from its nationals.

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<sup>1</sup> Chapter IV, page 24.

(c) The remarks of the Soviet delegation to the following effect:

“ It was in favour of adopting the system recommended by Sub-Commission B and by the 1927 report of the Committee of Experts on Budgetary Questions (document C.P.D.90)—namely, (1) communication to a supervisory body of the expenditure in question as early as possible after the budget is voted; (2) publication within the same time of information regarding expenditure effected during the budget year, such publication to take place at regular intervals to be determined when the question has been sufficiently studied.”

**2. Could Estimates  
be used for  
Publicity apart  
from furnishing  
Juridical Proof of  
the Observance of  
the Limitation  
of Expenditure ?**

A few preliminary observations are necessary:

(a) *Generally, State expenditure and revenue form the subject of annual estimates and authorisations by the public authorities.* The necessity for balancing public revenue and expenditure is equally urgent for all States. Even when certain expenditure is not subject to express Parliamentary approval, estimates have to be drawn up which only differ from authorisations as regards their legal nature. Thus, there exist in the United States of America permanent credits, which are nevertheless contained in annual “ appropriations”. In the United Kingdom, the Consolidated Fund—which, by the way, does not include any national defence expenditure—is also the subject of annual estimates. It is when estimates are being drawn up and authorisations to incur commitments decided on that sums to be voted for public services give rise to discussion in the Parliaments. It is, moreover, at such a moment that public opinion passes judgment on the advisability of expenditure and on its allocation. Whatever be the legal significance of the voting of funds, their amount determines in the last resort the sum total of the payments that will be effected. If a Convention of limitation or publicity of armaments expenditure is concluded, it is certain that, when such estimates are authorised, it will be particularly desirable to ascertain the manner in which such estimates will fit in with the requirements of the Convention. For this reason, the Technical Committee considers that the Convention should contain certain technical provisions, the machinery of which will be communicated later, that would make it easier, at the moment when credits are being voted, to fulfil the contractual obligations imposed on all States by the Convention.

(b) *Credits are in general voted for one year.* There are, however, in certain countries, credits the unused surplus of which may be carried forward to succeeding years for the execution of building programmes or works which cannot be completed within the year for which the credit was voted.

At first sight, the existence of “ carry-forward ” credits may give rise to certain doubts as to the possibility of organising the publicity of annual credits. But it should be pointed out that the vote of these credits cannot, even during a period of stability, furnish an exact estimate of expenditure. The vote of these credits actually relates to the execution of programmes the date of completion of which can only be fixed approximately. The estimated expenditure in respect of the execution of these programmes is by the very nature of things subject to modification, and it is only later, as the work advances, that the exact amount of the expenditure can be finally fixed.

In this connection, the Committee considered whether it would not be possible to ask the States concerned what portion of these “ carry-forward ” credits they might intend to employ during the budgetary year. If each State were to announce the portion of these credits authorised for several years which it proposed to expend during the year, equally accurate, rapid and complete information would be obtained for all States; this would do away with certain anxieties caused by the length of time necessary for the legal proof of observance of limitation. The estimated sums to be disbursed during the year should indeed fit in with the contractual limits and render this limitation more effective.

The Committee thinks that, if this were done, the contracting States would be obliged, at the moment of the voting of the budgets with its attendant publicity, to take precautions to prevent the limits laid down for their military expenditure under the Convention being, even unintentionally, exceeded. These precautions would be particularly necessary as regards credits covering several years; for, if the amount of the payments to be effected during the year out of these credits was not carefully foreseen, it might happen that actual expenditure would exceed the limits of expenditure permitted by the Convention. Thus, as it is necessary to prevent the annual limits fixed by the Convention from being exceeded owing to an insufficient estimate of the annual instalments of such credits, it seems well that the Committee should recommend that each State concerned should mention the amount of payments which it intends to make out of "carry-forward" credits during the current year or "exercice".

The Committee recognised that, in re-establishing the rule of budgetary "annalité" in the international sphere, the existence of "carry-forward" credits would not form an obstacle to the publicity of annual estimates of expenditure.

(c) *The moment at which estimates are drawn up varies in the different countries.* This difference results from several causes. On the one hand, the dates of the beginning and end of the budgetary years not being the same, the work of framing the budget cannot be completed at the same date. Out of thirty-three States whose documentation the Committee examined, there were eleven States in which the budgetary year begins on January 1st and ends on December 31st, fifteen whose budgetary year begins on April 1st and ends on March 31st, and seven whose budgetary year begins on July 1st and ends on June 30th.<sup>1</sup> On the other hand, whilst in some States the budget must be voted before the beginning of the budgetary year, in others the budget is only finally drawn up several months after the beginning of that year. Lastly, when the work of preparing the estimates is not concluded by the date fixed by law, different States employ different methods to provide for the carrying on of the public services (see Chapter V, page 34). The above methods may sometimes involve a delay in the framing of the budgets of from three to six months after the beginning of the budgetary year. As regards differences between the dates of the commencement of the budgetary year, the Committee considered that their importance from the point of view of the requirements of publicity should not be exaggerated.<sup>2</sup> The variation in the dates for the beginning of the budgetary year in the different countries cannot endanger the sound working of the system of publicity; for, whatever the date may be, an exact idea can always be obtained, at the moment of the voting or fixing of the budget, of the financial effort put forward by the States for the purposes of national defence.

Moreover, considering that a delay of some six months in the despatch of information as a result of delay in passing the estimates of expenditure would cause great inconvenience,

<sup>1</sup> January 1st-December 31st

Austria  
Belgium  
Czechoslovakia  
Finland  
France  
Lithuania  
Netherlands  
Roumania  
Spain  
Switzerland  
U.S.S.R.

April 1st-March 31st

Albania  
United Kingdom  
Bulgaria  
Denmark  
Estonia  
Germany  
Greece  
India  
Irish Free State  
Japan  
Latvia  
New Zealand  
Poland  
South Africa  
Yugoslavia

July 1st-June 30th

Australia  
Hungary  
Italy  
Norway  
Portugal  
Sweden  
United States of America

<sup>2</sup> Major-General BARBERIS and M. WORBS, though recognising that this defect is not of great importance, desire that it should be pointed out to the Commission on Expenditure.



the Committee also considered whether it would not be possible to contemplate basing publicity on the draft budgets. It foresaw three possibilities:

(1) If the budget is passed before the beginning of the financial year, it should be used as a basis for publicity.

If the budget is not passed by the beginning of the financial year, there are two possible alternatives:

(2) The previous budget is extended in accordance with the national legislation. This former budget would be used as a basis for publicity.

(3) "Douzièmes provisoires" are passed or other provisional methods are applied (such as the system in the United Kingdom of passing certain votes by which the requirements of other votes are covered provisionally), but the draft budget is nevertheless drawn up at the beginning of the financial year.

The Committee recommends that, in that case, publicity should be based on the draft budget, as in all countries where there might be a delay in passing the budget, the draft budget is as a rule drawn up before or shortly after the beginning of the financial year. The States should, however, have the right to correct information thus published on the basis of draft budgets as soon as the budget has been passed or fixed by the competent authorities.

(d) *Estimates of expenditure are in general sufficiently detailed for publicity purposes.* Despite the divergencies that occur in this respect in the various countries, the estimates of expenditure may, in general, after the adaptations necessitated by the requirements of the future Convention, be taken as an adequate basis for publicity. Such adaptations will be found to be the more necessary in proportion as budgets are less detailed. Mention may be made in this connection of the case of the U.S.S.R., where the published budget only contains one aggregate figure for all national defence expenditure. The Committee wondered whether the Powers which, for internal reasons, give wide publicity to their official information might not be tempted, as far as the international domain is concerned, to resort to the lower level of publicity employed by other States which in this respect show themselves to be much less liberal. Accordingly, the Committee has considered it essential to point out to the Conference how necessary it is for certain States to make an effort to supply information as detailed as that of the other countries.

The Committee expresses the hope that the Permanent Disarmament Commission will be able, by virtue of the provisions of the Convention, and by appealing to the good faith of the contracting parties, to obtain from all States the widest publicity in regard to military expenditure.

(e) *The credits granted by the public authorities in the original budget do not cover all expenditure, supplementary credits being passed in the course of the year or credits being cancelled on account of unforeseen expenditure or economies.*

The Committee considered, in the light of the information supplied by the States, whether there were any great divergencies between the estimates of expenditure embodied in the *original* national defence budgets<sup>1</sup> and the expenditure actually incurred. Such divergencies may occur in two ways, either by a change in the purpose for which sums are spent as a result of *virements*, or else by the granting of supplementary credits or by the cancellation of credits owing to circumstances which could not be foreseen at the time when the budget was prepared. As a rule, such differences amount to less than 10 per cent of the total amount of the budgets concerned, though they are larger in so far as they affect the divisions and subdivisions of the budget. The appended table

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<sup>1</sup> See Annex 10. Both as regards original estimates and as regards actual expenditure, the table shows only the budgets voted, excluding all expenditure entered in special accounts.

The sole idea of drawing up this table is to show the real importance of publicity of estimates of expenditure in the event of a Convention for publicity and limitation. The differences between estimates and actual expenditure would necessitate explanations which would differ according to the financial systems. The Committee therefore warns the reader against the difficulties inherent in an interpretation of this table.

shows that, in the twenty-six countries of which the estimates of expenditure and the actual expenditure of National Defence Ministries for the budgetary years 1929 to 1931 were examined by the Committee, the differences between the original estimates and actual expenditure may be classified as follows:

Estimates exceeded by 15 to 20 per cent in		2	cases
"	"	" 10 "	" 15 " " " 4 "
"	"	" 5 "	" 10 " " " 12 "
"	"	" 2 "	" 5 " " " 6 "
"	"	" up to 2 "	" " " 14 "
			—
Total . . . . .			38
Expenditure under-estimated by 15 to 20 per cent in		1	case
"	"	" 10 "	" 15 " " " 2 cases
"	"	" 5 "	" 10 " " " 7 "
"	"	" 2 "	" 5 " " " 10 "
"	"	" up to 2 "	" " " 14 "
			—
Total. . . . .			34

It may thus be concluded, that in almost every case the excess as compared with initial estimates is not more than 10 per cent. This circumstance is of particular significance when it is remembered that at present the granting of supplementary credits in the course of the budgetary year is not legally limited. If a limit of expenditure is fixed by the Convention, these differences may be expected to decrease, and consequently the value of publicity in regard to estimates of expenditure will also considerably increase. The mere fact of the limitation of expenditure will moreover oblige the States to draw up their estimates with greater accuracy.

**3. Utility of the Publicity of Estimates of Expenditure in view of the Length of Time required for the Publicity of Payments effected.**

The dates for communicating the returns based on final accounts have been indicated above (see Chapter XV), and it has been seen that, in the nature of things, those dates would not meet the need for timely information, whatever effort might be made to reduce the delay inevitable in the communication of information based on the final accounts. This is an essential reason which justifies the publicity of estimates of expenditure, since this can take place with comparative rapidity.

The contracting parties might communicate to the Permanent Disarmament Commission, within two or three months of the entry into force of the Convention, information based on the budgets or draft budgets for the current year. Such information would of course be subject to a certain delay in cases where parent States communicate the expenditure of their oversea territories. The Committee considers that, if the information were to be supplied shortly after the entry into force of the Convention, it would be possible to follow the application of the Convention immediately. The rapid production of this information would greatly strengthen the contracting parties' feeling of security.

Such are the reasons which have led the Committee to conclude that publicity based on estimates of expenditure would be of great utility to the execution of the Convention.

**4. Methods of Publicity for Estimates of Expenditure.**

The Committee considered two possible solutions:

(a) The presentation of expenditure in the form of a Model Statement;

(b) Publicity of aggregate figures of estimates of national defence expenditure in the form shown in the budgets.

(a) Since the publicity of estimates of expenditure is not to furnish legal evidence

as to the execution of obligations as regards limitation, it does not at first sight seem necessary that such publicity should take the same form as the Model Statement.

On studying the problem more closely, however, the Committee found itself obliged to take into account a number of arguments and considerations showing that the form and detailed structure of publicity for estimates should be the same as those adopted for the publicity of expenditure effected and should be equally specific. Account must be taken of the fact that the budgets and internal accounts do not show separately national defence expenditure within the meaning of the Convention, this expenditure being bulked in the budget and internal accounts with other expenditure not subject to limitation and publicity. As the Model Statement providing evidence of limitation will only contain the expenditure detailed in the conventional list, it is very important that the estimates of national defence expenditure within the meaning of the Convention should be presented in the same form as the expenditure effected, if it is desired to judge how the estimates compare with the limits fixed. Publicity thus conceived will then technically constitute a first step in the execution of the Convention.

Accordingly, the Committee is of opinion that the publicity of estimates of expenditure is a factor of great importance from the point of view of the observance of the stipulations of the Convention, although it cannot be substituted for the publicity of payments extracted from the closed accounts, which alone can provide juridical proof that the obligations as regards limitation have been respected. While realising that the submission of estimates of expenditure within the framework of the Model Statement will call for a certain effort on the part of States, the Committee considers that the establishment of such a Model Statement would be of a great moral, and it might also be said symbolic, value. Such a Model Statement would clearly show public authorities and public opinion the scope of the restrictions imposed on States by the Convention. It would show the necessity, during the execution of the budget, of keeping close watch by means of internal supervision for any overstepping of the contractual limits within which the estimates had previously been kept. The international obligations which each State would assume on signing a Convention for limitation of expenditure would thus take concrete and tangible form.

It would seem, moreover, that every country would be obliged to draw up a Model Statement for use at home in order to be able to bring the execution of its budget into line with the provisions of the Convention regarding publicity.

For all the reasons outlined above, the Committee feels justified in asking States to undertake the very considerable labour represented by the preparation of this Model Statement, and it considers that this solution would be particularly desirable for the first two years of the enforcement of the Convention, pending receipt of the first Model Statement based on the closed accounts. These statements of estimates of expenditure should be accompanied by the reconciliation tables referred to in Chapter XVIII. As regards subsequent years, it would perhaps be sufficient for States to send in their budgets to the Permanent Commission accompanied by a very brief note communicating the total estimated expenditure on national defence within the meaning of the Convention to be effected through the military budgets, the total similar expenditure to be effected from the civil budgets, special accounts or other funds, and the grand total of estimated national defence expenditure for the year. Such a solution would mean less onerous commitments for the contracting parties, as it would not require the competent departments to carry out the additional work of preparing the Model Statement.

If the Convention simply established a comprehensive limitation of all national defence expenditure, the communication of the aggregate credits might be regarded as sufficient, but the technical value of the publicity of credits would be reduced.

In the Committee's opinion, the Model Statement based on credits should be sent to the Supervisory Commission within a period not exceeding two months after the promulgation of these budgets.

**5. Publicity of Other Documents concerning Estimates of Expenditure.** In all the States whose documentation was examined by the Committee, the establishment of estimates of expenditure (budgets) is preceded by a great deal of preparatory work carried out either by the Executive (draft budget) or by the Parliament (discussion in commission or in plenary meeting). Chapter V of the report describes the various stages of this work.

The Committee considers that the publicity of some of the documents drawn up during this phase might provide the Permanent Disarmament Commission with valuable technical information. The draft budgets as a rule contain more details than the budgets as voted and, further, the records of the discussions in plenary meetings might give information as to the significance of any changes made by the Parliaments in the draft budgets.

The value of these documents will not be complete unless they are sufficiently detailed and properly adapted to the requirements of publicity. The Committee therefore considers that certain States should undertake to supply more explicit documents than those hitherto submitted, while States whose documents appeared to be sufficiently complete and adapted to the requirements of the Convention should undertake that they retain the same practical value.

The Committee thinks, however, that Governments should not be asked to supply a multitude of documents, and in particular the Minutes or official records of parliamentary discussions. These documents often involve problems relating to the internal policy of the States which it would be inadvisable to raise in the Permanent Commission. Such encroachments must be avoided at all costs.

Lastly, the Committee considered the desirability of communicating any finance laws amending the original estimates of expenditure or authorising further expenditure in the course of the financial "exercice". This question is examined in fuller detail in part D of the present chapter.

### C. SPECIAL PUBLICITY WITH REGARD TO ANNUAL DISBURSEMENTS.

In view of the length of the period which is bound to elapse before the final accounts can be produced, the Committee of Budgetary Experts, in Chapter 6 of its report, considered the possibility of inviting the Governments to prepare—solely with a view to the application of the Convention—separate accounts showing payments actually made during the twelve months of the financial year. These accounts would enable the States to make known by a fairly early date the full amount of the payments actually made for national defence purposes in the course of the financial year. The Committee of Budgetary Experts recommended that States should be asked to take such steps as might be necessary to have these separate accounts authenticated by the competent authorities. This proposal was revived by the French delegation.

The Technical Committee was unable to proceed to a thorough examination of this proposal, since very few States were in a position to supply information as to the possibility of introducing such a system of special accounts. Nevertheless, the Committee did not overlook the interest and importance of this problem, which it duly studied.

In all countries, the agents of the Treasury (disbursing officers) keep annual accounts of the sums which they actually pay out. In countries where there is no additional period, it is the totals of such payments made during the twelve months which are entered in the final annual accounts. In countries with additional periods, on the other hand, the payments made in the course of a given period of twelve months include, not merely those arising out of the execution of the current budget, but also those effected during the additional period of the preceding year. The payments made in the course of twelve months therefore do not correspond to the payments of the financial "exercice" in the final accounts. By taking a sufficiently long period, however, there can be no doubt that the sum of the payments entered in the twelve-monthly accounts (payments made during the twelve-months period in respect of the current budgetary year

and the additional period of the previous year) should to all intents and purposes equal the sum of the payments entered in the final accounts for the financial "exercice" corresponding to the same period. Hence, the production of twelve-monthly payment accounts would supply the Permanent Disarmament Commission with very valuable periodical information on the total amount paid out by each State each year and would enable it, even before legal proof of compliance with limitation was forthcoming, to form an opinion of the extent to which the total annual disbursements were conforming to the limits fixed.

It is, however, self-evident that these accounts of annual disbursements drawn up immediately after the end of the twelve-month period could not show the same detail as the final accounts. In most cases, they could only show the aggregate figure of national defence payments within the meaning of the Convention. The advantage of having such accounts compiled would consist in the promptness with which they could be made public. The production of such figures could not, however, be used as juridical proof of compliance with the limitation of expenditure, as they would not possess a sufficient degree of authenticity such as is conferred, in the case of the final accounts, by an audit by the supreme audit authorities. Should it be found that the introduction of twelve-monthly accounts was feasible in all countries, the States would have to state the aggregate amount of payments made in respect of national defence during the twelve months of the year, and at the same time produce a short reconciliation table showing how the full amount was distributed between:

- (1) The budgetary accounts of the defence ministries;
- (2) The budgetary accounts of the various civil departments;
- (3) The expenditure effected out of extra-budgetary resources.

The Committee is of opinion that these twelve-monthly returns of payments made could not be submitted in the form of a Model Statement. They could reach the Permanent Disarmament Commission within two months after the end of the financial year.

In the case of countries with supplementary periods, the Committee also considered the possibility of the speedy production of accounts of payments made during the financial "exercice". The drawing up of such accounts presupposes that the accounts of payment made are closed at the end of the supplementary period and thus permit of the deduction of payments made during the previous supplementary period. These conditions are not fulfilled in all States. It would also be impossible for such accounts to be submitted in the form of Model Statements. This solution would have the advantage of showing the payments relating to the financial "exercice" which would be entered in the Model Statement. In view of the length of the additional periods and of the recommendations regarding their curtailment, and in view of the time required for preparing annual accounts of disbursements, the Committee considers that the latter could be produced within a period of seventeen months after the beginning of the financial year.

The enquiries conducted by the Committee on this point are bound to be merely provisional in character and the problem will have to be subsequently reconsidered in the light of more definite information which the Governments would be requested to supply and which would enable it to be ascertained in all cases whether such accounts could be drawn up in practice.

#### D. PUBLICITY OF FINANCIAL DOCUMENTS.

**1. General Remarks.** As has been seen on several occasions in the present report, in order to ascertain to what extent States are carrying out the provisions of the Convention, it is not only necessary to verify the manner in which the figures of national defence expenditure taken from the closed accounts have been transferred to the Model Statement. To determine the real character of the expenditure, it is also essential to be informed of the laws and regulations by which such expenditure is governed. This necessity was realised more and more clearly by the Committee as its work proceeded and as the documents submitted by the various delega-

tions were examined. The Committee constantly felt the need for enlightenment, by a knowledge of the legislative and administrative provisions, as to the real character of the expenditure in order correctly to interpret the figures furnished by States. It was thus in a position to realise the importance which the Permanent Disarmament Commission would attach to the communication by States which signed the Convention of certain laws, regulations and public documents relating to national defence.

To determine the character of the documents which the Permanent Commission should have at its disposal for consultation, there are two essential considerations:

(a) It will be sufficient if the information produced is restricted merely to national defence expenditure enumerated in the conventional list (see Appendix I to Chapter II of the present report).

(b) In each State there are special conditions resulting from its economic, political and administrative structure and from its traditions. The study of legislative and administrative provisions is the only manner in which an opinion can be formed as to these special conditions, a knowledge of which is indispensable in order to exercise well-informed supervision.

In this connection, the procedure followed by the Committee in examining the documentary material of the States has enabled it to collect valuable information.

In order to understand the meaning and the justifiability of the expenditure figures entered in the Model Statement, the Permanent Disarmament Commission will, like the Technical Committee, be obliged to ask States for explanations. In order to grasp the scope of these explanations, the Permanent Commission should be able to consult a certain number of laws and regulations which must be sent to it either periodically or on special request.

**2. Purposes for which the Various Particulars to be supplied by States are required.** It is not possible at present to draw up a complete and detailed list of the laws and regulations which States should be requested to furnish. The general principles which must guide the investigations of the Permanent Commission have, however, been laid down in various parts of the report. For practical purposes, it would appear to be of special value for the Permanent Commission to have particulars relating to:

(a) *National defence expenditure entered in the budgets and accounts of the State, provinces and communes; the powers and rôle of the various constitutional authorities in preparing and voting the budgets; the dates of the various stages in the adoption of the budgets; the degree of detail with which expenditure is set out in budgets and accounts and the extent to which these are published.*

The Permanent Commission will thus possess the general information necessary to understand the special situation of each State and will likewise be in a position to devote its particular attention to certain special problems relating to its supervisory work.

(b) *Credits opened apart from the budget, either by special laws or by administrative action.*

(c) *Subsidies to and participations in private firms manufacturing war material in time of peace.*

States should be specially asked to explain the powers of the Government as regards the granting of subsidies to private firms manufacturing war material in time of peace and also to state what private armament firms are subsidised by the State and what is the amount of the financial participation of the State in such firms. The above remarks in regard to private firms also apply to State establishments.

(d) *Autonomous establishments.*<sup>1</sup> It would be useful for the Permanent Commission

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<sup>1</sup> The problems connected with autonomous establishments have been dealt with in Chapters VII and VIII of the present report. See pages 69-71 and 81.

to have the annual accounts of these establishments and definite information of the sums paid by the State in return for materials delivered or for capital investment.

(e) *Exemptions and special advantages which are granted to military departments and which may reduce certain national defence expenditure without at the same time involving a reduction of armaments.*

As, for economic reasons, the Convention cannot compel States to adopt uniform rules in regard to the exemptions and special advantages granted to national defence services, the Committee thinks it would be advisable for the Permanent Disarmament Commission to have information as to the existing laws and regulations establishing those exemptions.

(f) *Services rendered free of charge to national defence and resulting in a diminution of the financial burdens of the State.*

This problem has been dealt with in Chapters IV and XVII of the present report. It may merely be pointed out here that the Committee has recommended attaching to the Model Statement particulars regarding unpaid services in cases where their volume has to be estimated or where, though an estimate is impossible, information is nevertheless required as to their nature and volume.

**3. Conclusion.** The practical object of the communication of certain laws, regulations and public documents relating to national defence is to place the Permanent Commission in possession of such information that, by consulting it, it may ascertain under what conditions and in what manner the States will sign the Convention and to form an opinion, while the Convention is in force, as to how the contracting parties are carrying out their obligations.

The extent of this publicity should be limited by the necessity to avoid imposing upon States and the Permanent Commission work which does not strictly correspond to the requirements of the Convention.

## E. STANDARDISATION OF NATIONAL DEFENCE BUDGETS AND ACCOUNTS.

At the sixteenth meeting of the National Defence Expenditure Commission, on May 6th, 1932,<sup>1</sup> the German delegation submitted the following proposal:

“ Considering that the value of the budgetary documentation to be submitted increases in proportion to the correctness and clearness of the data furnished, the German delegation makes the following proposal:

“ (1) The reconciliation tables are to be submitted in a uniform model in accordance with the principle that the Model Statements must be drawn up on a uniform basis.<sup>2</sup>

“ (2) In conformity with the same principle, the German delegation would be glad if the military budgets and the corresponding closed accounts of the various countries were also drawn up on a uniform model.

“ In any case, the German delegation strongly supports the original proposal made by the Soviet delegation contained in paragraphs 178 and 179 of the report by the Committee of Experts on Budgetary Questions set up by the Preparatory Commission,<sup>3</sup> according to which ‘ all expenditure for the maintenance of armed forces of any country shall be brought together in a single chapter of the State budget ’.”

<sup>1</sup> See Minutes of the National Defence Expenditure Commission, page 18.

<sup>2</sup> This question has been dealt with in Chapter XVIII of the present report.

<sup>3</sup> As a matter of fact, this quotation refers to the report of the Preparatory Commission for the Disarmament Conference (document C.690.M.289.1930.IX, page 21).

The Technical Committee realises that, if the German delegation's proposal could be carried out, this would be of great importance from the standpoint of the strict and uniform execution of the undertakings entered into by all the contracting parties.

But, on the other hand, it has to consider the diversity of the accountancy systems now in force and the difficulty of introducing into those systems the important changes which would be necessitated by the standardisation of national defence budgets and accounts. The present form of the accounts, with all their diversity, corresponds to necessities or administrative tradition.

For example, in many cases, for reasons of economy and in order to avoid over-complicated administrative machinery, certain national defence expenditure is borne by civil budgets, or civil expenditure is included in the budgets of national defence departments. It would be difficult, then, to ask States to renounce in a moment methods already sanctioned by experience. Moreover, the Committee does not regard the diversity of the systems of accountancy now in force as constituting in itself an insurmountable obstacle to the proper application of a system of limitation or publicity of expenditure, since the Model Statement makes it possible to eliminate such formal differences.

The present report has none the less brought out repeatedly the advantage that might be derived from the standardisation of national defence budgets and closed accounts on lines in conformity with the requirements of the future Convention. If those budgets and accounts were presented under heads corresponding to the divisions of the Model Statement and the tables annexed thereto, this would avoid the necessity of splitting up sums and making computations in order to determine the expenditure to be entered under the various appropriate heads and sub-heads. The establishment of the Model Statement and annexed tables and that of the reconciliation table, the examination of that table by the Permanent Commission and, in general, the exercise of supervision by the Commission, would be greatly facilitated.

Further, it is permissible to hope that, by reason of the difficulties that States will encounter in filling in their Model Statement correctly, they will be led to amend the method of presenting their accounts and budgets in order to adapt them better to the requirements of the Convention.

## F. CONCLUSIONS.

While the Committee considers that only audited accounts of payments can form the legal basis of the Convention, and that only the Model Statement of payments effected extracted from the closed accounts can serve as evidence that contractual obligations have been carried out, it thinks it should recommend Governments to adopt in addition a system of publicity. This publicity would involve publicity of the estimates of expenditure within the framework of the Model Statement and special publicity of annual disbursements. Provision should also be made for the communication by the various States to the Permanent Disarmament Commission of the draft budgets, the budgets voted, the final accounts and certain laws and regulations concerning the financial administrations of the national defence departments.

In the view of the Committee, this supplementary publicity could be carried out fairly rapidly and would, to some extent, permit of preventive supervision over the obligations of the contracting parties. It would largely obviate the disadvantage of the long period which is necessarily involved in the publicity of audited figures of payments extracted from the closed accounts. The Permanent Commission, which would receive in turn the Model Statement of expenditure estimates a few months after the beginning of the financial year, the account of annual disbursements shortly after the end of that year and, lastly, the Model Statement of payments effected, might, by using the other documents the communication of which is also provided for, be progressively informed as to the real destination of national defence expenditure, and as to the fulfilment by the various States of their treaty obligations. The feeling of security of the contracting States would thus be strengthened.



The Committee is, moreover, of opinion that the very fact of executing the Convention will gradually lead the States to change the manner in which they present their budgets and accounts of national defence expenditure, in so far as this is necessary to bring it into harmony with the requirements of the Convention. These changes would strengthen the efficacy of the supervision exercised through the combined mechanism of publicity and limitation which the Committee has prepared, and would greatly simplify its working.<sup>1</sup>

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<sup>1</sup> See the reservation made on page 131 by Major-General BARBERIS and M. WORBS.

## Chapter XX.

### TECHNICAL OBSERVATIONS REGARDING THE SUPERVISION BY THE PERMANENT DISARMAMENT COMMISSION OF THE APPLICATION OF PROVISIONS RELATING TO THE LIMITATION AND PUBLICITY OF EXPENDITURE.

**Basis of Supervision over the Limitation and Publicity of Expenditure.** The Bureau of the Conference, in its report on the question of supervision, dated November 17th, 1932 (document Conf. D.148), requested the various technical committees to consider whether, in certain special matters, other machinery than that proposed by the Bureau for the exercise of supervision would be better adapted to the special technical features of such cases. While noting that a sub-committee of the Bureau, in a subsequent document (document Conf.D./Bureau 39), amended the wording of the original report on supervision, the Technical Committee has complied with this request and has made some recommendations in regard to the supervision of the application of the provisions of the Convention in respect of the limitation and publicity of expenditure.<sup>1</sup>

This supervision will involve examination of the accuracy of the figures—that is to say, the verification of the figures for payments entered in the Model Statement.

It must be exercised, not only on the basis of the accounts and particulars supplied by the States, but also in the light of a continuous study of the expenditure devoted by each State to its national defence; this study will be carried out with the help of the documents which will be at the disposal of the Permanent Commission.

**Other Tasks of the Permanent Commission in this Sphere.** In addition to these activities, the Permanent Commission will, in accordance with the recommendations contained in the present report, be entrusted with the following tasks in the sphere of the publicity and limitation of expenditure:

(1) The Commission will have to examine and take decisions on the requests made by States for the readjustment of the limits in cases of fluctuations in purchasing power (see Chapter XII).

(2) It will have to express its opinion as to the existence of the conditions required for the deduction of exceptional and unforeseeable expenditure (see Chapter XV).

#### A. VERIFICATION OF THE PAYMENT FIGURES ENTERED IN THE MODEL STATEMENT.

**1. Object of the Verification.** In Chapters VII to X, the Committee has explained the *object* of the verification which it will be the duty of the Permanent Commission to undertake. The latter will be called upon to verify the following three categories of figures:

(a) The total national defence expenditure (Chapters VII and VIII).

(b) The total expenditure of each of the three forces and expenditure for land material and naval material (Chapters IX and X).

<sup>1</sup> The above-mentioned documents of the Bureau have not yet been approved by the Conference. It is therefore understood that the observations in the present chapter, made with reference to the conditions described in those documents must necessarily be of a provisional nature and, should the Conference not approve the Bureau's proposals, its decisions will have to be borne in mind as regards the supervision of budgetary limitation and publicity.

(c) The figures entered in the various sub-heads of the Model Statement and in the publicity items annexed to the Model Statement properly so called (Chapters XVI and XVII).

It is most important to verify the total figure of expenditure under (a), since its correctness depends on the correctness of the figures under (b) and (c). The figures under (b) must also be checked, since their correctness depends on that of the figures inserted in the various sub-heads of the Model Statement. The figures inserted in the items annexed to the Statement properly so called will form the subject of a special verification.

**2. Documentation at the Permanent Commission's Disposal.** Together with the Model Statement, each State will be required to submit *reconciliation tables*. In Chapter XVIII, the Committee proposed definite rules for the drawing-up of those tables which, in the Committee's opinion, constitute one of the essential means of exercising supervision.

In order to check these figures, the Permanent Commission will also have at its disposal—as explained in Chapters VIII and XIX—a certain number of documents:

- (a) The general accounts of the State;
- (b) The accounts of the federated States (such as the cantons in Switzerland, the separate States in the United States of America, the Länder in Germany, etc.).
- (c) Statements of payments showing the national defence expenditure effected by local authorities, such as communes, districts and provinces;
- (d) Certain laws and certain regulations (see Chapter XIX).

The Commission should also be entitled to request the States to communicate, if necessary:

The accounts of a local authority (commune, district, province or department), should the accounts of that authority include national defence expenditure.

**3. Further Particulars.** It is possible, however, that the Permanent Commission may be obliged to ask Governments to supply further particulars.

In the above-mentioned text (document Conf.D./Bureau 39), it is stated in Article 7 that the Permanent Commission " may request the High Contracting Parties to supply, in writing or verbally, any supplementary particulars or explanations in regard to the said information which it may consider necessary. "

This provision would appear to be quite adequate from the point of view of the budgetary method.

The Committee is satisfied that the foregoing text merely refers to the Permanent Commission's right to ask Governments to furnish these further particulars and does not imply that the Permanent Commission shall be entitled to *require* them to furnish these particulars.

In connection with the execution of the supervision of expenditure, the Committee considered the question how to interpret in the budgetary sphere the provisions of Article 7, which confers on the Permanent Commission the right to ask for any further particulars or explanations.

In order to render the execution of supervision as elastic and as little irksome as possible, the Technical Committee considered it expedient to define the Permanent Commission's rights on this point. It accordingly submits the following suggestions to the Conference.

In this respect, it should be pointed out in the first place that—in view of the great reliance which the Committee thinks should be placed on figures inserted in the closed

accounts (see Chapter VI)—the Committee does not consider it necessary or advisable as a general rule to ask for further particulars or explanations in order to check the correctness of the figures inserted in closed accounts which are audited and published by the Courts of Audit or by other high supervisory organs.

This general rule must be supplemented. It has been stated above that the essential object of the supervision must be to verify the correctness of the total figure. In view of the capital interest of ascertaining this figure with accuracy, it would appear necessary to provide that the Permanent Commission be entitled to ask the State concerned for any further particulars and explanations *in cases* where it might have reason to think *that any particular national defence expenditure has been excluded from the Model Statement*. For instance, if the Commission has reason to believe that expenditure which should be regarded as national defence expenditure is included in a figure entered in the accounts of a civil department, it might ask for internal documents showing how that figure was made up.

When examining in the documents the national defence expenditure entered in civil budgets together with civil expenditure, the Committee also found that the expenditure in question is often administrative expenditure regarding which Governments have no difficulty in furnishing the necessary explanations.

It would appear that the same rule should be applied in respect of the total expenditure on the three forces and expenditure on land and naval material, in cases where these totals are subject to a Convention of limitation.

When it is necessary, however, to examine the accuracy of the figures entered in the various subdivisions of the Model Statement for the sole purpose of publicity, the Committee does not consider that the importance of these figures is sufficient to warrant the Permanent Commission's asking for any further particulars or information to enable them to be checked. The Technical Committee has no intention of proposing a special stipulation restricting the rights conferred upon the Permanent Commission by the Bureau's report. It merely wishes to state that publicity figures appear to it to be of less importance than figures which are subject to limitation and that, on this account, supervision can be less strict in the case of the items of the Model Statement drawn up with a view to publicity.

It has been pointed out that the exercise of strict supervision for the limitation of expenditure might require the presentation of documents usually regarded as secret. In connection with this remark, the Committee wishes to observe that, for the purpose of checking the accuracy of the total national defence expenditure, it will, in its opinion, be sufficient to refer, by means of the reconciliation table, to the closed accounts and, if necessary, to ask for certain additional particulars which are not of a secret nature.

Moreover, the Committee, while considering separately the application of the procedure for a readjustment of the limits in the case of fluctuations in the purchasing power of currencies and the deduction of unforeseeable and exceptional expenditure, examined the question whether the strict supervision of the proofs and evidence supplied by Governments would not involve the production by them of certain data, such as contracts or statistics, which are not usually published by those Governments.

Although this is a general problem relating to the exercise by the Permanent Disarmament Commission of supervision over all the contractual obligations resulting from the Convention, which must be finally settled by the Conference itself, the Technical Committee does not consider that it is exceeding its province in expressing the opinion that, in the foregoing cases, the Permanent Disarmament Commission might, for practical purposes, content itself with the explanations furnished by Governments without requiring the latter to produce unpublished documents.<sup>1</sup>

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<sup>1</sup> NOTE. — Colonel KISSLING and Mr. LYON expressed the opinion that, while as a general rule the production of unpublished documents would not be necessary, this might have to be contemplated in exceptional cases.

**4. Local Investigations.** Articles 10 to 14 of the above-mentioned document (Conf.D. Bureau 39) contain certain provisions regarding *local investigations*.

The Technical Committee wishes to point out that, in its opinion, the supervision of the limitation of expenditure will certainly only rarely call for local investigations. Indeed, it would appear probable that, in practically all cases, supervision may be exercised on the basis of published documents and supplementary particulars and documents furnished by the States.

The Technical Committee has observed that, according to the Bureau's report, the Permanent Commission must in each case define the *subject* of the investigation. The scope of this stipulation may appear to be clearer in the case of direct methods than in the case of the limitation of expenditure. The accounting system of a State is generally centralised for obvious reasons. The accounts form a whole. Under the pretext of supervising a particular point, it would be possible, if no limit is placed on the exercise of this supervision, to investigate all the accounts of the States, in which case supervision would exceed the limits fixed in the Convention.

In order to render effective the guarantees which the Bureau's report appears to have desired to give as regards the extent of local investigations, some further qualification should be added in the case of the budgetary method. In this connection, the Committee considers that the Commission of Enquiry must not itself have the power to examine the accounts in order to discover the object of the investigation.

## B. STUDY OF THE EXPENDITURE DEVOTED BY STATES TO NATIONAL DEFENCE.

According to the general idea which the Committee has formed of the execution of obligations in respect of the limitation and publicity of expenditure, the supervision must not be confined merely to checking the figures entered in the Model Statement.

The Committee has provided for the preparation of supplementary Model Statements based on estimates of expenditure; it attaches great importance to the voting of military credits and, for this purpose, has recommended the publication and communication of a number of documents containing information regarding the preparation, presentation, voting and execution of the budget. In particular, it has referred to the necessity for ascertaining to what extent appropriations voted are in accordance with treaty limitations.

The Committee has made these proposals in order to enable the Permanent Disarmament Commission to follow the development of the expenditure devoted by the States to their national defence. In the Committee's opinion, the experience gained by such observation will be the chief means of perfecting the system of supervision during the period of application of the Convention.

## C. ADMINISTRATIVE QUESTIONS.

The Committee has noted that the report adopted by the Bureau with regard to supervision provides for the subdivision of the Permanent Commission into sub-committees to which the preparation of the work will be entrusted. The Committee has also noted that the Permanent Commission may obtain the co-operation of experts chosen by itself and that the secretariat of the Permanent Commission would be entrusted to the Secretariat of the League of Nations.

The above observations show that the task to be assumed by the Permanent Commission with a view to supervising the execution of a Convention for the limitation and publicity of expenditure will be a very important one. It will demand special knowledge in matters of public accountancy and general and military administration. The volume of work will be considerable and the supervision will be permanent.

For these reasons, the Committee considers it desirable that one of the sub-committees to be appointed should deal specially with questions relating to the limitation and

publicity of expenditure. It also seems necessary to provide that this sub-committee shall have at its disposal experts with special knowledge of military budgets and public accountability and practical general and military administrative experience. It would hardly be sufficient to have recourse to the help of these experts merely in special cases; their continuous co-operation should be ensured. Moreover, the secretariat of the Permanent Commission should be provided with a certain number of officials possessing expert qualifications.

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## Part VIII.

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### Chapter XXI.

#### THE EXPENDITURE ON ARMAMENTS OF THE VARIOUS COUNTRIES DOES NOT PROVIDE A CRITERION FOR COMPARING THEIR ARMAMENTS.

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**1. Introduction.** It will have been clear from the present report that the military institutions in the various countries differ considerably, as do their administrative and financial methods. The presentation of the military expenditure of the States in a uniform Model Statement has the undoubted advantage of enabling all the States to submit evidence in the same form regarding the carrying out of their obligations, in spite of the differences in the arrangement of their accounts. The Model Statement cannot, however, do away with the differences inherent in the nature of things and in the differences of national institutions. This uniform framework conceals facts which have no resemblance to one another and which therefore are not susceptible of comparison.

**2. There is no Common Measure for the Comparison of Armaments Expenditure.** The impossibility of comparing the armaments of the different countries on the basis of their armament expenditure arises primarily from the fact that there is no satisfactory common measure between these expenditures. Even in periods when the national currencies are stable, the internal prices of the different countries may vary as a result of circumstances, and no conversion of the successive figures of expenditure into any currency selected as a standard will indicate the variations in internal prices and in the cost of armaments themselves. When, as at the present time, the currencies themselves are subject to fluctuations while internal prices remain relatively stable, the expression in a selected currency at any given date of the figures of expenditure of the various States produces absurd results if any attempt is made to compare on this basis either the successive expenditures of one State or the separate expenditures of various countries.

In the case, for example, of a country whose currency, after the abandonment of the gold standard, depreciated by 30 per cent while internal prices remained more or less stable, the conversion into dollars of expenditure in recent years on national defence would lead to the conclusion that such a country had decreased its expenditure by 30 per cent, whereas the figures of expenditure, expressed in the national currency, have remained constant and allowed of its armaments to be maintained at more or less the same level.

The results would, moreover, vary according to the currency chosen as a standard

for such comparisons. The table in note <sup>1</sup> shows the absurd results which would be produced by such conversion; in this table, the expenditure of two countries, expressed in national currency, are taken as having remained constant for the years dealt with.

The expenditure of the United Kingdom expressed in francs is shown as having decreased by 26.5 per cent. If expressed in dollars, the decrease would amount to 25 per cent.

The expenditure of France expressed in pounds sterling would have increased by 38.6 per cent.

As internal prices in the United Kingdom and France have only varied within narrow limits, the same expenditure would have enabled these two States to secure for the two years in question approximately the same amount of armaments.

It is therefore impossible to make any comparisons between the expenditures of various countries, as no common measure exists.

**3. The Level of Expenditure varies with the Type of Army Organisation.** The impossibility of comparing armaments by means of expenditure arises also from the fact that the various armies are organised on widely differing bases.

The cost of a professional army is, generally speaking, higher than that of a conscript army for the reason that, in order to attract volunteers, sufficiently good conditions of life, and hence sufficiently high pay must be offered.

In a conscript army, a reduction of the period of service beyond a certain limit might lead to a relative increase of expenditure, owing to the fact that it would become necessary to employ civilian labour for the performance of administrative duties and to engage professional soldiers for the training and organisation of the army. The increased expenditure arising from such measures might be higher than the economy secured even by the decrease in the number of effectives.

**4. Differences in the Rates of Pay for Personnel and in the Maintenance Costs of Effectives.** Considerable differences also exist between the rates of pay of the personnel in the various countries and in the maintenance expenditure on the effectives (food, clothing, equipment, lodging, heating, light and sanitary services); the standard of life of the effectives in each country is dependent upon the general conditions of the national life, customs and climate.

The Committee has carried out some comparative enquiries into the cost of pay, the results of which are shown in an annexed table.<sup>2</sup> The Committee found that, apart from the impossibility of finding any common measure, it was very difficult, owing to the differences in the regulations affecting personnel and the rules for the issue of pay and allowances, to form any sound opinion as to the conditions governing the remuneration

	In national currency	With the same currency unit			Average rate of exchange into dollars	Average rate of exchange into pounds sterling	Average rate of exchange into francs
		Pounds sterling	Francs	Dollars			
October 1930-September 1931:							
United Kingdom	£ 100,000,000	100,000,000	12,380,000,000	483,000,000	4.83	—	123.8
France. . . . .	Fr. 12,500,000,000	101,000,000	12,500,000,000	490,000,000	3.92	0.806	—
October 1931-September 1932:							
United Kingdom	£ 100,000,000	100,000,000	9,100,000,000	360,000,000	3.59	—	91.4
France. . . . .	Fr. 12,500,000,000	140,000,000	12,500,000,000	490,000,000	3.92	1.095	—

<sup>2</sup> See Annex 12, Table I.



of the various military personnels. It is, however, clear from the figures collected that the rates of remuneration for personnel differ very considerably from country to country.

**5. Various Factors which may affect the Cost Prices of Materials.** The cost price of material is influenced primarily by the differences in the cost of labour, of raw materials and of overhead charges. The Committee has endeavoured to ascertain whether any comparison was possible between the prices of labour and of raw material in the various countries. Some information on this subject will be found annexed.<sup>1</sup>

The particulars regarding the cost of labour are taken from data recently obtained by the International Labour Office from the statistical departments of various countries. The Office, however, drew the Committee's attention to the fact that the figures produced differ considerably in character from country to country and, in certain cases, from one occupation to another in the same country. Sometimes they relate to actual earnings, sometimes to so-called standard wage-rates, and sometimes to minimum wages. Everyone is aware of the great difference between these three ideas and of the wide margin between, for instance, the figures for minimum wages and actual earnings. Further, it should be remarked that an apparently uniform heading may conceal differences in fact—*e.g.*, standard or minimum wage-rates do not mean the same thing everywhere. The figures, therefore, do not represent the actual facts except in varying degrees for different cases, which makes any close comparison quite impossible.

Apart from this drawback, there are certain factors for which wage statistics cannot make allowance, but which, nevertheless, play an important part in the final cost of labour. This is true particularly of the various social charges: family allowances, paid holidays, employers' contributions to social insurance and other forms of assistance. Lastly, it should be observed that it is virtually impossible to get average wages for a specific country, because wages vary from town to town, and these differences in one and the same country may in some cases be as great as those between towns in different countries.

The Committee also endeavoured to ascertain for certain countries the *wholesale prices of certain raw materials* specially used in the manufacture or construction of war material (pig-iron, steel, coal). These prices, together with those of certain articles or commodities in current use by the armed forces, are shown in a table which is also appended to the Annex.<sup>2</sup> It must, however, be said that, though the table states in every case the qualities selected, the way in which the prices are shown often varies considerably (different products, different qualities, addition or omission of transport costs, rebates, etc.), and that hence these prices do not permit of a strict comparison.

Similarly, the conclusions to be drawn from a comparative study of *goods transport rates* in different countries have no practical value, owing to the multiplicity of tariffs and the diverse ways in which they are applied, even in the case of certain standard goods. It is quite impossible to compare the tariff rates of the various countries, whether for goods or for distance. Even the general tariff of each country does not give an exact idea, owing to the different classifications employed. Even more serious difficulties would perhaps be encountered if an endeavour were made to institute a comparison between the passenger rates in the various countries.

Whether, therefore, we take the cost of labour, the cost of raw materials used in manufacture, or the cost of transport, no comparison between these components of the cost price is possible.

There are, however, other elements in determining a cost price which depends to a large degree on the amount of capital that is invested in the factories or workshops and on which interest has to be paid, on taxation, on the extent of the markets, on the

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<sup>1</sup> See Annex 12, Tables III to VII.

<sup>2</sup> See Annex 12, Table II.

conditions of production, and on the degree of productivity. The often substantial discrepancies between the prices of raw material and between the wages included in manufacturing costs are generally lessened by circumstances connected with the size of the orders received and the organisation of production. When an industry with huge markets at its command attains a high degree of perfection in labour organisation, it can, even while paying very high wages, obtain, by reducing or carefully distributing overhead charges, a lower cost of production than an industry that pays smaller wages but has a less-well-organised output. This is why the differences between the production costs of manufactured articles in the different countries are not always very marked.

The Committee found it impossible to obtain information regarding the cost prices of different war materials, warships, guns, machine-guns, etc., of the different countries.

It was of opinion, however, that it is very difficult to compare these cost prices with each other. To be comparable, cost prices must consist of exactly the same elements. For example, the price of a ship varies according to type, displacement, calibre and number of guns, number of ships of the same type under construction, the degree of comfort enjoyed by the officers and crew, and the particular requirements of certain countries—*e.g.*, long-distance cruises. To determine the difference between the cost price of a warship in different countries, therefore, these considerations would have to be taken into account, quite apart from the differences in cost of labour and raw materials and in overhead charges.

In view of these considerations, the Committee is of opinion that, although for reasons similar to those set forth above very appreciable differences may sometimes exist between cost prices of materials in different countries, the discrepancies between these prices cannot be so high as the differences between the cost of payment of personnel. In certain cases, the quality being the same and the conditions of production being similar, discrepancies between the cost prices of materials cannot be very appreciable, and the relationship between them at any given moment cannot vary widely from year to year.

Furthermore, countries with a very powerful industrial organisation enabling them to manufacture war material very speedily are not, like other countries less highly developed industrially, forced to lay down stocks, the manufacture, upkeep, and renewal of which are very expensive. The cost of maintaining and manufacturing material in non-industrial countries, or in those of them whose industrial output is relatively small, may be very high without its being possible to infer that their fighting strength is greater than that of other countries.

**6. Difficulty of finding Comparable Factors.** It is always a difficult matter, moreover, when an attempt is made to compare the armament expenditure of the various countries, to juxtapose really comparable factors. There would, for instance, be no point in comparing the total expenditure of a country which has colonies or dominions with that of a country which has only home forces.

**7. Differences between the Contents of the Model Statements of the Various States.** Lastly, the final objection to the possibility of drawing a comparison from the statements of expenditure is that those statements will not give exactly the same information in the case of all countries.

The probability is that not all countries will be able, without making derogations, to follow the instructions to be given by the Conference regarding the transfer of expenditure figures to the Model Statements. There will therefore be some differences in the actual contents of the total figures. Similarly, not all States will be able to group the expenditure under the different headings without making rather serious derogations to the rules which will be laid down by the Conference. There will thus be certain differences between

the respective contents of those heads and sub-heads. This lack of uniformity in the actual contents of the figures of the statements will usually make any exact comparison impossible.

*Taking the countries or regional groups<sup>1</sup> as a whole, the Committee believes that no comparison of armaments expenditure can give an exact idea of the relative extent of the armaments themselves. Armament expenditure is not a criterion for comparing armaments.*

**8. Comparison  
of the Expenditure  
of the Same  
Country  
from One Year  
to Another.**

The above statement is one of the essential bases of the studies made and the conclusions arrived at by the Committee, but the latter considers that a comparison of the Model Statements of each country from year to year may give information of great value regarding changes in its armaments, especially if such examination is accompanied by questions put to the State concerned regarding the nature of the figures entered in each sub-head of the Model Statement.

The Committee wishes to point out, however, that only an analysis of the expenditure can enable an opinion to be formed on the relations between a change in expenditure and the armaments acquired.

If the military expenditure of a country has decreased, this does not mean that the armaments themselves have been reduced; in the same way, if expenditure increases, it cannot be inferred that armaments themselves have grown.

For instance, if a State constructs fortifications or a naval base, the expenditure thereupon is replaced by much smaller maintenance expenditure on the termination of the construction. It may happen, however that the budget is in fact decreased by a smaller amount than this difference between capital and maintenance expenditure, because the State may place artillery in such fortifications or bases or may incur some totally different expenditure. Consequently, the armaments will have been increased although the expenditure has decreased.

If there are large stocks, it will be possible, by withdrawing material from them, to decrease current expenditure on material for a certain period. When the stocks are exhausted, it may happen that they are only partially replaced. Such replacement, however, calls for expenditure and, although the budget has increased, the stocks available will actually be smaller than those existing at the beginning of the period in question. Consequently, armaments will have decreased although expenditure has increased.

Subject to these considerations, if, during a certain period, the military organisation of a country has not been changed and if there has been no considerable variation in the pay of personnel or in the cost price of material, an analysis of the amounts spent in successive years will give a good idea of the variations in armaments themselves.

If pay and costs of production have changed, the necessary corrections can be made in the expenditure figures with a degree of accuracy which increases inversely with the variations in cost, so that the corrected figures can still give an approximate idea of the

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<sup>1</sup> NOTE. — Major-General BARBERIS, though, like his colleagues, of opinion that a comparison between the military expenditure of every country is of no interest and is indeed impossible, observes that it would be feasible and indeed interesting to make such a comparison between two countries whose respective currencies have kept the same relative purchasing power in the year under consideration, whose military organisation is approximately the same, and which provide for their soldiers approximately the same standard of living.

Such a comparison, though it would involve a fairly large margin of error, would still be of interest in certain respects, even if there were no similarity in regard to any of the three points mentioned above, provided it were possible to determine with reasonable accuracy the difference in military expenditure due to each of the three causes.

variations in armaments. Allowance should, of course, be made for the consequences of fluctuations in purchasing power.<sup>1</sup>

It is always possible to give a sensible interpretation of the facts. It may, for instance, happen that in one country the cost of personnel varies very considerably just because of the economic and financial situation. During a financial crisis, a country may find itself compelled to impose restrictions on its officers, N.C.O.s and men which, by cheapening the cost of that personnel, result in bringing their living conditions below the requirements of sound physical and moral welfare. When the financial crisis that calls for these sacrifices passes, there is a natural tendency to bring army personnel back to a proper standard of life, and it is possible to judge whether the resultant increase of expenditure represents nothing more than a simple adjustment of remuneration to living requirements and not an increase in armaments. The position would be the same in certain countries which have not yet reached the point of being able to give their personnel normal conditions of life if they made a gradual financial effort to remedy these defects without increasing their armed power.

In the same way, costs of material in the same country may vary from one year to another under the influence of certain circumstances. Prices of war material manufactured, for instance, in a State establishment are not the same as prices of materials manufactured by private undertakings. For instance, the two British torpedo boats *Crusader* and *Comet*, built at the Portsmouth Dockyards, cost about £226 per ton, while the torpedo boats *Cygnat* and *Crescent*, built by Vickers, cost about £200 per ton. The cost of producing war material also depends on the amount of work in the dockyards, undertakings or establishments in which the materials are manufactured or constructed. For instance, when the shipbuilding industry is in full activity, the cost per ton tends to increase; in times of crisis, on the other hand, the manufacturers accept lower prices in order to obtain orders. Account must also be taken of the fact that the cost of new constructions is not constant. Such costs tend to follow a cyclic movement, and account must be taken of fluctuations in the costs of materials.

For it to be possible, subject to the above considerations, to follow the variations in each State's armaments by interpreting successive statements of expenditure, it is necessary that the derogations which this State might find itself obliged, owing to the peculiar form of its accounts, to make in the rules to be laid down for transferring expenditure figures to the statements should be fixed by the Conference. Each State will have to undertake to observe, during the whole period of the Convention,<sup>2</sup> the rules which will thus have been laid down by the Conference for the drawing up of its Model Statement.

If this is done, the statement of expenditure will mean the same thing for each country during the validity of the Convention. The production of successive Model Statements will enable the growth of each State's expenditure to be followed and a detailed study of these documents will give very useful information regarding variations in its armaments.

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<sup>1</sup> See Chapter XII.

<sup>2</sup> As regards derogations which might be made by the States during the execution of the Convention in respect of methods of classifying their expenditure, see Chapter XVIII (B. Derogations), particularly page 176 and the note on that page.

## Chapter XXII.

### SUMMARY AND CONCLUSIONS.

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#### I. INTRODUCTION: THE CIRCUMSTANCES IN WHICH THE COMMITTEE HAS EXAMINED THE BUDGETARY DATA SUPPLIED BY THE STATES REPRESENTED AT THE CONFERENCE.

1. The Committee was instructed by the Expenditure Commission to examine, in the light of the material submitted by the various States, the technical problems raised by the application of the provisions of the draft Convention relating to the limitation and publicity of national defence expenditure (Articles 10, 24, 29, 33 and 38).

2. Out of the sixty States represented at the Disarmament Conference, twenty-nine have supplied the Technical Committee with all the documents requested, and the Committee has completed its examination of the material relating to nineteen States.<sup>1</sup> Furthermore, it has partially examined the budgetary documents of ten other States.<sup>2</sup> Thirty-one States have submitted incomplete documents or have sent none at all.

3. In its resolution of July 23rd, 1932, the General Commission invited the Committee to continue its work and to submit a report as soon as possible. Although such a wide enquiry, which met with difficulties due in particular to the diversity of languages, necessitated more than a year's work, the Committee has naturally been unable to collect complete information regarding the practical working of the financial and administrative institutions of the various countries.

As the Committee has, however, succeeded in obtaining the essential material for the practical task allotted to it, it has drawn up a report on the basis of the documents which it has examined. Its conclusions are therefore based upon the complete examination of the documents of nineteen States and the incomplete examination of those of ten States.

4. Although, from the point of view of the universality of its investigations, it is regrettable that the Committee has not as yet been able to examine the documentation of all the countries represented at the Conference, and although as a result it is necessary to make appropriate reservations with regard to the application of the system of publicity and limitation to such countries, it should be pointed out that the nineteen countries whose documents have been fully examined by the Committee include almost all the great military Powers and that, if account is taken of the ten countries the examination of whose material the Committee has commenced but not as yet completed, it may be said that the latter has been able to form an opinion of the position in twenty-nine countries whose expenditure, taken together, represents approximately 90 per cent of the total military expenditure of the whole world.

#### II. WHAT IS TO BE UNDERSTOOD BY NATIONAL DEFENCE EXPENDITURE ?

5. In order to define the contractual obligations of the States, it is necessary to specify what is to be understood by national defence expenditure for the purposes of the Convention. The Committee, which set itself a practical and attainable object, endeavoured to determine those classes of expenditure which, in its view, are incontestably

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<sup>1</sup> Belgium, United Kingdom, Czechoslovakia, Denmark, France, Germany, India, Irish Free State, Italy, Japan, Netherlands, Norway, Poland, Roumania, Sweden, Switzerland, United States of America, U.S.S.R., Yugoslavia.

<sup>2</sup> Albania, Australia, Austria, Bulgaria, Canada, Finland, New Zealand, Portugal, South Africa, Spain.

of a specifically military character. It is this category of expenditure alone which the Committee proposes should be taken by the Conference as the juridical basis of the Convention, to the exclusion of all expenditure which, though primarily of a general character, may nevertheless contribute to increase the war potential of States.

Such a distinction is necessarily not without its arbitrary side, but it has the advantage of defining with adequate precision the common obligations proposed for acceptance by the contracting parties.<sup>1</sup>

6. The Committee has therefore taken national defence expenditure to mean:

“ All expenditure necessitated or entailed by the creation, maintenance and training in time of peace of armed forces and formations organised on a military basis and by measures immediately connected with preparations for national mobilisation.”

As no such definition can in itself afford the necessary degree of legal precision, the Committee, with a view to defining the sphere of application of the Convention as exactly as possible, has deemed it necessary to supplement that given above by means of a list<sup>2</sup> of items of expenditure answering to the general definition which has been given above and to be regarded therefore as national defence expenditure for the purposes of the Convention. Its perusal sufficiently shows that there can be no doubt as to the specifically military character of the expenditure which it enumerates. This list will have to be supplemented later by very definite instructions as to its application.

7. The list of expenditure on national defence includes subsidies granted by the State to private undertakings the activities of which include the manufacture of war material in time of peace, and also those granted to firms with a view to the adaptation of their plant and equipment in time of peace to permit of their immediately manufacturing or constructing material of use to the armed forces as from the first days of mobilisation.

8. It also comprises the full expenditure of such formations or associations as may be deemed by the Conference to be “ formations organised on a military basis ”. The expenditure which other associations might incur for national defence purposes appeared to the Committee to be so small that it has decided to ignore it. Nevertheless, whenever a State grants subsidies to sports associations or shooting clubs with a view to military education or training, such subsidies are national defence expenditure. If, moreover, associations or individuals give or bequeath sums of money or material to the defence services, expenditure defrayed out of such sums, or the value of such materials, are national defence expenditure.

9. Ordinary pensions, as opposed to war pensions, must be treated as national defence expenditure for publicity purposes, but should not be subjected to any scheme of limitation.

10. The conventional list of national defence expenditure compiled by the Committee corresponds very closely to the usual conception of military expenditure which is borne by national budgets in time of peace.

### III. NEED FOR THE UNIFORM PRESENTATION OF THE FIGURES OF NATIONAL DEFENCE EXPENDITURE.

11. The Committee is of opinion that it would be very difficult for States to demonstrate their compliance with undertakings in respect of publicity or limitation

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<sup>1</sup> M. WORBS wishes to point out that, by the method adopted for practical purposes, certain expenditure of considerable importance cannot be ascertained with adequate precision because it is impossible to separate it from the “ war potential ” and because, therefore, there is no alternative but to leave it to the States themselves to decide whether they wish to consider such expenditure as expenditure which should be included in the Model Statement.

<sup>2</sup> For this list, see page 16.

based on a definition and a conventional list of national defence expenditure by means of the accounts in which they enter this expenditure. The structure of these accounts differs, indeed, widely from State to State, and, furthermore, the line of demarcation between national defence expenditure within the meaning of the Convention and expenditure which, although having military value, is not to be regarded as national defence expenditure, does not appear in these accounts. If, indeed, it were desired to draw up a complete account of the national defence expenditure within the meaning of the Convention on the basis of these documents, it would be necessary to proceed to a variety of researches, interpretations and calculations which would necessitate familiarity with the administrative practice and institutions of each country. The Committee considers that this would be an extremely difficult if not a practically impossible task for any supervisory or checking body.

12. Hence the Technical Committee, like the Committee of Experts on Budgetary Questions, found it essential to establish a uniform framework (*Model Statement*)<sup>1</sup> in which States could enter all national defence expenditure, within the meaning of the Convention, irrespective of the nature and origin of the resources out of which that expenditure is met. The key to this operation will be supplied by the *reconciliation tables*, showing how each figure of the accounts has been transferred to the Model Statement. Such an instrument will enable all States to certify their national defence expenditure in an identical form.

#### IV. PAYMENTS MADE IN THE COURSE OF THE FINANCIAL YEAR MUST BE TAKEN AS THE JURIDICAL BASIS FOR EITHER THE PUBLICITY OR LIMITATION OF EXPENDITURE.

13. The result of the limitation of expenditure should be to limit the acquisition of armaments.

Any definition of expenditure must satisfy the two following conditions:

- (a) Expenditure must be as nearly as possible contemporaneous with the rendering of the services and the delivery of the material;
- (b) The expenditure must be entered in an identifiable and authentic form in the accounts of all States.

Credits voted are nothing more than an estimate and, as they are granted prior to the acquisition of armaments, they cannot be taken as the legal basis of the Convention.

The Committee proposes that the legal basis of limitation should be the actual *payments*, because (1) they are usually contemporaneous with or follow shortly after the acquisition of armaments and (2) they are shown in the accounts of all States.

14. If, in the course of a year, a State acquired armaments which were not paid for until the following year or years, and if that State nevertheless reached in the course of the same year the limitation figure assigned to it, it could during that year obtain armaments the value of which was in excess of that figure. In order to preclude such a possibility, the Committee has proposed a contractual clause in accordance with which the total payments in one year and the value of armaments acquired and not paid for during that year may not exceed the limitation figure fixed.

15. Deferred payments must sooner or later be made and included in the accounts and Model Statements; they will thus be subject to publicity and limitation unless the Convention has a fixed date of termination.

In this connection, the Committee points out that Article 57 of the draft Convention provides for the renewal of the initial Convention by tacit consent, and it has therefore not contemplated the possibility of a convention of relatively short duration.<sup>2</sup>

16. Limitation of expenditure can result only in the limitation of those armaments which have led to a cash disbursement. The Committee therefore considers that, for

<sup>1</sup> See the model of this statement, Appendix I to Part VI of the Report.

<sup>2</sup> See reservation on page 153.

purposes of budgetary limitation, it would not be practicable to estimate, for example, the value of services rendered without payment by conscripts or by reservists whose remuneration is insignificant. On the other hand, the defence forces may have the benefit, without paying for them, of certain services or payments in kind supplied by communities or private individuals. The payments made by those who supply these goods or services must in principle be subject to limitation and publicity.

17. In some cases, however, the defence forces benefit by the activities of certain services of a general character—such as those responsible for the upkeep of public roads; the police and the organisations for auditing public funds—without paying for them. The Committee considers that in such cases there is no need to subject to publicity and limitation the proportion of the expenditure on those general services which might be of military utility. As the sums involved are very small, the Committee considers that there can be no objection to the States' treating such items differently, provided always that the Conference is informed of their methods and that any change made during the term of the Convention is communicated without delay.

18. Limitation of expenditure cannot affect withdrawals from stocks of consumable stores during the period of the Convention for the requirements of the defence forces.

#### V-VI. BUDGETS AND ACCOUNTS.

19. The greater part of the payments to which the publicity and limitation of expenditure should apply are found in the accounts relating to the application of the budgets. The true object of payments can only be ascertained by going back to the credits in respect of which the payments were made and by studying the rules governing the application of budgets and supervision over that application. At the Expenditure Commission's request, the Committee has investigated the budgetary systems of the various countries whose documentary material was submitted to it with a view to determining in particular:

- (a) To what extent publicity of credits and acts relating to the application of budgets enable the true nature of national defence expenditure to be ascertained;
- (b) To what extent the control of the internal audit services over the public finances ensures the authenticity of the payment figures entered in the published accounts.

20. As regards the publicity of credits, the Committee concluded that the value of the guarantee which it affords varies according to tradition, custom and parliamentary practice and according to the real efficacy of the supervision which Parliament, through the continuous nature of its action, exercises over the granting of credits. In this connection, *de facto* situations exist, in some cases of a temporary nature, consideration of which is outside the scope of a technical body and which will have to be taken into account when the Convention is signed.

21. The application of a limitation Convention, however, based on payments made in the course of the financial "exercice" rests essentially on the accuracy of the payment figures. This accuracy primarily depends on the rules governing the organisation of public accounting and the action of the independent supervisory bodies responsible for seeing that the budgets are properly executed.

22. The Committee found that almost all national defence expenditure within the meaning of the Convention appears in the accounts of the States. These accounts show payments made under credits granted by the public authorities. The authenticity of the payment figures entered in the accounts is ensured through the application of the public accountancy regulations—that is to say, the rules governing the preparation and execution of the budget, the supervision over that execution and the establishment of the final accounts. Among these regulations the Committee attached special importance to the activities of the bodies responsible for the higher audit of the accounts and to the independence of their members as regards the Executive. The



Committee found that the degree of independence of these bodies was not the same for every State. Without expressing an opinion, however, on the question whether a particular system of accounting is more efficient than another, the Committee has ascertained that there are, in all the countries whose systems it has examined, laws and regulations relating to public finance and accountancy the observance of which guarantees the authenticity of the figures in the closed accounts.<sup>1</sup>

23. The Committee noted that, out of the nineteen States which it has examined, sixteen only have published their audited accounts regularly. These sixteen countries have supplied the Committee with audited and published accounts relating to the year for which their statements of expenditure were compiled. The other three, however, have not published audited accounts for several years, although they have laws providing for their regular presentation. They have nevertheless supplied the Committee with manuscript statements of expenditure for the year to which the Model Statements refer and certified correct in two cases (France and Roumania) by the Government and in the third case (Belgium) by the Court of Audit.

24. The correct execution of the stipulations of the Convention naturally requires that the laws and regulations which have been ascertained by the Committee to exist should be regularly applied in practice.

25. The closed accounts are an essential instrument in any system for publicity or limitation of expenditure. For this reason, the Committee considers that the publication of the closed accounts at a sufficiently early date for the purposes of the Convention constitutes an indispensable condition for the conclusion of the said Convention.<sup>2</sup>

26. In view of these considerations, the Committee is of opinion that the various States signatories of the Convention should assume a contractual obligation to publish their accounts at a sufficiently early date and in a form suitable for meeting the requirements of the Convention. It is not within the Committee's powers to indicate the internal measures which certain States will have to take to fulfil the preliminary conditions necessary for the conclusion of the Convention, but, in view of the time which may be required to regularise the time-limits for the production of accounts or their mode of submission, it feels entitled to propose that the attention of the Governments concerned should be drawn to the necessity for immediately taking all the necessary steps to this end.

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<sup>1</sup> NOTE. — 1. As, in one of the countries whose documentation was examined, there is no higher auditing body independent of the Executive, M. ANDO, attaching particular importance to the independence of the higher auditing bodies in each country, accepts the conclusions formulated on condition that, in the future, the independence of the higher auditing bodies is effectively provided for.

2. M. HÄGGLÖF (replacing M. SANDLER) is of opinion that reliance must be placed in the closed accounts audited by the competent auditing authorities and published officially by the different States. He does not think that the accuracy of these figures, which are drawn up and submitted officially, should be called in question.

The Committee has, however, stipulated as an essential condition that all States must be in a position to submit regular closed accounts audited by the competent auditing authorities within a sufficiently short period.

This principle having been laid down, the Swedish expert considers that it is unnecessary—either for the Conference or for the Permanent Commission—to undertake studies, which would inevitably be very difficult, with regard to the advantages or disadvantages of the financial or administrative systems which may exist in the different States of the world.

<sup>2</sup> NOTE. — See the Note by Major-General BARBERIS and M. WORBS, on page 47, on the inadequacy of this affirmation of the majority and on the vital importance of this defect in the system based on the payments effected. The present absence of closed accounts in certain countries and the necessity for improving the closed accounts of certain other countries which are regularly published render the signature of a Convention on the limitation of expenditure impossible at the present time.

VII. TO WHAT EXTENT IS IT POSSIBLE FOR EACH STATE TO DRAW UP COMPLETE ACCOUNTS OF ITS NATIONAL DEFENCE EXPENDITURE ?

27. Article 29 of the draft Convention contemplates the limitation of total national defence expenditure. The Committee has enquired into the question of whether it is possible for each State to ascertain the total amount of the expenditure subject to limitation.

28. The Committee found that the major part of national defence expenditure within the meaning of the Convention appears in the State accounts (budgetary accounts of the national defence departments, of the colonial department, of the civil departments, and special accounts), and that, in addition, a very large proportion of such expenditure is included in the accounts of the defence departments, where it is indicated under separate items.

Such national defence expenditure as appears in the budgetary accounts of the civil departments or services, and in special accounts, represents no more than a small proportion of the total. In certain cases, such expenditure is not clearly specified under special headings and is sometimes merged with expenditure having no bearing upon national defence.

29. National defence expenditure not included in the above-mentioned State accounts is of little importance, and a small proportion of such expenditure is borne by regional and local authorities and, notably in certain States with a federal form of government, by the constituent States.

The accounts of such regional or local authorities have not been supplied to the Committee, and certain States have confined themselves to submitting estimates of the expenditure shown in the accounts of these authorities. As regards the colonies, their defence expenditure is borne sometimes by the budgets of the home countries and sometimes by the general budgets of the colonies. In the various cases examined, the Committee found that the details of defence expenditure of the colonies can be easily ascertained.

30. Expenditure in the form of subsidies granted for a military purpose to sports or shooting clubs—representing in any case a comparatively small amount—are as a rule separately entered in the accounts. On the other hand, expenditure out of donations or bequests from private associations or individuals is almost invariably entered in the State accounts.

31. The Committee has indicated certain principles which the States should follow in calculating their total national defence expenditure, more especially as regards methods of reconstituting the gross amount of expenditure in countries where the services are authorised to use certain receipts in addition to budgetary credits. The other technical aspects of the problems raised by the reconstitution of the total of expenditure have been examined. It is no doubt possible that, in certain cases, States may be in doubt as to the interpretation of the rules laid down, but the sums affected could never be very considerable. It should, moreover, be noted that such possibilities of error will have less effect if in doubtful cases the various Governments always interpret in the same way the rules which the Committee has proposed.

32. Having found that a very large proportion of the expenditure on national defence appears in the accounts of the national defence departments and can therefore be easily identified, and while admitting that there may be some difficulties of interpretation with regard to the nature of certain items of expenditure appearing in other accounts, the Committee, at the conclusion of its enquiry, considers it possible for all States to produce for practical purposes a complete statement of their national defence expenditure within the meaning of the Convention.

VIII. WITH WHAT DEGREE OF ACCURACY CAN THE TOTAL NATIONAL DEFENCE EXPENDITURE RETURNED BY EACH STATE BE VERIFIED ?

33. The bulk of the figures making up the total amount of national defence expenditure are included in the published accounts, where they are shown under separate items;

it is therefore possible to verify exactly whether the majority of these figures have been correctly incorporated in the total national defence expenditure of each State.

Only a relatively small proportion of the national defence expenditure entered in the published accounts is not shown under separate heads in those accounts. In the accounts of the colonial ministries and those of the civil ministries or regional and local bodies, certain national defence expenditure is clearly specified, but it also happens that national defence expenditure is merged with civil expenditure. To enter the proportion of this expenditure which refers to national defence in the total national defence expenditure, States have to resort to allocations based on internal documents or on estimates. The method of making such allocations cannot be controlled by means of published accounts.

34. This difficulty might be to a great extent reduced if States agreed to specify under separate headings all expenditure of a military nature included in accounts other than those of the national defence ministries, and also all expenditure (in particular, civil aviation expenditure) which, though included in the accounts of the national defence ministries of certain countries, does not constitute national defence expenditure within the meaning of the Convention.

35. The verification of the inclusion in the total national defence expenditure of subsidies granted to private armament firms is closely connected with the problems referred to the Committee for the Regulation of the Trade in and Private and State Manufacture of Arms and Implements of War.

36. There will be some difficulty, from the point of view of supervision, in verifying the observance by the various States of the rules proposed by the Committee in order to remove the difficulties inherent in certain peculiarities of public accountancy, and, more especially, in the reconstitution of expenditure in the case of countries with net accounts.

37. After taking into account the aforementioned obstacles, which vary considerably in different States, the Committee is opinion that, for the practical purpose for which such verification is required, it will be possible to verify with a high degree of accuracy, by means of the accounts, whether the rules proposed by the Committee for calculating the total national defence expenditure are being applied by the States.<sup>1</sup>

#### IX. POSSIBILITY OF ASCERTAINING SEPARATELY THE TOTAL EXPENDITURE FOR EACH OF THE THREE FORCES (ARMY, NAVY AND AIR).

38. A note appended to Article 29 of the draft Convention contemplates the possibility of ascertaining and limiting the total expenditure of the Army, Navy and Air Forces separately.

In the light of the documentary material supplied, the Committee has tried to ascertain with what degree of accuracy expenditure could be thus separated. All the States whose budgetary documentation has been examined have tried to give separate figures for the expenditure on the three forces. Certain countries, however—such as the Irish Free State, Japan and the United States of America—have only shown a part of their air expenditure separately. In the case of these countries, therefore, it has been impossible to make a complete separation of the expenditure on the three forces.

39. Certain countries have separate departments for each force, so that expenditure (with the exception of certain joint expenditure) is entered separately in the respective accounts of those departments. In such cases, the only difficulty in separating expenditure lies in the splitting among these forces of the portion of national defence expenditure which is entered in the accounts of civil departments or of regional and local public bodies; but the difficulty of splitting such expenditure among the expenditure of the various forces is not such as to make it impossible to ascertain exactly the respective expenditure on each force.

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<sup>1</sup> See reservation on page 83.

40. In other countries, however, the difficulties of separating the expenditure on each force are much greater. Separate accounts are not kept for Air Force expenditure. The Air Force is considered organically as forming an integral part of the Army and Navy, and there are services which are shared by both the Air Force and the other forces. The respective costs of these common services for the Army and Navy on the one hand and the Air Force on the other are not booked separately. The figures taken from the accounts and transferred to the total expenditure for each force must be split up on the basis either of administrative documents or of estimates. Under these circumstances, if each State is thus in a position to draw up an account for each force, the verification of this account will offer serious difficulties.

41. (a) If the Conference decides that it must be possible to check the separation of the expenditure on the three forces on the basis of figures taken to a great extent *en bloc* from the audited accounts, not all countries can effect this separation owing to the form in which their accounts are made out at the present time.

(b) Such separation is, however, not in itself impossible, provided that countries which do not at present submit separate accounts for the expenditure on each force agree to prepare such accounts, as is done at present in the United Kingdom, France, Italy, and Sweden for the three forces, in Germany for the Army and Navy, and in Switzerland for the Army and Air Force.

(c) It is only in case the Conference considers that, for the separation of expenditure on the three forces, it must accept a degree of "controllability" considerably lower than that attainable for checking the grand total of each State's expenditure that, in view of the application of Article 29 of the draft Convention, a separation of expenditure on the three forces could be considered possible.<sup>1</sup>

#### X. POSSIBILITY OF SEPARATING EXPENDITURE IN RESPECT OF LAND AND NAVAL WAR MATERIAL. (ARTICLES 10 AND 24 OF THE DRAFT CONVENTION.)

42. The accurate separation of the expenditure on land and naval war material requires three conditions:

(a) The term "war material" must be precisely defined, and it must be exactly determined what is meant by expenditure on war material;

(b) It must be possible to separate the expenditure on air war material from the expenditure on land and naval material respectively;

(c) It must be possible to distinguish the annual expenditure on war material very clearly from all other expenditure that does not concern the upkeep, manufacture, or construction of such material.

(a) The Budgetary Experts' report gave a specific list of the material which should be regarded as war material, and it also clearly indicated what expenditure should be entered in the Model Statement under the head relating to expenditure on war material. Governments endeavoured to fill up the war material heads of the Model Statement in accordance with these instructions.

(b) The absence of separate accounts for the Air Forces usually makes it impossible to separate completely the expenditure on air war material. The extent to which this expenditure is shown separately in the accounts will be seen from the table on page 91. As a rule, however, it is easier to separate the expenditure on land and air war material than to separate the expenditure on naval and air material.

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<sup>1</sup> See reservation on page 93.

(c) The structure of accounts as reflecting the various forms of military organisation is at present so different from the idea which led to the insertion of those heads in the Model Statement which deal with war material that it is impossible, without relying very largely on estimates, to ascertain on the basis of such accounts the amount of expenditure under these heads as defined by the Budgetary Experts. If war material were all bought either from private undertakings or autonomous establishments and if it were stocked and maintained in establishments where there was no other material, there would be no serious difficulty in entering under the war material head the expenditure which should appear there. This is not the case, however, and difficulties arise in consequence both of the system of military organisation and the system of accounting adopted. In some countries, war material is manufactured or repaired in non-autonomous establishments. Sometimes war material is stored and even repaired in warehouses which contain stores of material other than war material. In countries which have non-autonomous establishments, expenditure on personnel and the overhead costs of the establishments where war material is manufactured, repaired or stocked are not shown separately in the accounts, but are divided up among various heads of these accounts. In order to fill up the war material head, an exact distinction must be made between the expenditure on war material and other expenditure and then, for purposes of re-grouping, a search must be made in all the relevant budgetary items for the expenditure corresponding to the definition given of expenditure on war material. The latter difficulty might, to a great extent, be solved in countries which have non-autonomous manufacturing establishments if the accounts were submitted in a form corresponding to the war material head of the Model Statement. This would be nothing more than a change in accounting procedure. But the difficulty inherent in the existence of joint establishments or depots in which all kinds of material are stocked, repaired or manufactured raises problems of military organisation and cannot be solved by a simple accountancy reform.

43. The Committee examined the extent to which in each country the head relating to war material represented figures taken *en bloc* from the authenticated and audited accounts. The results of this investigation are shown in the tables reproduced in Chapters X.

A perusal of the tables shows that the proportion which these figures bear to the totals under the heads relating to war material varies very widely from country to country and that, in general, these heads cannot be filled up without recourse in a great many cases to allocations based upon the internal accounts or on estimates.

In an endeavour to remedy these difficulties, the Committee set itself to evolve a simpler conception of Head IV (Expenditure on War Material) which would have enabled the States to ascertain with greater accuracy the total expenditure to be entered under this head; it did not, however, succeed in discovering a satisfactory solution.

44. (a) Should the Conference decide that the separation of expenditure on land and naval material must be capable of verification on the basis of figures taken largely *en bloc* from the audited accounts, no such separation is feasible with the accounts drawn up as they are at present.

(b) Such separation, however, is not inherently impossible provided that the States are prepared to draw up separate budgets and accounts for the different forces and provided that those which possess autonomous establishments in which material is manufactured, constructed or repaired submit their budgets and accounts in the same form as the war material heads of the Model Statement.

(c) The separation of expenditure on land and naval material with a view to the application of Articles 10 and 24 of the draft Convention could only be regarded as practicable if the Conference were to take the view that, in the matter of the separation of expenditure on land and naval material respectively, it should accept figures which might not be capable of verification to anything like the same degree as is attainable in regard to the grand total of the expenditure of each State.<sup>1</sup>

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<sup>1</sup> See reservation on page 99.

## XI. CLASSIFICATION OF EXPENDITURE FOR PUBLICITY PURPOSES.

### A. *Article 38 of the Draft Convention.*

45. Article 38 of the draft Convention provides for publicity of national defence expenditure by means of a Model Statement comprising a certain number of detailed sub-heads.

In the light of the documents submitted, the Committee has examined the possibility of filling in the various sub-heads of the Model Statement and also of verifying the accuracy of the figures given.

The Committee has already stated its opinion of the extent to which States can draw up a complete account of their national defence expenditure and also of the extent to which a supervisory body could verify the accuracy of the figure given (Chapters VII and VIII).

The Committee has further considered how far the States have been able to supply figures for the expenditure on each of the three forces. It has noted (Chapter IX) that, on account of the manner in which their accounts are at present drawn up, it is impossible for the States to make such a separation on the basis of figures entirely capable of verification.

If this is true of the figures of the total expenditure in respect of the various forces, it follows that the difficulties of filling in a detailed Model Statement are still greater. If the figures of the total expenditure on each force can only be verified with difficulty, there will obviously be still greater difficulties in verifying the subdivisions of the main totals.

46. The Committee nevertheless considers that there would be an undoubted advantage in having all national defence expenditure shown, with the necessary explanations, in a uniform Model Statement in which the various items would be given in some detail, even though the figures under each of them might not always be entirely accurate and even though an international supervisory body might encounter very considerable difficulties in checking the detailed figures. Article 8 of the Covenant of the League of Nations provides for an exchange of information regarding national defence and, in pursuance of this article, States have communicated, amongst other particulars, information regarding their national defence expenditure. The Committee is of opinion that it would be preferable that such information might be supplied by means of a universally adopted Model Statement, with a total figure capable of verification to the extent indicated under section VIII.

Should the Conference adopt a system of limitation, publicity by means of a Model Statement would facilitate supervision.<sup>1</sup>

### B. *Article 33. Publicity by Categories of Expenditure in respect of Land and Naval Material.*

47. More detailed publicity of expenditure on war material was contemplated under Article 33 of the draft Convention, which provided for publicity of the sums annually expended on certain categories of land and naval war material. The Committee of Budgetary Experts showed that such separate publicity by categories of war material was impossible for the generality of States.

48. The Technical Committee has already expressed the opinion that, with the budgetary accounts of the majority of countries in their present state, publicity of the exact amount actually expended in the course of each budgetary year on the maintenance,

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<sup>1</sup> M. WORBS (Germany) fails to see how it can be stated that publicity through the medium of a Model Statement would facilitate supervision of limitation when it is patent that, for publicity purposes, the rules governing the accuracy of the figures in the Model Statement will be less strict. Any such statement would give rise to confusion between the conceptions of "publicity" and "limitation".

repair, purchase and manufacture of the various categories of war material is impossible. The most detailed publicity at present attainable as regards expenditure on war material is that provided by filling in the various items of the heads of the Model Statement relating to war material.

48 bis. The Committee wishes to make it clear that the fact that it is impossible to publish detailed particulars of budgetary expenditure by categories of material does not imply that it is impossible to ascertain the cost price of the finished articles, either through the purchase price or through the cost accounts. The latter are not usually published. In the first instance, indeed, it is a case of ascertaining the annual budgetary expenditure on various categories of material, while, in the second, it is a case of ascertaining the cost price of such material on the completion of manufacture. This question has been raised by another committee; it is not, however, for the Technical Committee to consider how far its conclusions might influence the activities of other organs of the Conference and more especially those of the Committee for the Regulation of Trade in and the Private and State Manufacture of Arms and Implements of War.

## XII. FLUCTUATIONS IN THE PURCHASING POWER OF CURRENCIES.<sup>1</sup>

49. The limits of expenditure must be expressed in the respective national currencies of the various States.

50. If the purchasing power of these currencies varies, the limits originally fixed must be readjusted in order to retain in all circumstances the same power of obtaining armaments.

51. To be able to judge the effect of fluctuations in purchasing power on the limitation of expenditure, the Committee first of all studied the extent of the fluctuations which have occurred since 1929 in the various countries.

The first basic fact observable is the considerable fall in prices which occurred in almost all countries during the period 1929 to September 1931. This increase in purchasing power, however, varied from country to country. Nevertheless, the general tendency—*i.e.*, the general fall in prices—bore a universal character.

In autumn 1931, a large number of countries left the gold standard. This led to very serious fluctuations in the external value of their currencies, while, with few exceptions, their domestic purchasing power preserved a relative stability.

The general impression from a study of the fluctuations in purchasing power in most of the countries which have left the gold standard may be thus expressed:

- (a) Relative stability of the cost of living;
- (b) Moderate fluctuations of wholesale prices and
- (c) Considerable alterations in the external values of the currencies.

A study of the fluctuations since the autumn of 1931 in the countries which remained on the gold standard gives a rather different impression. The Committee has found that, in these countries, the fall in prices, which was universal up to the autumn of 1931, has, as a rule, continued up to the present day. Some differences were noted between the tendencies in the various countries. In countries with a "managed" currency particularly, the fluctuations were not negligible.

52. Any automatic adjustment of limits as a result of fluctuations of purchasing power was recognised to be impossible either on the basis of national price indices or on the basis of an international index of the cost of armaments.

53. After suggesting that, as a temporary measure and for a brief period, States might under certain conditions<sup>1</sup> accept a lump sum increase in their limits to minimise

<sup>1</sup> See note on page 115.

the probable consequences of fluctuations in purchasing power, the Committee recognised that only a living organisation could proceed to readjustments of the contractual limits.

54. Any request for the adjustment of its own limits submitted by a State should be justified by an appreciable decrease in purchasing power having seriously increased the cost of its armaments.

55. Should an appreciable increase in the purchasing power of a country's currency have led to a serious decline in the cost of armaments, other States would have the right to ask for a readjustment of the limits of the State concerned.

56. The task of readjusting limits should be entrusted to the Permanent Disarmament Commission itself; the latter would decide on the advice of a sub-committee consisting of experts who would not be representatives of Governments. The Permanent Commission could not pronounce against this committee's advice without hearing its explanations.

57. Any request for readjustment would be considered by a small committee, which would judge whether such a request could be entertained.

58. The nature of the evidence to be furnished when a request for readjustment is submitted is specified in paragraph 96 below.

59. The Technical Committee is of opinion that, if the purchasing power of currencies were affected by changes which were both very considerable and very rapid and if these changes were not universal and occurred at different periods and to a different degree in the various countries, the budgetary limitation method would no longer operate.

But should fluctuations in the different countries not be too violent, the Committee considers that the living organisation which it recommends would suffice to provide for a readjustment of limits such as would allow the latter to retain their full contractual value.<sup>1</sup>

### XIII. INFLUENCE OF VARIATIONS OF EXPENDITURE FROM ONE YEAR TO ANOTHER ON THE FIXING OF LIMITS.

60. The system of limitation provided for in Articles 10, 24 and 29 of the draft Convention, and described in detail in the report of the Committee of Budgetary Experts and in the present report, is based on the limitation of the *annual* expenditure of the contracting parties. The fixing of annual limits is, in the Technical Committee's opinion, essential both to the practical application of the Convention by States and for the efficacy of international supervision.

The Committee of Budgetary Experts was of opinion, however, that, if equal annual limits were fixed simply for each year while the Convention was in force, States would be compelled to ask for a high figure in order to allow for the inevitable fluctuations in the volume of their payments over a number of consecutive years. To deal with this difficulty, the Committee proposed that an annual average limit for four years should be laid down, the contracting parties being entitled to exceed this annual average limit by a percentage fixed by the Conference and kept as low as possible, provided that any such excess amounts were set off by reductions during the rest of the period and that States did not in the long run exceed, during the consecutive years of the period proposed, the limit fixed for that period.

61. After studying the proposals of the Experts and recognising the necessity for an annual limit in conformity with the general provisions of the draft Convention, the Technical Committee considers that it is not at present in a position, especially in the

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<sup>1</sup> See the note submitted by M. WORBS, Major-General BARBERIS and M. ANDO (page 127) on the defects of the system recommended in the present report, due to the fluctuations of purchasing power.



absence of information as to the duration of the Convention and the relations which may exist between the present expenditure of the different States and the limits fixed in the Convention, to make definite recommendations either regarding the period over which the annual limit should be averaged or the permissible percentage of excess—or, indeed, the proposal to adopt such a percentage. Only when the financial consequences of the Conference's decisions can be appreciated will it be possible to express a definite technical opinion on this point.

62. In any case, the Technical Committee expresses the view that the period to be covered by the annual average limit should be sufficiently long to make it possible during this period to ascertain the manner in which the States have observed their limitation undertakings. The period in question must also be short enough to enable proof of compliance with the annual average limit to be produced within a reasonably short period.<sup>1</sup>

63. Without wishing to deal with the problem of the fixing of contractual limits, the Committee considers that, from the technical point of view, it will be necessary, among other considerations, to take into account the expenditure relating to military activities not subject to special limitation; nor should the limits prevent the contracting States from duly carrying out any programmes for manufacture or construction of material they may have drawn up within the framework of the decisions of the Conference or within the limits laid down by other conventions remaining in force after the conclusion of the Disarmament Convention or from providing for the maintenance of material.

Lastly, the fixing of limits in the Convention or on the occasion of the revisions which will be carried out in accordance with Article 59 must enable the contracting States to provide a reasonable standard of living for their personnel and their troops.<sup>1</sup>

#### XIV. TRANSFERS BETWEEN THE LIMITS OF THE THREE FORCES.

64. In the absence of any decision by the Conference regarding the separate limitation of expenditure on the three forces and their material, the Technical Committee was only able to consider from a theoretical standpoint the possibilities of transfers between the limits fixed for the expenditure on each of the forces and the expenditure on land and naval material.

65. If the Conference accepts the principle of such limitations, the possibility of transfers will have to be considered for all States both between the limits of expenditure on each of the forces and between the expenditure on material of each force and the other expenditure of that force.<sup>2</sup>

66. The possibility of such transfers would facilitate the adoption of a limitation of expenditure. The system of transfers might be as follows: A separate limit would be fixed for the total expenditure of each force, but, at the same time, percentages would be fixed for the transfers authorised between these limits. These percentages would be determined for each country by agreement between the Powers represented at the Conference and taking into account its special situation. The transfer percentages would have to be fixed at a low figure.

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<sup>1</sup> See the note on page 131 by Major-General BARBERIS and M. WORBS on the ineffectiveness of supervision finally carried out perhaps six or seven years after the close of the financial year.

<sup>2</sup> For the reasons given in the note on pages 136 and 137, Mr. LYON is of opinion that the right of effecting transfers between the forces is illogical, unnecessary and inconsistent with the resolution on budgetary limitation adopted by the General Commission on July 23rd, 1932.

**XV. SPECIAL PROCEDURE REGARDING CERTAIN UNFORESEEABLE AND EXCEPTIONAL EXPENDITURE NOT INVOLVING AN INCREASE IN THE ARMAMENTS OF THE COUNTRY INCURRING IT.<sup>1</sup>**

67. When, as a result of natural disasters such as earthquakes, cyclones, tidal waves, floods, forest fires, or epidemics, the armed forces are called upon to assist civilian populations, their intervention may entail additional expenditure. These natural disasters or accidents may also cause the loss or destruction of naval units or material, the reconstruction or reconstitution of which would involve extra expenditure. Again, the suppression of internal disorder, civil wars, revolts in distant possessions and the protection of the life and property of nationals in danger, may call for the intervention of the armed forces and result in exceptional expenditure.

68. In consequence of the reduction of armaments itself, Governments may be obliged, on account of the withdrawal of certain garrisons, to compensate municipalities which have already incurred expenditure for the accommodation of the troops. The cancellation of certain contracts for supplies or building—*e.g.*, the cancellation of a contract for building a warship—may involve the payment of large compensation.

69. The Technical Committee is not entitled to prejudge any questions that may arise in regard to the legitimacy of any particular case contemplated above, and, considering the matter solely from the technical standpoint, it expresses the opinion that the Convention would be lacking in fairness if it did not provide a procedure enabling States to have such expenditure excluded from the figures they would be called upon to produce in evidence of the fulfilment of their contractual engagements.

The Technical Committee therefore recommends the following procedure for such cases:

70. When a State is called upon during a given year to meet extraordinary expenditure in respect of the cases enumerated above, it must include this expenditure in the Model Statement produced in evidence of limitation, but it could indicate to the Permanent Commission the nature and amount of such exceptional expenditure and prove by definite evidence that this expenditure does not represent an increase in its armaments.

Having considered that evidence, the Permanent Commission would see:

- (a) Whether the expenditure shown in the publicity table had really been applied to one of the exceptional cases referred to above;
- (b) Whether it had enabled the country concerned to increase the strength of its armaments.

The amount of the expenditure mentioned above would be deducted from the Model Statement produced in evidence of limitation, unless the Permanent Commission, by a reasoned decision, established that one or both of these conditions had not been fulfilled. Should the Commission establish that part of this exceptional expenditure had had the effect of enabling armaments to be increased, the amount of the corresponding expenditure would be kept in the Model Statement produced in evidence of limitation.

Should certain of the events enumerated above assume such gravity as to threaten the national safety, the provisions of Article 50 of the draft Convention would be applicable.

**XVI. THE MODEL STATEMENT.**

71. In view of the considerations set out in paragraphs 11 and 12, the Committee proposes the adoption for publicity purposes of a detailed Model Statement for the expenditure of each category of the Land, Naval and Air Forces.

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<sup>1</sup> See reservation on page 139.

As regards the form of this statement, the Committee proposes to maintain the model adopted by the Committee of Experts on Budgetary Questions.

72. In the case, however, of expenditure on naval material, it proposes to substitute for the former subdivisions L and M the two following subdivisions:

- L. New construction.
- M. Maintenance.

Further, it proposes that the recapitulatory table of the expenditure on the three forces should follow, and not precede, the tables for the expenditure on each force.<sup>1</sup>

73. In the event of the principle of budgetary limitation being adopted by the Conference, the subdivisions of the Model Statement, even though none of them may be subject to special limitation, will show how the expenditure subject to limitation is distributed.

The Model Statement may help to encourage States to present their accounts in constantly increasing detail and thus achieve greater accuracy in the presentation of their expenditure for the three categories of forces and war material. The technique involved in limitation and publicity of expenditure must develop gradually. The decisions which will be taken by the Conference in this sphere should, in the Committee's opinion, be regarded as the opening stage.

74. In the Committee's view, it will not, for the time being, be possible to propose such extensive reforms as those implied by the standardisation of the budgets and accounts of the various countries, but the adoption of the Model Statement and its annexed tables might contribute to accelerating this standardisation.

75. On the basis of the information obtained, the Committee confirms the opinion of the Budgetary Experts that it would not be possible for all States to submit a Model Statement based on audited and published closed accounts within a period of less than fourteen months from the end of the financial year in each particular country.

#### XVII. SPECIAL INFORMATION ANNEXED TO THE MODEL STATEMENT FOR LIMITATION AND PUBLICITY PURPOSES.

76. The Committee of Budgetary Experts suggested annexing to the Model Statement a certain number of publicity tables.<sup>2</sup>

The Technical Committee examined, in the light of the documents submitted, how far the States had succeeded in filling in these tables, and considered afresh their utility.

77. The Committee came to the conclusion that it was desirable that each State should be requested to supply particulars of the total amount spent on ordinary pensions as opposed to war pensions. These particulars should immediately follow the table showing the aggregate total expenditure of the three forces so as to facilitate the addition of the expenditure on ordinary pensions to the expenditure shown in the Model Statement.

78. Furthermore, it recognised that Table A (particulars of expenditure on reservists) and Table B (special particulars with regard to the material of the naval forces) had given rise to very great difficulties of interpretation and that their value was not in fact very considerable. Such being the case, it proposes their abolition.

<sup>1</sup> See the specimen Model Statement, Part VI, of the Report, Appendix I.

<sup>2</sup> These tables contained particulars on the following points:

Table A — Expenditure on pay of reserves;

Table B — Expenditure on shipbuilding (new construction; maintenance and repairs);

Table C — Statement of the amount not utilised at the end of the financial year out of block credits voted in respect of expenditure for more than one year;

Table D — Statement of amounts outstanding in respect of credit purchases or deferred payments;

Table E — Statement of subsidies granted in the form of advances to, or participations acquired in, enterprises having among their objects the furnishing of goods or services for armament purposes where such expenditure has been excluded from the return on the ground that it was not regarded as armaments expenditure;

Table F — Expenditure on pensions;

Table G — Chief alterations made during the year in (a) provisions concerning the grant of pensions, (b) provisions concerning taxes on pay, (c) provisions regarding social insurance or similar privileges granted to personnel.

79. On the other hand, it attaches particular importance to information regarding the amount of the funds remaining at the disposal of each State at the end of each financial "exercice" and also to information regarding a statement of the reasons advanced by States to justify the exclusion from the Model Statement of expenditure on subsidies to private firms engaged, *inter alia*, in manufacturing war material in time of peace—when, it is claimed, that they were not granted to the firms in question for specifically military purposes.

80.<sup>1</sup> It also attaches special importance to being informed of the liquidation figures in respect of material delivered but not paid for during the course of each financial year. This table is of great importance from the point of view of the system proposed by the Technical Committee in order to prevent States from using credit purchases and deferred payments as a means of procuring during any one year armaments to a value in excess of the limitation figure fixed for its expenditure.

81. Lastly, the Committee deems it necessary to provide a table in which the States would supply information regarding contributions in kind and free services rendered to the armed forces and the formations organised on a military basis.

82. Strictly speaking, there would no longer be any annexed tables, the Model Statement being followed by the following particulars:

*National Defence Pensions.*

1. Ordinary Pensions.

Optional: Pensions granted as a result of the reduction of armaments.

*Other Special Information appended to the Model Statement.*

2. Difference between the initial amounts of the block credits voted for several years and any part of such credits already entered in the budgets, including the budget for the year to which the Model Statement refers.
3. Difference between carry-forward credits—that is to say, credits which may be used for payments to be made during the year or subsequent years and payments in respect of such credits shown in the accounts for the former.
4. Authorisations to enter into commitments granted apart from credits voted in the budget of the year to which the Model Statement refers.
5. Difference between the block credits dealt with in special accounts and payments already made against such accounts, including those made during the year in respect of which the Model Statement has been compiled, together with all other credits available in special accounts.
6. Credit balances of autonomous establishments remaining at the disposal of those establishments.
7. Amount liquidated and not paid for materials supplied and services rendered.
8. Expenditure not included in the Model Statement for subsidies to and participations in private undertakings having among their objects the furnishing of war material in peace-time.
9. Various information regarding unpaid services and contributions for national defence.

XVIII. RECONCILIATION TABLE — DEROGATIONS.

83. In order to fill up the Model Statement, the States are obliged to rearrange under a limited number of headings their total national defence expenditure, at present shown in a large number of accounts. It is clear that the usefulness of the Model Statement would be greatly impaired if sufficient explanations were not given. The Committee

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<sup>1</sup> See the reservations on pages 153, 155 and 159.

therefore considers it essential for the machinery of limitation and publicity of expenditure that the States should supply explanatory tables (*reconciliation tables*)<sup>1</sup> showing exactly how the various items in the accounts of each State have been transferred to the Model Statement.

84. The Model Statement, annexed information, reconciliation tables and closed accounts will provide the Permanent Disarmament Commission with practical instruments for the supervision of limitation and publicity obligations.

85. *Derogations.* — The reconciliation tables should bring out and explain with all due clarity the extent to which the States have been obliged to derogate from the rules adopted by the Conference for the transfer of the figures in the accounts to the Model Statement in such a way as to make it possible accurately to ascertain the content and meaning of the total shown in the Model Statement supplied by each State and each of its tables or sub-heads. It is understood that the Conference will itself decide to what extent the States shall be entitled to have recourse to such derogations.

#### XIX. PUBLICITY OF CREDITS AND EVIDENCE OF LIMITATION.

86. In order to diminish the inconvenience arising from the necessary delay in producing the Model Statement based upon actual payments, the Technical Committee considers that the States might be asked to forward to the Permanent Disarmament Commission—at least during the earlier years of application of the Convention—a Model Statement based upon the budgets as voted. In cases in which the budgets are voted after the beginning of the financial year, the Committee proposes that special arrangements should be made. The early submission of the Model Statement based upon budgets voted will enable the Permanent Disarmament Commission to form some idea of the extent to which these credits are consistent with the limitation undertakings.

87. The Committee has also enquired into the possibility of asking States to notify to the Permanent Disarmament Commission, shortly after the conclusion of the budgetary year of twelve months, the total actual payments made during these twelve months irrespective of the origin of such liabilities. This account of disbursements, which could not be submitted in the form of the Model Statement and cannot be employed as evidence of compliance with the limitation obligations, would nevertheless afford valuable information regarding the total payments actually made by the various States in the course of each financial year. The submission of this annual account of disbursements would be easier in the case of countries whose accounts show the total payments made during the financial year, and more difficult in the case of those countries which enter in their accounts the payments made, not merely in the twelve months of the financial year, but during an additional period also. In regard to all countries, however, further study will be required to ascertain whether the production of such accounts is really feasible. It would also be desirable to consider whether certain States having brief additional periods could not rapidly furnish accounts of disbursements during the twelve-monthly period in respect of the financial year, with the addition of disbursements made on that account during the additional period.

Moreover, with a view to the rapid production of the closed accounts, the Committee recommends that the additional periods should be shortened.

88. The Committee also recommends that the Permanent Commission should be supplied with draft budgets, budgets as voted, certain laws and regulations to which the Commission might find it useful to refer, and also various information regarding changes in administrative and financial methods.

89. The Model Statement based upon the budgets voted, the accounts of annual disbursements, the Model Statement based upon payments actually made and constituting evidence of compliance with the limitation obligations, are all links of a single chain. They will furnish the Permanent Disarmament Commission with sufficient data to enable it to satisfy itself that the expenditure of the States remains below the fixed limits.

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<sup>1</sup> For models, see Part VI of the Report, Appendix II.

90. In the Committee's opinion, this supplementary publicity, which could be produced in a shorter space of time, would to some extent permit in a preliminary supervision over the obligations of the contracting parties. It would go a long way towards overcoming the drawbacks of the lengthy period which must necessarily elapse before the audited payment figures taken from the closed accounts can be published. If the Permanent Commission received in succession the Model Statement of budgetary credits a few months after the beginning of the financial year, the account of annual disbursements immediately after the close of that year and, lastly, the Model Statement of payments made, it would, with the help of the other documents which are also to be communicated, be progressively enlightened as to the importance of the financial effort devoted by each country to national defence, the true object of the expenditure and therefore the fulfilment by the various States of their contractual obligations. The feeling of security of the contracting States would thus be strengthened.

XX. TECHNICAL OBSERVATIONS CONCERNING THE SUPERVISION BY THE PERMANENT DISARMAMENT COMMISSION OF THE PROVISIONS RELATING TO THE LIMITATION AND PUBLICITY OF EXPENDITURE.

91. Taking as a basis the report by the Bureau of the Conference (document Conf.D./Bureau 39<sup>1</sup>) concerning supervision, the Technical Committee has endeavoured to define the part which should be played by the Permanent Disarmament Commission as regards the supervision of the provisions of the Convention relating to the limitation and publicity of expenditure.

92. In the first place, this supervision will involve the verification of the regularity—*i.e.*, the accuracy—of the payment figures inserted in the Statements. This verification will be effected on the basis of the closed accounts and other official documents, with the help of the reconciliation tables drawn up by each contracting party.

93. The Permanent Disarmament Commission will also be entitled to ask for "any additional particulars and explanations it may consider necessary", as laid down in paragraph 7 of document Conf.D./Bureau 39.

94. The Committee endeavoured to define the exact scope of this last-named provision as regards the limitation and publicity of expenditure.

In view of the authenticity of the figures entered in the closed accounts, the Committee considers that, as a general rule, it will not be necessary to ask for additional particulars in regard to them.

In view of the paramount importance of the accuracy of the amount of the total national defence expenditure of each State, the Committee considers it necessary to provide that the Permanent Commission will be entitled to ask the State concerned for any further particulars and explanations, should the Commission have reason to believe that certain national defence expenditure has been excluded from the Model Statement.

This would also apply to the total expenditure on the three forces and expenditure on land and naval material, should these totals be limited separately. On the other hand, in the case of items in the Model Statement which are not specially limited, the Committee desires to point out that the publicity figures seem to it less important than the figures subject to limitation, and that, on that account, the verification may be less strict in the case of the various items of the Model Statement drawn up with a view to publicity.

95. The Committee examined whether the exercise of strict supervision for the limitation of expenditure might require the presentation of documents usually regarded as secret. In this connection, the Committee wishes to observe that, for the purpose of

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<sup>1</sup> The above mentioned documents of the Bureau have not yet been approved by the Conference. It is therefore understood that the observations made in the present chapter with reference to the views set forth in the said documents must necessarily be of a provisional character and that, if the Conference's decisions are not in accordance with the Bureau's proposals, they will have to be taken into account as regards verification of the limitation and publicity of expenditure.

checking the accuracy of the total national defence expenditure, it will, in its opinion, be sufficient to refer, by means of the reconciliation table, to the closed accounts and, if necessary, to ask for certain additional particulars which are not of a secret nature.

96. The Committee, considering separately the initiation of the procedures for readjustment of limits in the case of fluctuations in the purchasing power of currency and for the deduction of unforeseen and exceptional expenditure, wondered whether the strict verification of proofs and evidence supplied by States would not mean that they must produce certain information, such as contracts or statistics, which States themselves do not generally make public.

Although this is a general problem relating to the exercise by the Permanent Disarmament Commission of supervision over all contractual obligations arising out of the Convention, the final settlement of which rests with the Conference itself, the Technical Committee feels that it is not exceeding its powers in expressing the opinion that, in such cases, the Permanent Disarmament Commission might, for practical purposes, rest content with the explanations given by the Governments and that the latter should not be required to produce unpublished documents.<sup>1</sup>

97. The supervision exercised by the Permanent Commission should not, in the Committee's opinion, simply be confined to the verification of the figures in the Model Statements. The Committee considers that, with the help of supplementary Model Statements based on estimates of expenditure and the various particulars which it proposes should be communicated to the Permanent Commission, the latter will be in a position to observe the trend of the financial effort devoted by States to their national defence. It considers that this will enable the supervision to be improved during the application of the Convention.

98. The task which will have to be assumed by the Permanent Commission in connection with the supervision of a Convention for the limitation and publicity of expenditure will be of great importance and will doubtless involve a considerable amount of work. The Committee accordingly considered it expedient to propose that a sub-committee of the Permanent Disarmament Commission should be specially responsible for all problems relating to the publicity and limitation of expenditure. This sub-committee should consist of persons with an expert knowledge of public accounting and general and military administration. It should possess a secretariat which should include officials with expert qualifications.

#### XXI. THE EXPENDITURE ON ARMAMENTS OF THE VARIOUS COUNTRIES DOES NOT PROVIDE A CRITERION FOR COMPARING THEIR ARMAMENTS.

99. The uniform presentation of expenditure in the framework of the Model Statement does away with the differences of form which exist in the accounting systems of the various States, but it cannot remove the deep divergencies resulting from the very nature of things and from the character of the various national institutions.

100. The Committee found that there was no common measure of comparison for expenditure on armaments. The conversion of the expenditure figures of the various States into a currency selected as a standard cannot furnish any precise elements of comparison. If currencies fluctuate, whereas internal prices remain comparatively stable, the conversion on the same date of the expenditure figures of the various States into a standard currency will lead to absurd results.

101. The rate of remuneration of personnel and the cost of maintenance of effectives vary very widely. These differences are due to the different methods of organisation of the armed forces and to the varying standards of living in the several countries.

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<sup>1</sup> Colonel KISSLING (Switzerland) and Mr. LYON (United Kingdom) express the opinion that, although, as a general rule, the production of unpublished documents would not be necessary, they might need to be produced in exceptional cases.

102. The differences are less pronounced in the case of the cost of production of material. While the cost of production of certain material in the various countries sometimes differs appreciably, there are cases in which these discrepancies cannot, quality being equal and conditions of production similar, be very great. In such cases the relation between the cost prices at a given moment cannot vary considerably from one year to another.

103. Moreover, it is always difficult, when attempting to compare the expenditure of the various countries on armaments, to draw a parallel between comparable elements.

104. For these reasons, the Committee considers that, taking countries or regional groups as a whole, a comparison of expenditure on armaments cannot furnish any precise information as to the relative size of the actual armaments.<sup>1</sup>

105. The Committee nevertheless considers that, if the facts are correctly interpreted, and above all if variations in the purchasing power of the currencies are taken into account, the comparison of the expenditure returns of the same State from year to year will enable the evolution of its expenditure on armaments to be followed and will provide very useful information as to the variations of its armaments themselves.

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106. *The Technical Committee, in strict conformity with its terms of reference, considers that the present report embodies reasoned replies to all the questions referred to it and that these replies will enable the Expenditure Commission to come to the necessary decisions on the subject of the limitation and publicity of expenditure.*

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The Committee wishes to place on record its deep appreciation of the services of the members of the Secretariat associated with it in its work, and of their invaluable co-operation in the production of this report.

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GENERAL RESERVATION SUBMITTED BY M. ANDO, MAJOR-GENERAL BARBERIS  
AND M. WORBS.

Noting that in certain countries there are technical difficulties which stand in the way of the successful operation of the system of budgetary limitation recommended by this report;

Considering it indispensable that the said countries, in order to surmount these difficulties, should make vigorous efforts to adjust or modify their budgetary and financial systems and the method and time-limits of submission of budgets and closed accounts;

Being unable to anticipate in the present economic state of the world that fluctuations in the purchasing power of currencies in the near future will not render inoperative the system of limitation of expenditure or will not stand in the way of its successful working.

M. ANDO, Major-General BARBERIS and M. WORBS believe that, from the technical point of view, a period of from four to five years must be provided during which the system of publicity alone can be applied and after which the situation should be re-examined in order to ascertain whether at that moment it is possible to apply the system of budgetary limitation recommended in this report—*i.e.*, to frame a convention on the legal basis of the payments effected.

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<sup>1</sup> See reservation on page 210.



**RESERVATION BY LIEUT.-COLONEL G. V. STRONG (United States of America).**

In the opinion of the American expert, the report of the Technical Committee constitutes a thorough, painstaking and valuable contribution to the work of the Conference. The report evidences the impracticability of measures of budgetary limitation at this time. However, it does indicate, not only the value, but also the practicability of application in so far as budgetary publicity is concerned. Budgetary publicity may give valuable indications in showing the trend of national defence expenditure on the part of the nations which are parties to such publicity.

In signing the report of the Technical Committee, the American expert limits his concurrence therein to measures of budgetary publicity and makes full reservation on all subjects which deal with budgetary limitation.

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## **ANNEXES.**

ANNEX 1.

Conf.D./C.D.5.

INFORMATION REQUESTED BY THE TECHNICAL COMMITTEE.

NOTE BY THE SECRETARY-GENERAL.

Geneva, March 19th, 1933.

The Secretary-General of the Conference for the Reduction and Limitation of Armaments has the honour to transmit herewith to the delegations a copy of the resolution adopted on March 16th last by the Commission on National Defence Expenditure (document Conf.D./C.D.4).<sup>1</sup> By paragraph 3 of this resolution the delegations of the States represented at the Conference are requested to facilitate the work of the Technical Committee set up by the Commission on National Defence Expenditure by placing at the disposal of the Committee any supplementary information which it may need.

The Technical Committee, which met on March 17th and 18th, expressed the hope that the delegations which had not already done so would be good enough to transmit to it at the earliest date, and if possible *before April 11th*, the following documents *in three copies* :

1. The Model Statement filled in on the basis of the last closed accounts and in conformity with the instructions contained in the report of the Committee of Experts on Budgetary Questions (document C.182.M.69.1931.IX).
2. The closed accounts for the last financial year or, if such a document is not available, the actual statements of account which have been utilised for the drawing up of the Model Statement.
3. The budget for the same year. (If the budget that has been adopted is not sufficiently detailed, and if the draft estimates contain further particulars, it would perhaps be desirable to send the latter as well.)
4. Reconciliation table showing the relations between the closed accounts or actual statements of account (mentioned in 2) and the statement.<sup>2</sup>
5. Complete explanations as regards the method followed for filling in the statements and particularly as to such derogations to the instructions drafted by the Committee of Experts on Budgetary Questions as the Government in question has been obliged to make. In particular, the Technical Committee desired to draw attention to the following paragraph in Chapter 4 of the Committee of Experts' report:

“ The explanations to be given by each Government and presented to the Conference would set out how far it had been able to fill in the Model Statement by the use of published figures and how far such published figures had been found inadequate for the purpose, and also how far and in what way this inadequacy had been got over by the use of reliable, even if unpublished, figures; and, finally, how far in the end it had been obliged to depart from the instructions on account of its administrative practices.”

Acting in accordance with instructions given to it under the resolution of the Commission on National Defence Expenditure, the Technical Committee has drafted a questionnaire on the budgetary systems of the various countries. In conformity with the Technical Committee's request, a copy of this questionnaire (document Conf.D./C.D.6)<sup>3</sup> is attached to the present note with a request to forward replies to the Secretariat of the Conference at the earliest date, and if possible before April 11th.

Lastly, the Technical Committee has requested the Secretariat to forward to all the delegations for information a copy of a provisional memorandum drawn up by the Secretariat and relating to the information transmitted by the various Governments on the subject of their national defence expenditure. This memorandum (document Conf.D./C.D./C.T.1) is based on the data received up to March 1st, 1932.<sup>4</sup>

<sup>1</sup> See Minutes of the Expenditure Commission, page 11.

<sup>2</sup> See Chapter 14 of the report of the Committee of Experts on Budgetary Questions (document C.183.M.69.1931.IX).

<sup>3</sup> See Annex 2.

<sup>4</sup> Note by the Secretariat: This memorandum is not reproduced here.

ANNEX 2.

Conf.D./C.D.6.

QUESTIONNAIRE CONCERNING BUDGET SYSTEMS DRAFTED BY THE TECHNICAL COMMITTEE.

I. *Preparation of the Budget.*

What are the organs participating in the preparation of the budget ?

2. *Discussion, Voting and Putting into Execution of the Budget.*

- (a) What are the respective rights of the executive and legislative powers ?
- (b) By what act is the budget put into execution ?
- (c) What are the measures adopted if the budget is not passed in time (*douzièmes provisoires*, provisional budgets, prorogation of the validity of the budget in course of execution) ? What authority is empowered to take such measures ? For how long are such measures valid ?
- (d) What period is covered by the budget ?
- (e) Are the budgets officially published and, if so, at what date ?

3. *Structure of the Budget.*

*Unity and Universality of the Budget.*

(a) Is all the State expenditure included in one general budget ? Are there special budgets, funds or accounts ? If so, what are they ? Are there establishments for the manufacture of armaments having budgetary autonomy according to the definition given in Chapter 3, page 13, of the report by the Committee of Experts on Budgetary Questions, note 2 (document C.182.M.69.1931.IX) ? Is expenditure shown on a gross or net basis ?

(b) What are the extra-budgetary resources used for national defence purposes, including compulsory contributions of all kinds ?

(c) Are there, apart from State administrations, public or private bodies for financing national defence expenditure ? What are the budgets (budgets of the State, "cantons", "lander", municipalities and other authorities) which include expenditure on national defence ?

*Divisions of the Budget.*

(d) How is expenditure grouped and classified in the budget (ordinary and extraordinary expenditure, current expenditure and capital outlay) ?

4. *Execution of the Budget.*

(a) Does the adoption of the budget authorise the services to employ the credits or is a special authorisation by the Finance Minister or some other authority necessary ?

(b) What is the procedure concerning commitments, liquidation, the issuing of pay warrants and payment<sup>1</sup> (passing of orders and contracts: creation, verification and acceptance of State liabilities, issue of pay orders and warrants; payments) ? What are the periods beyond the budgetary year during which such acts may be executed and charged to the accounts of a given year ?

(c) What is the procedure concerning expenditure not provided for or not sufficiently provided for in the budget ?

(d) What is the procedure concerning transfers as between chapters, paragraphs or items ?

(e) Are there special authorisations for commitments ?<sup>2</sup>

(f) What is the procedure concerning the carrying forward of credits from one year to another ?

(g) What are the organs which in every stage of the administration ensure the allocation of funds and how is the financing of national defence expenditure effected ?

<sup>1</sup> Entering into commitments regarding expenditure represents acts by which a State debt will be created.

Liquidating expenditure consists in the juridical examination of a State debt and the establishment of the amount of such debt.

The issuing of pay warrants or orders consists in (a) remitting to the creditor a document entitling him to receive payment, or (b) issuing to a pay office an order to pay.

Payment consists in liberating the State from its debt by remitting to the creditor the sum due to him.

<sup>2</sup> Special authorisations for commitment consist in authorisation to pass in the course of a year orders or contracts payment for the execution of which will be chargeable to subsequent budgets.

5. *Verification and Control.*

(a) What are the rules concerning accountancy organisation, financial supervision and control ?

(b) How are supervision and control exercised during the execution of the budget ? To what extent and in what way do the administrative and legislative organs exercise this supervision and control.

(c) How is verification effected after the execution of the budget ? By what organs ?

(d) What is the legal position of these supervisory and controlling authorities (comptrollers-general, audit offices, *cours de comptes*) in regard to the legislative and executive organs ?

(e) What are the rights and duties of these organs in respect of verification, the registration and endorsement of acts of commitment, vouchers and payment orders and warrants ? What particular rights do they possess to oppose illegal or irregular measures ?

(f) What is the procedure and what are the time-limits for the settlement of accounts, their submission, verification, publication and final acceptance ?

*Note.* — The Governments may, of course, if they desire, supplement their replies to the above questions with other information regarding their budgetary systems.

The Technical Committee hopes that it will be possible to give all the information in question in a document which, while being as succinct as possible, will not necessitate the consultation of national legislation.

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ANNEX 3.

Conf.D./C.D.7.

RULES OF PROCEDURE FOR THE EXAMINATION OF INFORMATION SUPPLIED  
BY THE GOVERNMENTS, ADOPTED BY THE TECHNICAL COMMITTEE  
ON APRIL 14TH, 1932.

The purpose for which the Technical Committee, under its terms of reference, is called upon to examine the documents supplied by the various Governments concerning their expenditure on national defence is as follows:

(i) *Generally.*

To ascertain whether the model statement as drawn up by the Committee of Experts on Budgetary Questions (although not yet accepted by the Conference for the Reduction and Limitation of Armaments) is a practical instrument by means of which States can set out all the expenditure on national defence incurred by them in a given recent year.

(ii) *In particular.*

With the above end in view, to ascertain:

(a) Whether the statements of expenditure to be examined are compiled on a sufficiently uniform basis and whether the instructions and recommendations contained in the report of the Budgetary Experts, in particular those which concern the setting out of every item of expenditure on national defence and the classification of the items, have been followed.

(b) What difficulties arising out of differences in budget systems or otherwise have been met with by States in filling up the model statement.

(c) Whether the statements of expenditure to be examined are susceptible of verification either from the audited and published accounts of the State or from other authoritative documents.

(d) Whether the relations between the figures given in the model statement and the figures shown in the accounts published by the State within the country are adequately explained in the Reconciliation Tables.

With a view to accomplishing this task, the Technical Committee has adopted the following rules of procedure:

I. The Committee will examine the documents supplied by all the Powers represented at the Conference.

II. The Committee will first of all proceed, as far as possible, to examine the documents supplied by the Powers represented on the Committee.

The first Power represented on the Committee to have its documents examined will be determined by the drawing of lots. The documents of the other Powers represented on the Committee will be examined in alphabetical order as determined by the drawing of lots.

III. The Committee will then examine the documents of the Powers not represented on the Committee. The first Power not represented on the Committee whose documents are to be examined will be determined by the drawing of lots. The documents of the other Powers not represented on the Committee will be examined in alphabetical order as determined by the drawing of lots.

IV. If, before lots are drawn, one or several Powers, whether represented on the Committee or not, declare their willingness to submit their documents for the Committee's examination, the latter may decide to begin with the examination of the documents of the said Power or Powers.

V. In order to ensure the simultaneous exchange of documents, a sub-committee, consisting of two members, will examine the documents sent in by the Powers represented at the Conference, in order to determine whether the information requested by the Committee is complete and is such as to permit of its examination being begun.

VI. By a date to be fixed by the Bureau of the Committee for each Power, the members of the Committee are requested to send to the Bureau, in writing, their observations on the documents of the Power in question.

VII. All delegations not represented on the Committee are requested to send to the Bureau any observations they may desire to make, before the date indicated under VI.

VIII. The Bureau will receive and classify by Powers the observations submitted and will then send them to the delegations concerned.

Observations received after the date fixed by the Bureau, as stipulated in VI and VII, will not be transmitted to the delegations concerned.

IX. Within a time limit of ten days as from the handing-in of the observations, the delegation concerned will send to the Bureau its reply to these observations in writing.

X. Copies of the observations transmitted by the Bureau and of the replies of the delegations to the said observations will be circulated by the Bureau to the members of the Committee.

XI. At the end of a period sufficient to enable the members of the Committee to study the observations and replies, the Bureau will summon the Committee for a discussion of the whole of the information supplied by a given Power.

The delegations not represented on the Committee will be requested, when their turn comes, to send to the Committee a delegate, assisted, if he so desires, by one or several experts, to take part in the discussion on their documents.

XII. The Committee may proceed to a second examination of the documents of Powers in the case of which it may deem such a course necessary.

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#### ANNEX 4.

Conf.D./C.D./C.T.169.

### STATEMENT RELATING TO BUDGETARY DOCUMENTS SUPPLIED BY VARIOUS GOVERNMENTS.

#### MEMORANDUM BY SUB-COMMITTEE A.

1. List of States of which the review has been completed:

Belgium	Irish Free State	Sweden
United Kingdom	Italy	Switzerland
Czechoslovakia	Japan	Union of Soviet Socialist Republics <sup>1</sup>
Denmark	Netherlands	United States
France	Norway	Yugoslavia
Germany	Poland	
India	Roumania	

(Nineteen States.)

2. List of States whose documents have been placed before the Committee and are still under review:

Albania	Canada	Portugal
Australia	Finland	South Africa
Austria	New Zealand	Spain
Bulgaria		

(Ten States.)

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<sup>1</sup> The procedure of examining the documents produced by the Soviet delegation was somewhat different from that followed for the other States, in that the representatives of the Union of Soviet Socialist Republics were not present at the meeting at which the Soviet documents were discussed by the Committee. The Minutes of the meeting were, however, sent to the Government of the Union of Soviet Socialist Republics and replies to the questions raised therein were supplied at a later date.

3. List of States whose documents, being incomplete, have not yet been laid before the Technical Committee, and list of documents already supplied by the delegations of those States.

- Afghanistan*. . . . . Reply to questionnaire on budgetary systems (document Conf.D./C.D./C.T.70).
- Argentine Republic*. . . . . Document Conf.D.38 gives rough figures of the expenditure of the Ministry of Marine and of the Naval Air Force for 1930, together with estimates for 1931.
- Brazil* . . . . . The Model Statement for 1930 contained in document Conf.D.104 is incomplete (no figures for air force).
- Chile*. . . . . The data in document Conf.D.130 are taken from the budget estimates for 1932.
- China* . . . . . Model Statement for 1930-31 (document Conf.D.109).
- Colombia* . . . . . Document Conf.D.52 gives rough figures of estimates of budgetary expenditure for the years 1928 to 1931.
- Costa Rica* . . . . . Document Conf.D.62 gives certain figures taken from the budget for 1931.
- Cuba*. . . . . Reply to questionnaire on budgetary systems (document Conf.D./C.D./C.T.40).  
Document Conf.D.70 contains a Model Statement for 1930-31 (without separating land and air forces) and annexed tables.  
Budgets for the last five years (from 1927-28 to 1931-32).
- Egypt* . . . . . Reply to questionnaire on budgetary systems (document Conf.D./C.D./C.T.166).  
The Model Statement and annexed tables contained in document Conf.D.66 are taken from the budget for 1931-32.
- Estonia*. . . . . Reply to the questionnaire on budgetary systems (document Conf.D./C.D./C.T.7).  
Model Statement. Annexed tables (document Conf.D.15. Annex). Reconciliation Table. Budget of 1930-31 and supplementary budget, with translation. Position of credits carried over from the previous "exercice" to the budget of the year 1930-31. Closed accounts of 1930-31, with translation. Law passing the 1930-31 closed accounts.  
*Note.* The Estonian delegation has been asked to complete the reconciliation table.
- Greece* . . . . . Reply to questionnaire on budgetary systems (document Conf.D./C.D./C.T.51).  
Model Statement and annexed tables. Reconciliation table (the summary reconciliation table is wanting).  
Budget 1930-31. Return of payments.
- Haiti*. . . . . Model Statement for 1930-31 (document Conf.D.63).
- Hungary* . . . . . Reply to questionnaire on budgetary systems (document Conf.D./C.D./C.T.30).  
Model Statement and annexed tables (document Conf.D.34).  
Reconciliation table for dates in the Model Statement and annexed tables and dates in closed accounts for 1929-30. Table showing the distribution of expenditure in the national defence budget. Budget for 1929-30 and closed accounts (with translation) for 1929-30.  
*Note.* — The Hungarian delegation has been asked to prepare a new reconciliation table.
- Latvia* . . . . . Reply to questionnaire on budgetary systems (document Conf.D./C.D./C.T.7).  
Model Statement, without separation of the forces, in document Conf.D.28. Annexed tables. Budget for 1931-32. Closed accounts for 1930-31.

- Liberia* . . . . . Document Conf.D.36 gives only the total national defence expenditure for 1929-30.
- Lithuania* . . . . . Reply to questionnaire on budgetary systems (document Conf.D./C.D./C.T.105).  
Model Statement for 1930 (document Conf. D.67).
- Luxemburg* . . . . . Model Statement based on figures for 1932.
- Mexico* . . . . . Reply to questionnaire on budgetary systems (document Conf.D./C.D./C.T.22(1)).  
Model Statement. Annexed tables. Reconciliation table. Explanations. Budget for 1930.  
*Note.* — The Mexican delegation has been asked to amplify its reconciliation table.
- Panama* . . . . . One copy of budget for 1931-1933.
- Persia* . . . . . Reply to the questionnaire on budgetary systems (document Conf.D./C.D./C.T.49).  
Model Statement and annexed tables (document Conf.D.64(1)).  
Budget for 1931-32 (one copy in Persian and translation).  
Return of sums paid or payable. Laws voting additional grants (one copy in Persian and translation). Statement of sums voted in budget and of extra-budgetary revenue allocated to expenditure.
- Saudi Arabia* . . . . . Document Conf.D.59 gives rough figures for national defence expenditure.
- Siam* . . . . . Reply to questionnaire on budgetary systems (documents Conf.D./C.D./C.T.135, 135a).  
Model Statement for 1930-31. Annexed tables (document Conf.D.60) (document Conf.D.60 relates only to land and naval forces).
- Turkey* . . . . . Reply to questionnaire on budgetary systems (document Conf.D./C.D./C.T.60).  
Model Statement for 1931 (document Conf.D.73). Rough lists of expenditure and revenue. A note by the Turkish delegation states that the reconciliation table will be prepared when the closed accounts have been passed, and that the figures in the Model Statement, although taken from the budget, may be regarded as more or less final.
- Uruguay* . . . . . Document Conf.D.51 gives only Table A of the Model Statement, taken from the budget, for the *exercice* 1930-31 extended to March 31st, 1932.
- Venezuela* . . . . . Reply to questionnaire on budgetary systems (document Conf.D./C.D./C.T.20).
- (Twenty-five States.)

4. List of States which have supplied no information as to their national defence expenditure or budgetary systems:

- |                    |           |                   |
|--------------------|-----------|-------------------|
| Abyssinia          | Guatemala | Iraq <sup>1</sup> |
| Bolivia            | Honduras  | Peru              |
| Dominican Republic |           |                   |
- (Seven States.)

<sup>1</sup> Represented at the Conference from November 1932 only.



ANNEXE 5. — ANNEX 5.

TABLEAU MONTRANT PAR QUI SONT FAITES LES DÉPENSES DE DÉFENSE NATIONALE :  
TABLE SHOWING WHO IS RESPONSIBLE FOR NATIONAL DEFENCE EXPENDITURE :  
(Chiffre en monnaie nationale.) — (Figures in National Currency.)

	DÉPENSES DU POUVOIR CENTRAL — EXPENDED BY CENTRAL AUTHORITIES					DÉPENSES FAITES PAR LES AUTORITÉS LOCALES EXPENDED BY LOCAL AUTHORITIES			DÉPENSES FAITES PAR LES ASSOCIATIONS ET LES PERSONNES PRIVÉES  EXPENDED BY PRIVATE ASSOCIATIONS AND INDIVIDUALS	TOTAL DU RELEVÉ- TYPE  TOTAL OF THE MODEL STATEMENT		
	Départements ministériels de défense nationale (Guerre, Marine, Air)  National Defence Departments (Army, Navy, Air)  a	Ministère des Colonies  Ministry of the Colonies  b	Autres départements  Other Departments  c	Comptes en dehors des comptes bud- gétaires (Comptes spéciaux)  Non-budgetary Accounts (Special Accounts)  d	TOTAL  e	Dépenses faites par les colonies  Expended by the COLONIES  f	Dépenses faites par les auto- rités locales métropolitaines  Expended by Local Autho- rities in the Home Country  g	Total  h				i
Allemagne . . . . .	R.M.	688.914.389	—	18.808.235	—	707.722.624	—	—	—	—	707.722.624	Germany
Belgique . . . . .	Frs.	1.168.880.470 <sup>a</sup>	—	162.832.980	4.702.118	1.336.415.568	107.717.535	—	107.717.535	—	1.444.133.103	Belgium
Royaume-Uni . . . . .	£	106.496.892 <sup>b</sup>	—	1.906.642	793	108.404.327	4.002.742	149.597	4.152.339	—	112.556.666	United Kingdom
Danemark . . . . .	Cour.	42.416.688	—	2.740.518	107.921	45.265.127	—	—	—	—	45.265.127	Denmark
Etats-Unis . . . . .	\$	700.237.191	—	—	—	700.237.191	—	—	—	—	700.237.191	U.S.A.
France . . . . .	Frs.	11.812.790.884 <sup>c</sup>	485.549.370	827.858.902	13.161.147	13.139.360.303	209.023.410	74.673.105	283.696.515	—	13.423.056.818	France
Inde . . . . .	Rp.	49.55.48.737	—	3.08.06.512	—	52.63.55.249	—	2.17.19.055	2.17.19.055	—	54.80.74.304	India
État libre d'Irlande . . . . .	£	1.204.405	—	62.245	—	1.266.650	—	—	—	—	1.266.650	Irish Free State
Italie . . . . .	Lire	5.085.392.294	—	615.755.806	—	5.701.148.100	464.086.321	55.583.746	519.670.067	—	6.220.818.167	Italy
Japon . . . . .	Yen	465.180.906 <sup>d</sup>	—	1.481.601	637.333	467.299.840	—	—	—	—	467.299.840	Japan
Norvège . . . . .	Cour.	37.765.574	—	725.553	—	38.491.127	—	—	—	—	38.491.187	Norway
Pays-Bas . . . . .	Fl.	65.596.800	1.712.373	616.800	4.607.100	72.533.073	119.182.205	—	119.182.205	—	191.715.278	Netherlands
Pologne . . . . .	Zloty	866.029.911	—	4.204.976	—	880.104.387	—	—	—	—	880.104.387	Poland
Roumanie . . . . .	Lei	9.059.019.484	—	—	—	9.059.019.484	—	—	—	—	9.059.019.484	Roumania
Suède . . . . .	Cour.	127.924.606	—	3.337.732	6.156.206	137.418.544	—	—	—	277.465	137.696.009	Sweden
Suisse . . . . .	Frs.	99.208.424	—	3.920.357	7.404.611	110.533.392	—	3.052.815	3.052.815	—	113.586.207	Switzerland
Tchécoslovaquie . . . . .	Kc.	1.412.804.865	—	362.955.256	37.500.000	1.813.260.121	—	—	—	—	1.813.260.121	Czechoslovakia
U.R.S.S. . . . .	Roubles	1.042.499.466	—	1.200.000	22.952.430	1.066.651.896	—	19.928.000	19.928.000	9.367.430	1.095.947.326	U.S.S.R.
Yougoslavie . . . . .	Dinars	2.185.621.375	—	41.076.498	465.310.810	2.692.008.683	—	7.500.000	7.500.000	—	2.699.508.683	Yugoslavia

<sup>1</sup> Le présent tableau a été établi sur la base des relevés-types présentés au Comité par les gouvernements. Des chiffres inscrits aux relevés-types ne peuvent pas toujours être considérés comme définitifs (voir notamment différentes observations figurant dans le Recueil synthétique des renseignements présentés au Comité technique, etc.)

<sup>2</sup> Les dépenses indiquées ci-dessus représentent les montants des ventes de fumier par les corps de troupe. Bien qu'il ne s'agisse pas d'un compte spécial, on a mentionné cette dépense dans le tableau parce qu'elle ne figure pas dans les comptes définitifs

Il existe en France un compte spécial de fortifications créé par la loi du 14 janvier 1930. Il n'y avait aucune dépense inscrite à ce compte en 1930-31.

<sup>3</sup> Les dépenses faites par les territoires sous mandat sont:

- a) Comprises;
- b) Non comprises;
- c) Comprises;
- d) Non comprises, à l'exception d'un très faible montant.

<sup>1</sup> This table has been compiled on the basis of the Model Statements submitted by Governments to the Committee. The figures shown in Model Statements cannot always be regarded as final (see, e.g., the various remarks in the "Summary of Information supplied to the Technical Committee, etc.")

<sup>2</sup> The expenditure shown above represents the amounts of sales of manure by army units. Although this is not a special account, this expenditure has been mentioned in the table because it does not appear in the final accounts.

France has a special Fortifications Account established by the Law of January 14th, 1930. No expenditure was entered in this account in 1930-31.

<sup>3</sup> Expenditure by mandated territories are:

- (a) Included.
- (b) Omitted.
- (c) Included.
- (d) Omitted, except for a very small amount.

ANNEX 6.

TABLE SHOWING THAT PART OF THE EXPENDITURE IN RESPECT OF THE CHIEF MIXED CHAPTERS OF CERTAIN CIVIL BUDGETS WHICH HAS BEEN REGARDED AS NATIONAL DEFENCE EXPENDITURE, ON THE BASIS OF ESTIMATES OR INTERNAL ACCOUNTS.

	Budget and sub-head	Monetary unit	Total of the sub-head in the closed account	Expenditure inserted in the Model Statement
United Kingdom	Civil estimates — Class VI, Votes 1, 2, 4, 5, 7, 8, 9, 11, 12, 13 — Works and buildings . . . . .	£	4,949,749	290,458
	Civil estimates — Class VI, Vote 13 — Taxes and imposts . . . . .		1,926,443	889,508
	Civil estimates — Class VI, Vote 14 — Stationery and printing . . . . .		2,356,520	414,610
Czechoslovakia . . . . .	Administration of State constructions — Kap. 14, paragraph 14 . . . . .	Koruna	63,172,858	28,677,389
France . . . . .	Public Works Budget. Chap. 110 — Railway investigations and works carried out by the State . . . . .	Franc	109,550,000	21,500,000
Germany . . . . .	Expenditure of the General Financial Administration XVII — Kap. 9 — Titel 2 — Grants in the case of emergency . . . . .	RM.	6,892,751	556,281
	Expenditure of the General Financial Administration XVII — Kap. 8 — Social insurance . . . . .		6,299,648	1,906,131
	Expenditure of the General Financial Administration XVII — Kap. E 18 — Construction of housing accommodation . . . . .		4,721,681	1,944,213
	Ministry of Labour VII, Kap. 5 — Titel 1 — Construction of housing accommodation . . . . .		1,948,489	1,730,067
	Ministry of Labour VII, Kap. 5, Titel 1a — Construction of housing accommodation . . . . .		6,031,994	2,181,000
Italy . . . . .	Ministry of Foreign Affairs — Capit. 27 and 33 — Miscellaneous personnel (including military and naval attachés) . . . . .	Lira	55,515,966	3,776,077
	Ministry of Finance — Capit. 161 and 162 — Office expenses . . . . .		67,808,342	2,842,912 <sup>1</sup>
Norway . . . . .	General administration — Kap. 21, Council of Ministers (Minister's salary) . . . . .	Krone	166,500	18,000
	General administration. Kap. 22 — Ministerial Bureau . . . . .		3,127,791	315,917
	Ministry of Commerce, Navigation, Fisheries, etc. — Kap. 560. Inspection of the limits of territorial waters . . . . .		178,751	178,751 <sup>2</sup>
	Miscellaneous expenditure — Kap. 1003 — Allowances for high cost of living, etc. . . . .		1,603,548	104,606
Sweden . . . . .	II. Ministry of Justice — E 1, Allowances payable to judges, witnesses, parties (approximate credit) . . . . .	Krona	508,492	1,613
	II. Ministry of Justice — I 14, Allowances for high cost of living (approximate credit) . . . . .		1,480,195	18,878
	IV. Ministry of Communications E 6 — Maintenance of State-owned vessels (transferable credits) . . . . .		1,243,503	92,322

<sup>1</sup> Only the office expenses of the Central Administration of the military Ministries come under these sub-heads.

<sup>2</sup> The expenditure in respect of this service has been allocated to the Ministry of Marine on a somewhat arbitrary basis (see document Conf. D./C.D./C.T./Audition P.V.15, page 34).

TABLEAU RELATIF A LA CONTRÔLABILITÉ DU TITRE IV. —

ÉTATS  FORCES	TITRE IV DU RELEVÉ-TYPE HEAD IV OF THE MODEL STATEMENT					
	Total inscrit au relevé		Rubriques des comptes clos qui entrent complètement dans le Titre IV		Partie des autres rubriques des comptes clos (ayant trait au Titre IV) qui a été incluse dans le Titre IV	
	Total entered in the Statement		Items of the closed accounts which come entirely under Head IV		Part of the other items of the closed accounts (relating to Head IV) which has been included in Head IV	
	Montant — Amount	%	Montant Amount	%	Montant Amount	%
(a)	(b)	(c)	(d)	(e)	(f)	(g)
<b>Allemagne: (R.M.)</b>						
a) Forces terrestres . . .	123.323.292	100	101.833.051	82,6	21.490.241	17,4
b) Forces navales . . .	88.967.779	100	88.952.379	94,5	15.400	5,5
c) Forces aériennes . . .	—	—	—	—	—	—
<b>Royaume-Uni: (£)</b>						
a) Forces terrestres . . .	4.495.019	100	2.290.336	51,0	2.204.683	49,0
b) Forces navales . . .	23.446.354	100	14.674.184	62,6	8.772.170	37,4
c) Forces aériennes . . .	8.055.936	100	8.055.936	100	—	—
<b>France: (Francs)</b>						
a) Forces terrestres . . .	1.453.758.160	100	481.502.153	33	972.256.007	67
b) Forces navales . . .	1.855.939.647	100	1.122.584.564	60,5	733.355.083	39,5
c) Forces aériennes . . .	1.216.507.634	100	863.641.506	71,0	352.866.128	29,0
<b>Italie: (Lires)</b>						
a) Forces terrestres . . .	631.533.185	100	37.994.032	6,0	593.539.153	94,0
b) Forces navales . . .	885.051.266	100	783.884.079	88,4	101.167.187	11,6
c) Forces aériennes . . .	440.022.022	100	398.027.350	89,6	41.994.672	10,4
<b>Japon: (Yen)</b>						
a) Forces terrestres . . .	29.526.268	100	689.316	2,3	28.836.952	97,7
b) Forces navales . . .	152.148.322	100	143.242.048	94,1	8.906.274	5,9
c) Forces aériennes . . .	17.945.801	100	130.000	0,7	17.815.801	99,3
<b>Norvège: (Couronnes)</b>						
a) Forces terrestres . . .	3.496.396	100	—	—	3.496.396	100
b) Forces navales . . .	4.425.972	100	—	—	4.425.972	100
c) Forces aériennes . . .	1.203.782	100	—	—	1.203.782	100
<b>Pologne: (Zloty)</b>						
a) Forces terrestres . . .	219.835.854	100	105.372.144	47,9	114.463.710	52,1
b) Forces navales . . .	17.754.452	100	16.887.417	95,1	867.035	5,9
c) Forces aériennes . . .	42.462.334	100	21.063.530	49,9	21.398.804	50,1
<b>Roumanie: (Lei)</b>						
a) Forces terrestres . . .	823.840.453	100	816.221.565	99,1	7.618.888	0,9
b) Forces navales . . .	86.423.407	100	70.207.176	81,3	16.216.231	18,7
c) Forces aériennes . . .	549.283.474	100	519.395.357	94,5	29.888.117	5,5
<b>Suède: (Couronnes)</b>						
a) Forces terrestres . . .	8.635.805	100	2.526.732	29,1	6.109.073	70,9
b) Forces navales . . .	23.264.497	100	11.355.556	48,8	11.908.941	51,2
c) Forces aériennes . . .	5.525.648	100	5.042.358	91,3	483.290	8,7
<b>Suisse: (Francs)</b>						
a) Forces terrestres . . .	22.157.459	100	10.971.231	49,5	11.186.228	50,5
b) Forces navales . . .	—	—	—	—	—	—
c) Forces aériennes . . .	3.300.543	100	1.561.632	47,3	1.738.911	52,7
<b>Tchécoslovaquie: (Kč)</b>						
a) Forces terrestres . . .	325.186.176	100	6.704.587	4,8	318.481.589	95,2
b) Forces navales . . .	—	—	—	—	—	—
c) Forces aériennes . . .	144.518.904	100	—	—	144.518.904	100
<b>U.R.S.S.: (Roubles)</b>						
a) Forces terrestres . . .	125.183.724	100	96.176.952	76,8	29.006.772	23,2
b) Forces navales . . .	25.441.384	100	23.373.081	92,0	2.068.303	8,0
c) Forces aériennes . . .	40.253.817	100	26.745.811	66,4	13.508.006	33,6



ANNEX 8.

INFORMATION REFERRING TO THE PROBLEM OF THE CHANGES IN THE PURCHASING POWER OF THE CURRENCY OF VARIOUS COUNTRIES.

NOTE BY THE FINANCIAL SECTION AND ECONOMIC INTELLIGENCE SERVICE.

The statistical data serving as basis for the diagrams on exchange fluctuations and price movements given in the text of the report are shown in detail in Table II. This table covers all non-gold-standard countries for which regular information on these subjects is available in Geneva and includes in addition all the more important countries which, up to the end of February 1933, either remained on a free gold standard or by means of some system of exchange control officially maintained the external value of their currencies in the neighbourhood of gold parity. In the absence of any true exchange quotations and of any cost-of-living index for the Union of Socialist Soviet Republics and in view of the fact that the publication of the wholesale price index for that country has been discontinued since November 1930, it has been omitted from the table.

The countries are given in the French alphabetic order. Their position with regard to the gold standard emerges from the synoptical Table I, which indicates in appropriate cases the date since when (1) the gold standard has been suspended, (2) official exchange control is applied, (3) the external value of the currency (according to foreign quotations) has been depreciated below the gold export point.

In the upper part of Table II the various national indices of wholesale prices and of cost of living are reproduced in their original form—*i.e.*, without recalculation on a common base period.<sup>1</sup> In order to facilitate comparison between exchange and price movements, the exchange rates are given in the form of indices showing—according to New York quotations—the cost of a U.S. dollar in the currency of each country as a percentage of its cost at par.<sup>2</sup>

In the lower part of Table II all wholesale and cost-of-living indices have been re-calculated on the common base period September 1931 = 100 in order to facilitate comparison of price developments in gold and paper currency countries subsequent to the suspension of the gold standard by the United Kingdom and almost simultaneously by a large number of other countries.

Geneva, March 1933.

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<sup>1</sup> For the purpose of the diagrams given in the text of the report, however, these indices have all been re-calculated on the base of the average for the first half-year 1929 = 100.

<sup>2</sup> In the diagram on exchange rates given in the text of the report, these indices have been reversed and thus show the percentage depreciation of the various currencies in terms of gold.

Tableau I. — Table I.

TABLEAU SYNOPTIQUE DE LA POSITION DES DIFFÉRENTS PAYS QUANT A L'ÉTALON-OR.  
SYNOPTIC VIEW OF POSITION OF VARIOUS COUNTRIES WITH REGARD TO GOLD STANDARD.

Pays — Country	Suspension de l'étalon-or	Contrôle des devises étrangères	Dépréciation par rapport à la parité-or	Pays — Country	Suspension de l'étalon-or	Contrôle des devises étrangères	Dépréciation par rapport à la parité-or
	Suspension of gold standard	Foreign exchange control	Depreciation in relation to gold		Suspension of gold standard	Foreign exchange control	Depreciation in relation to gold
	A	B	C		A	B	C
Afrique du Sud — South Africa (Union)	28. XII. 32	—	I. 33	Italie — Italy	—	—	IX. 31
Albanie — Albania	—	—	—	Japon — Japan	13. XII. 31	1. VII. 32	XII. 31
Allemagne — Germany	—	13. VII. 31	—	Lettonie — Latvia	—	8. X. 31	—
Argentine	16. XII. 29	10. X. 31	XI. 29	Lithuanie — Lithuania	—	—	—
Australie — Australia	17. XII. 29	—	III. 30	Malaisie britannique — British Malaya	21. IX. 31	—	IX. 31
Autriche — Austria	—	9. X. 31	(X. 31)	Mexique — Mexico	25. VII. 31	—	VIII. 31
Belgique — Belgium	—	—	—	Nicaragua	—	15. XI. 31	I. 32
Bolivie — Bolivia	25. IX. 31	3. X. 31	II. 32	Norvège — Norway	29. IX. 31	—	IX. 31
Bésil — Brazil	(1)	18. V. 31	XII. 29	Nouvelle-Zélande — New Zealand	(1) 1. I. 32	—	IV. 30
Bulgarie — Bulgaria	—	15. X. 31	—	Palestine	21. IX. 31	—	IX. 31
Canada	19. X. 31	—	IX. 31	Panama	—	—	—
Chili — Chile	20. IV. 32	30. VII. 31	IV. 32	Paraguay	(5)	VIII. 32	(5)
Chine — China	(2)	—	(2)	Pays-Bas — Netherlands	—	—	—
Colombie — Colombia	21. IX. 31	21. IX. 31	I. 32	Pérou — Peru	18. V. 32	—	V. 32
Costa-Rica	—	16. I. 32	—	Perse — Persia	(6)	27. V. 32	(6)
Danemark — Denmark	29. IX. 31	18. XI. 31	IX. 31	Philippines	(4)	(4)	(4)
Dantzig — Danzig	—	—	—	Pologne — Poland	—	—	—
Egypte — Egypt	26. IX. 31	—	IX. 31	Portugal	31. XII. 31	21. X. 32	X. 31
Equateur — Ecuador	9. II. 32	30. IV. 32	VI. 32	Roumanie — Roumania	—	17. V. 32	—
Espagne — Spain	(1)	18. V. 31	1920	Royaume-Uni — United Kingdom	21. IX. 31	—	IX. 31
Estonie — Estonia	—	18. XI. 31	—	Salvador	8. X. 31	—	X. 31
Etats-Unis — United States (3)	(8)	—	—	Siam	11. V. 32	—	VI. 32
Finlande — Finland	12. X. 31	—	X. 31	Suède — Sweden	29. IX. 31	—	IX. 31
France	—	—	—	Suisse — Switzerland	—	—	—
Grèce — Greece	26. IV. 32	28. IX. 31	IV. 32	Tchécoslovaquie — Czechoslovakia	—	26. IX. 31	—
Guatemala	—	—	—	Turquie — Turkey	(1)	26. II. 30	1915
Honduras	(4)	(4)	(4)	U.R.S.S. — U.S.S.R.	(7)	(7)	(7)
Hongrie — Hungary	—	17. VII. 31	—	Uruguay	(1) XII. 29	7. IX. 31	IV. 29
Indes anglaises — British India	21. IX. 31	—	IX. 31	Venezuela	—	—	IX. 30
Indes néerlandaises — Dutch East Indies	—	—	—	Yougoslavie — Yugoslavia	—	7. X. 31	(VII. 32)
Irlande (Etat libre) — Irish Free State	26. IX. 31	—	IX. 31				

- A. Suspension officielle de l'étalon-or ou interdiction des exportations d'or.  
B. Contrôle officiel des opérations en devises étrangères; les restrictions temporaires qui ne sont plus en vigueur et les restrictions non officielles, par les banques, etc., ne sont pas mentionnées.  
C. D'après les cours des changes à New-York ou Bâle. Les chiffres entre parenthèses se réfèrent à une dépréciation effective d'après les cotations courantes dans l'un ou l'autre de ces centres, pour les pays dans lesquels les changes étrangers sont encore cotés près de la parité monétaire.  
(1) L'étalon-or n'a pas été établi depuis la guerre dans les pays suivants: Brésil, Espagne, Nouvelle-Zélande, Turquie, Uruguay; cependant la Nouvelle-Zélande et l'Uruguay étaient revenus de fait à la parité-or après la guerre.  
(2) Chine: Etalon-argent.  
(3) La monnaie des Etats-Unis est utilisée aussi par Cuba, la République Dominicaine, Haïti et Panama; ces pays n'ont pas de système monétaire complet qui leur soit propre.  
(4) Honduras, Philippines: Etalon de change basé exclusivement sur le dollar.  
(5) Paraguay: Etalon de change basé exclusivement sur le peso argentin.  
(6) Perse: Jusqu'à mars 1932, étalon-argent. A ce moment une parité-or a été légalement fixée pour le réal, mais en fait le cours du réal a suivi approximativement le cours de la livre sterling.  
(7) U. R. S. S.: Toutes les transactions en monnaies étrangères sont monopolisées par l'Etat.  
(8) Interdiction temporaire des exportations d'or depuis le 6.III.1933.

- A. Official suspension of gold-standard or prohibition of gold exports.  
B. Official control of foreign exchange transactions; temporary official restrictions which are no longer in force and unofficial restrictions by banks, etc., are disregarded.  
C. According to New York or Basle quotations. Figures in brackets relate to effective depreciation according to current quotations in either of these centres on countries where foreign exchange rates are still officially quoted in the neighbourhood of mint parities.  
(1) The gold standard has not been legally established since the war in the following countries: Brazil, Spain, New Zealand, Uruguay and Turkey; New Zealand and Uruguay, however, reverted *de facto* to the gold parity after the war.  
(2) China: Silver standard.  
(3) United States currency in use also in Cuba, the Dominican Republic, Haiti and Panama, which have no comprehensive currency system of their own.  
(4) Honduras, Philippines: Dollar exchange standard.  
(5) Paraguay: Argentine peso exchange standard.  
(6) Persia: Until March 1932, silver standard. At that time a gold parity was legally fixed for the real, which however, followed approximately the rate of the £ sterling.  
(7) U. S. S. R.: All foreign exchange transactions are monopolised by the State.  
(8) Gold exports temporarily prohibited since 6.III.1933.

















ANNEX 9.

FLUCTUATIONS IN PURCHASING POWER OF CURRENCIES OF DIFFERENT COUNTRIES. DOCUMENTATION AND GRAPHS ATTACHED TO THE GERMAN EXPERT'S RESERVATION. (See page 15.)

The following deductions are based on documentation furnished by the Reich Statistical Office (*Statistisches Reichsamt*) which covers a period of observation of six years. The year 1926 was taken as the starting-point because at that time monetary conditions in almost all States had been consolidated.

This documentation proves that, whether the currency of a country was intact, controlled or devalorised, there were considerable internal fluctuations in purchasing power in nearly all States, which were by no means similar.

The fluctuations in internal purchasing power from one year to another (average of the current year expressed as a percentage of the average of the preceding year) from 1927 to the present time were as follows:<sup>1</sup>

(a) Index of wholesale prices:

1927	Belgium . . . . .	+ 13.8 %
	Italy . . . . .	— 19.6 %
	Maximum difference . . . . .	33.3 %
1928	Yugoslavia . . . . .	+ 2.9 %
	Italy . . . . .	— 6.7 %
	Maximum difference . . . . .	6.9 %
1929	U.S.S.R. . . . .	+ 4.0 %
	Czechoslovakia . . . . .	— 6.2 %
	Maximum difference . . . . .	10.2 %
1930	U.S.S.R. . . . .	+ 3.9 %
	Netherlands . . . . .	— 17.6 %
	Maximum difference . . . . .	21.5 %
1931	U.S.S.R. . . . .	+ 3.7 %
	Netherlands . . . . .	— 17.1 %
	Maximum difference . . . . .	20.8 %
1932	Japan . . . . .	+ 3.4 %
	Netherlands . . . . .	— 18.6 %
	Maximum difference . . . . .	22.0 %

(b) Cost-of-living index:

1927	Belgium . . . . .	+ 23.8 %
	Italy/Denmark . . . . .	— 5.8 %
	Maximum difference . . . . .	29.6 %
1928	Belgium . . . . .	+ 3.6 %
	Spain . . . . .	— 6.3 %
	Maximum difference . . . . .	9.9 %
1929	France . . . . .	+ 7.1 %
	Sweden . . . . .	— 1.7 %
	Maximum difference . . . . .	8.8 %

<sup>1</sup> The figures taken as basis for the calculation of the percentages are contained in Appendix 1 which is not reproduced in the present document.

1930	France . . . . .	+ 4.6 %
	Japan . . . . .	— 14.8 %
	Maximum difference . . . . .	19.4 %
1931	Spain . . . . .	+ 4.8 %
	Japan . . . . .	— 12.3 %
	Maximum difference . . . . .	17.1 %
1932	Austria . . . . .	+ 1.9 %
	Germany . . . . .	— 11.0 %
	Maximum difference . . . . .	12.9 %

(c) Average of the two indices:

1927	Belgium . . . . .	+ 18.8 %
	Italy . . . . .	— 12.7 %
	Maximum difference . . . . .	31.5 %
1928	Germany . . . . .	+ 2.3 %
	Italy . . . . .	— 6.4 %
	Maximum difference . . . . .	8.7 %
1929	Belgium . . . . .	+ 3.5 %
	Czechoslovakia/Sweden . . . . .	— 3.6 %
	Maximum difference . . . . .	7.1 %
1930	Spain . . . . .	+ 2.0 %
	Japan . . . . .	— 16.1 %
	Maximum difference . . . . .	18.1 %
1931	Spain . . . . .	+ 3.0 %
	Japan . . . . .	— 13.8 %
	Maximum difference . . . . .	16.8 %
1932	Austria . . . . .	+ 2.4 %
	Netherlands . . . . .	— 12.7 %
	Maximum difference . . . . .	15.1 %

When we consider the fluctuations that occurred during a period of four or six years—that is to say, from 1926 to 1930 and 1926 to 1932 respectively—taking the index level of the last year in relation to the index level for 1926, we obtain the following figures:<sup>1</sup>

(a) Index of wholesale prices:

1926-1930		1926-1932	
U.S.S.R. . . . .	+ 1.1 %	Spain . . . . .	— 3.9 %
Italy . . . . .	— 37.2 %	Italy . . . . .	— 52.5 %
Maximum difference . . .	38.3 %	Maximum difference . . .	48.6 %

(b) Cost-of-living index:

1926-1930		1926-1932	
Belgium . . . . .	+ 39.7 %	Belgium . . . . .	+ 12.5 %
Japan . . . . .	— 22.1 %	Japan . . . . .	— 31.3 %
Maximum difference . . .	61.8 %	Maximum difference . . .	43.8 %

<sup>1</sup> The figures taken as basis for the calculation of the percentages are contained in Appendix 2 which is not reproduced in the present document.

(c) Average of the two indices:

1926-1930		1926-1932	
Belgium . . . . .	+ 19.8 %	Spain . . . . .	— 1.9 %
Italy . . . . .	— 24.8 %	Italy . . . . .	— 38.1 %
	<hr style="width: 50%; margin-left: auto; margin-right: 0;"/>		<hr style="width: 50%; margin-left: auto; margin-right: 0;"/>
Maximum difference . . .	44.6 %	Maximum difference . .	36.2 %

As will be seen, therefore, the two methods yield different results that cannot in any event be regarded as inconsiderable. Consequently, the view that the influence of monetary fluctuations on the domestic price-level is counteracted by the fluctuations in prices on the world market cannot be generalised. Thus, for example, wholesale prices and the cost of living have been rising in Russia and Spain for some years in spite of the downward tendency of world prices. The same applies to Austria and Japan in 1932. In the past, the influence of price movements on the world market on changes in the internal purchasing power has varied according to the nature and extent of the international inter-connections of the various countries and the range of monetary fluctuations.

The difference in the movement of internal purchasing power in the various countries, as shown by the above statistics, is explained in the first place by the interdependence of the following factors:

- (1) The differences in currency and credit policy;
- (2) The different parts played by States in the world economic structure;
- (3) The differences in foreign commercial and Customs policy;
- (4) Quantitative differences in existing stocks;
- (5) Differences in the proportion of cartellised and non-cartellised goods within the national economic structure.

The Technical Committee has given sufficient consideration to currency fluctuations with regard to pound sterling countries and the sources from which they obtain raw materials. It was seen that the abandonment of the gold standard did not lead to a corresponding increase, in the United Kingdom and the Scandinavian countries, in the price of raw materials imported from abroad. Up to the present, however, sufficient attention has not been paid to the fact that currency depreciation in States requiring raw materials assumes an entirely different form when the depreciation in the latter countries is greater than in the countries supplying raw materials, for in these circumstances depreciation is not mutually counterbalanced. It seems rather that a fall in prices on the world market cannot in the long run prevent an increase in internal prices in the country requiring raw materials whose money has depreciated most. Japan and Spain are cases in point.

Further, up to the present, sufficient attention has not been paid, in examining our question, to the importance of the particular economic structure of a country, the nature and extent of its inter-connections in the world economic structure and the resultant Customs system.

In the past, all these factors have been responsible for changes in the internal purchasing power of the currency. When we consider the obscure situation of the world economic structure, the continuation of the policy of Customs isolation practised by the States, we cannot foresee what will be the subsequent effect of these factors.



GRAPHS ANNEXED TO THE MATERIAL IN SUPPORT OF THE GERMAN EXPERT'S RESERVATION (see page 115).

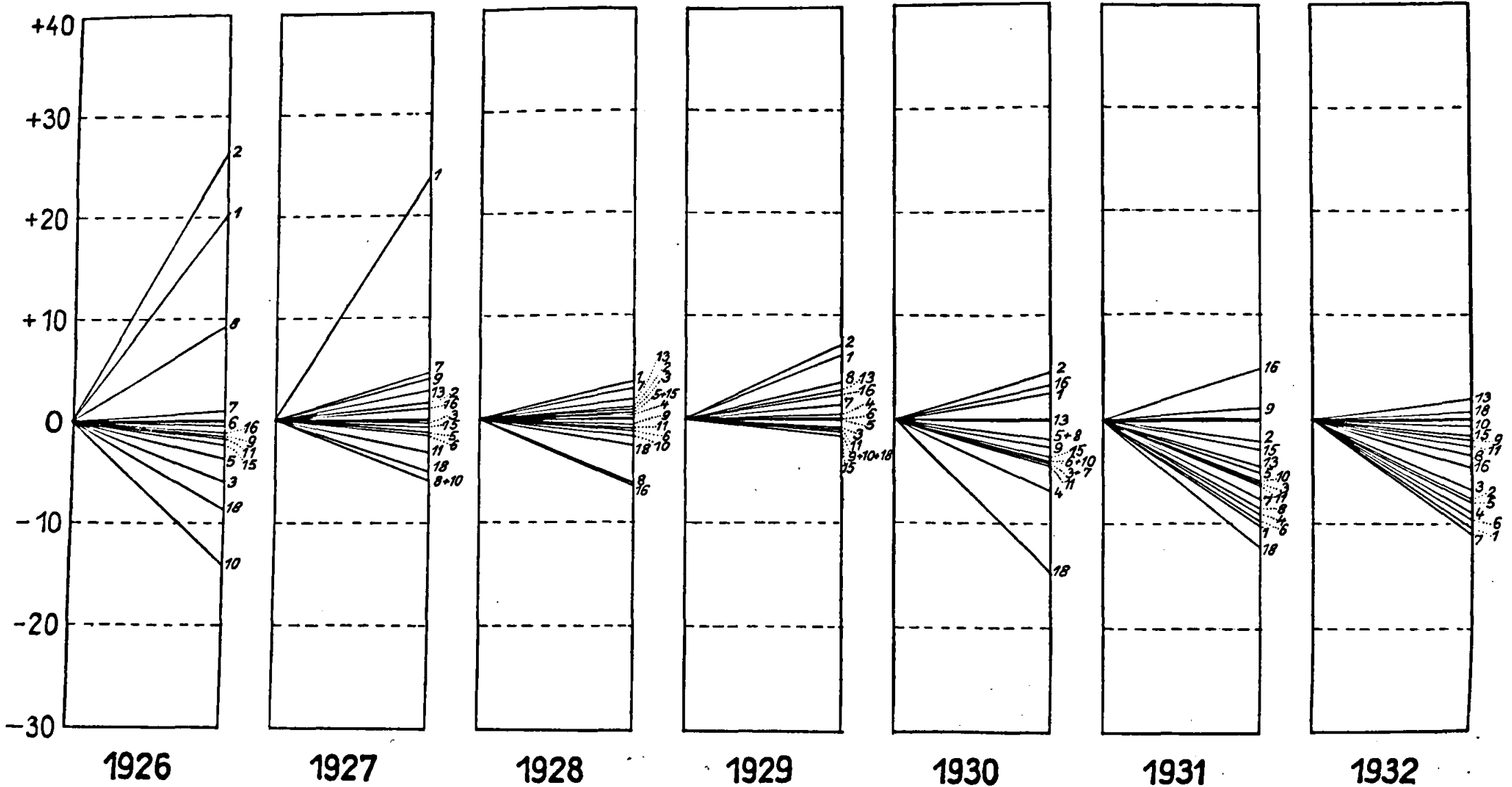
Table 1. — Cost-of-Living Index Figures.

Variations as compared with the previous year (+ or —).

Countries where the gold standard is intact: 1 Belgium, 2 France, 3 Netherlands, 4 Poland, 5 Switzerland, 6 United States of America.

Countries with controlled currencies or exchange rates, subject to only slight fluctuations: 7 Germany, 8 Italy, 9 Czechoslovakia.

Countries with depreciated currencies or internal currencies: 10 Denmark, 11 United Kingdom, 12 Yugoslavia, 13 Austria, 14 Russia, 15 U.S.S.R., Sweden, 16 Spain, 17 Argentine, 18 Japan.

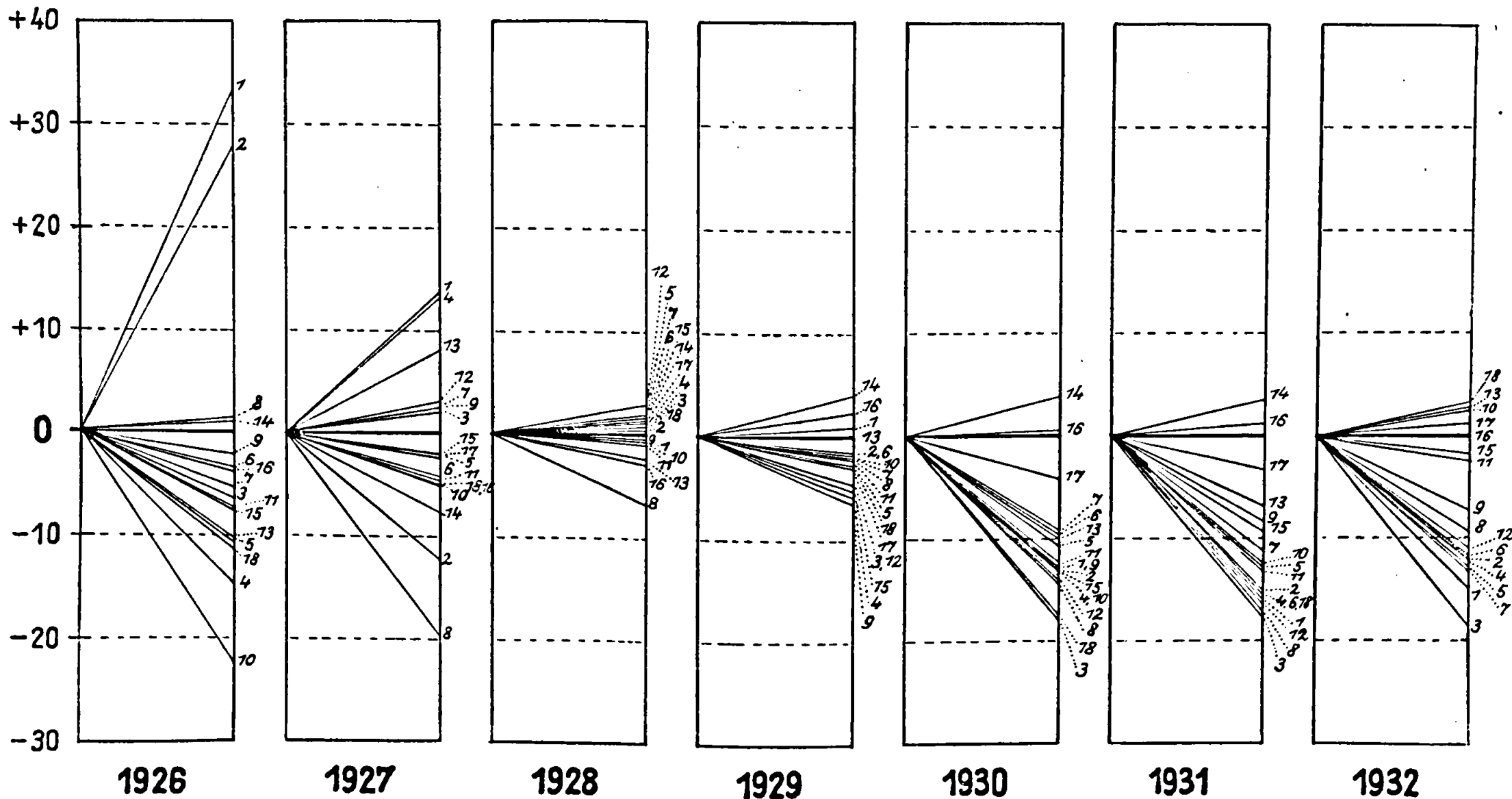


**Table 2. — Wholesale Prices Index Figures.**  
 Variations as compared with the previous year (+ or —).

*Countries where the gold standard is intact:* 1 Belgium, 2 France, 3 Netherlands, 4 Poland, 5 Switzerland, 6 United States of America.

*Countries with controlled currencies or exchange rates, subject to only slight fluctuations:* 7 Germany, 8 Italy, 9 Czechoslovakia.

*Countries with depreciated currencies or internal currencies:* 10 Denmark, 11 United Kingdom, 12 Yugoslavia, 13 Austria, 14 Russia, U.S.S.R., 15 Sweden, 16 Spain, 17 Argentina, 18 Japan.

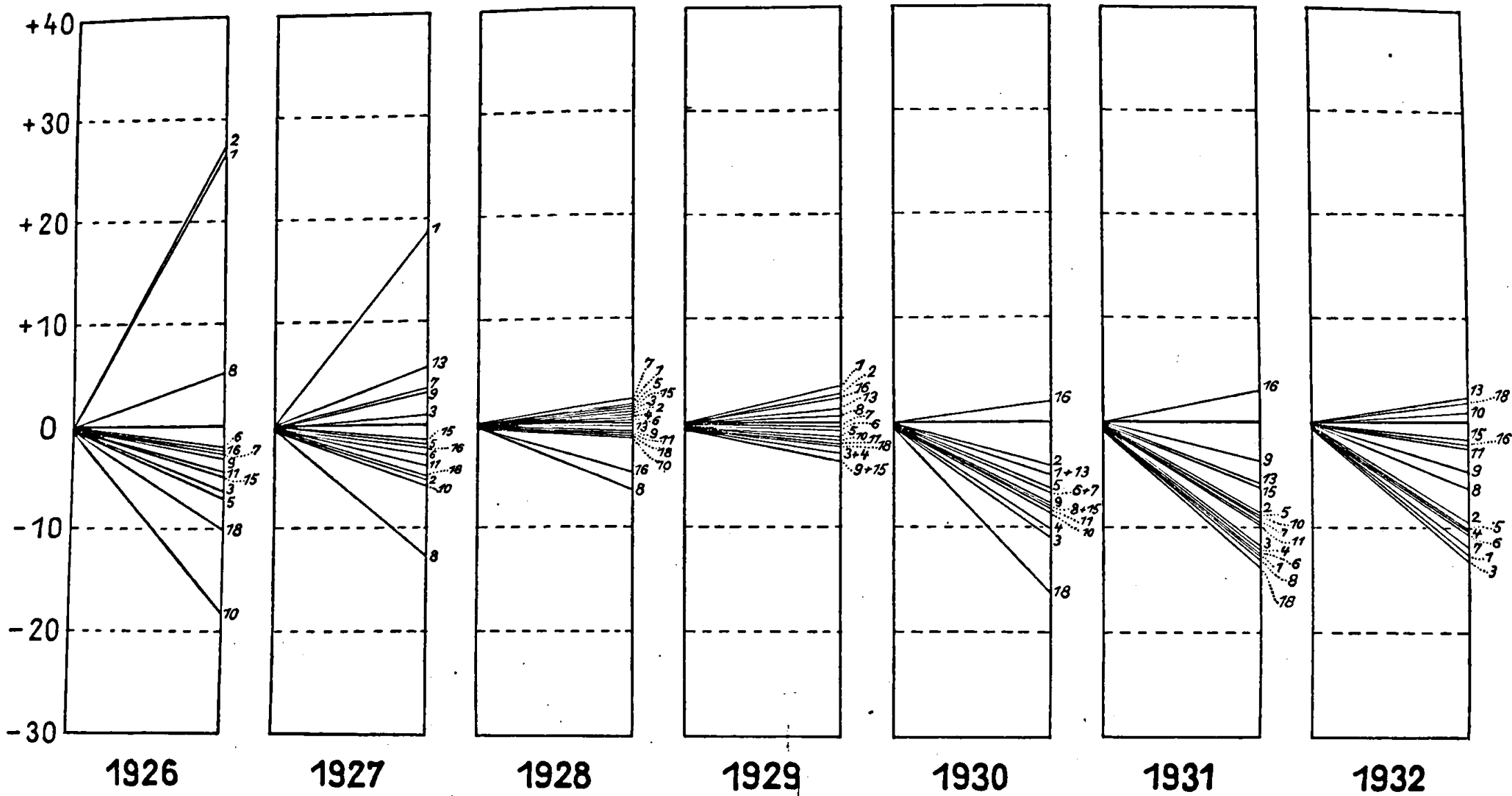


**Table 3. — Combined Average of Wholesale Prices Index Figures and Cost-of-living Index Figures.**  
 Variations as compared with the previous year (+ or -).

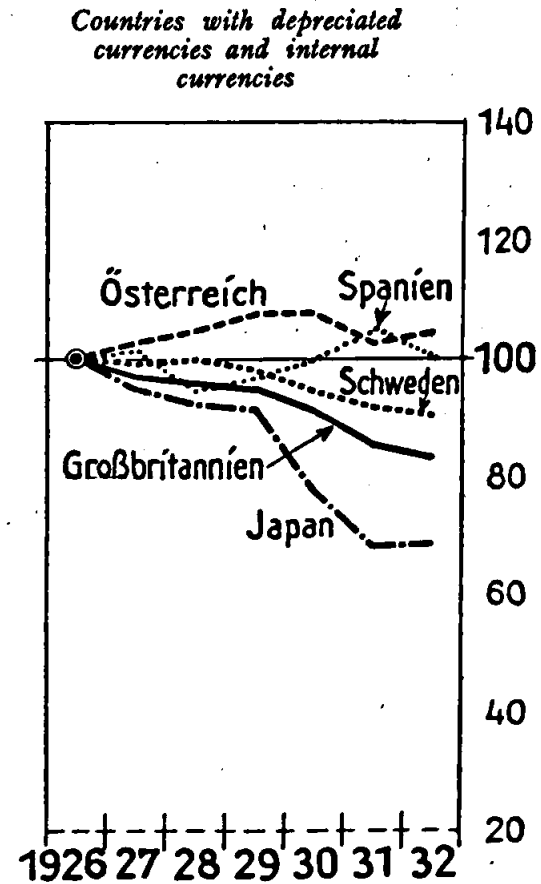
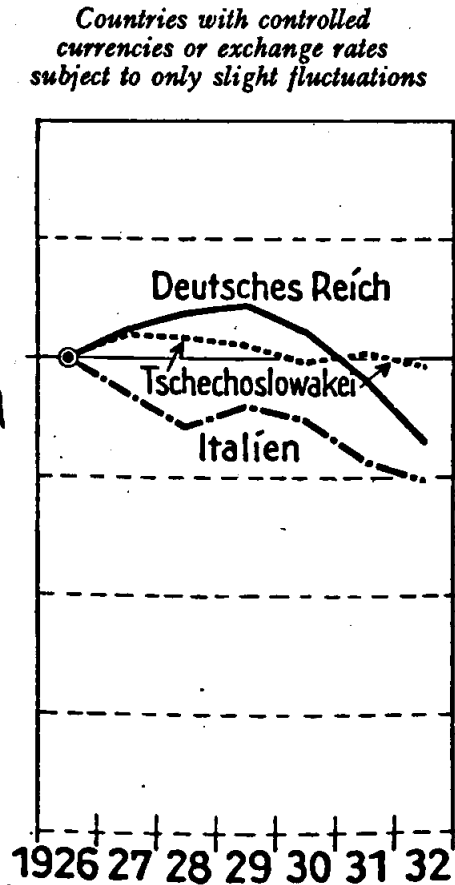
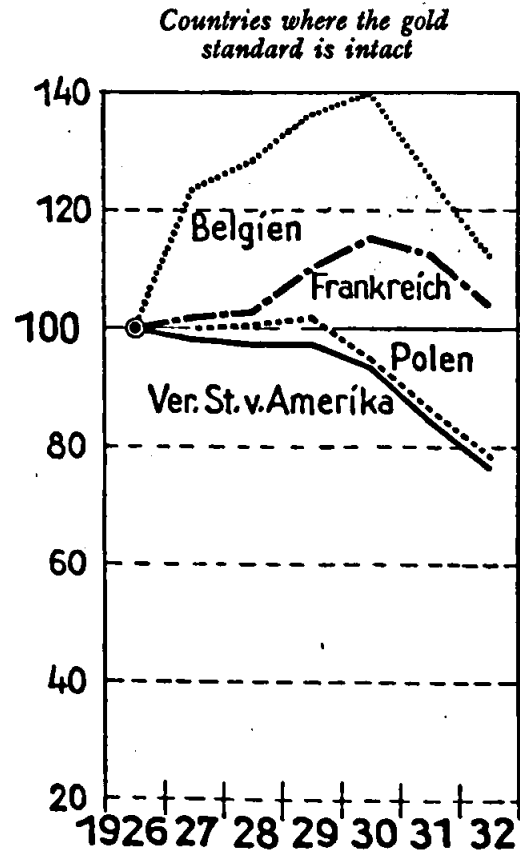
*Countries where the gold standard is intact: 1 Belgium, 2 France, 3 Netherlands, 4 Poland, 5 Switzerland, 6 United States of America.*

*Countries with controlled currencies or exchange rates, subject to only slight fluctuations: 7 Germany, 8 Italy, 9 Czechoslovakia.*

*Countries with depreciated currencies or internal currencies: 10 Denmark, 11 United Kingdom, 12 Yugoslavia, 13 Austria, 14 Russia, U.S.S.R., 15 Sweden, 16 Spain, 17 Argentine, 18 Japan.*



**Table 4. — Variations in Internal Purchasing Power according to the Cost-of-living Index Figures.**  
Annual averages, 1926 = 100.



**Table 5. — Variations in Internal Purchasing Power according to the Wholesale Price Index.**

Annual averages, 1926 = 100.

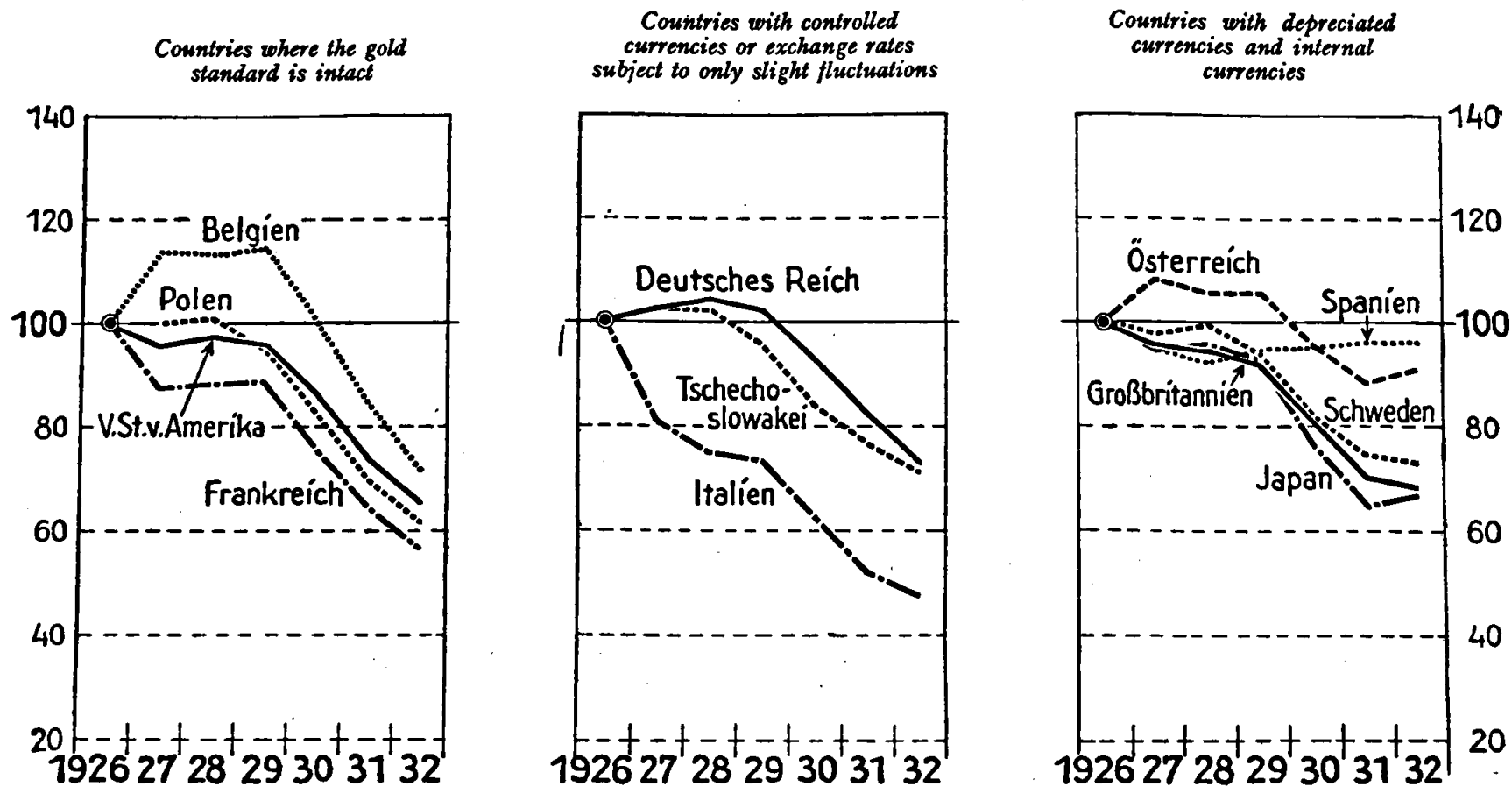
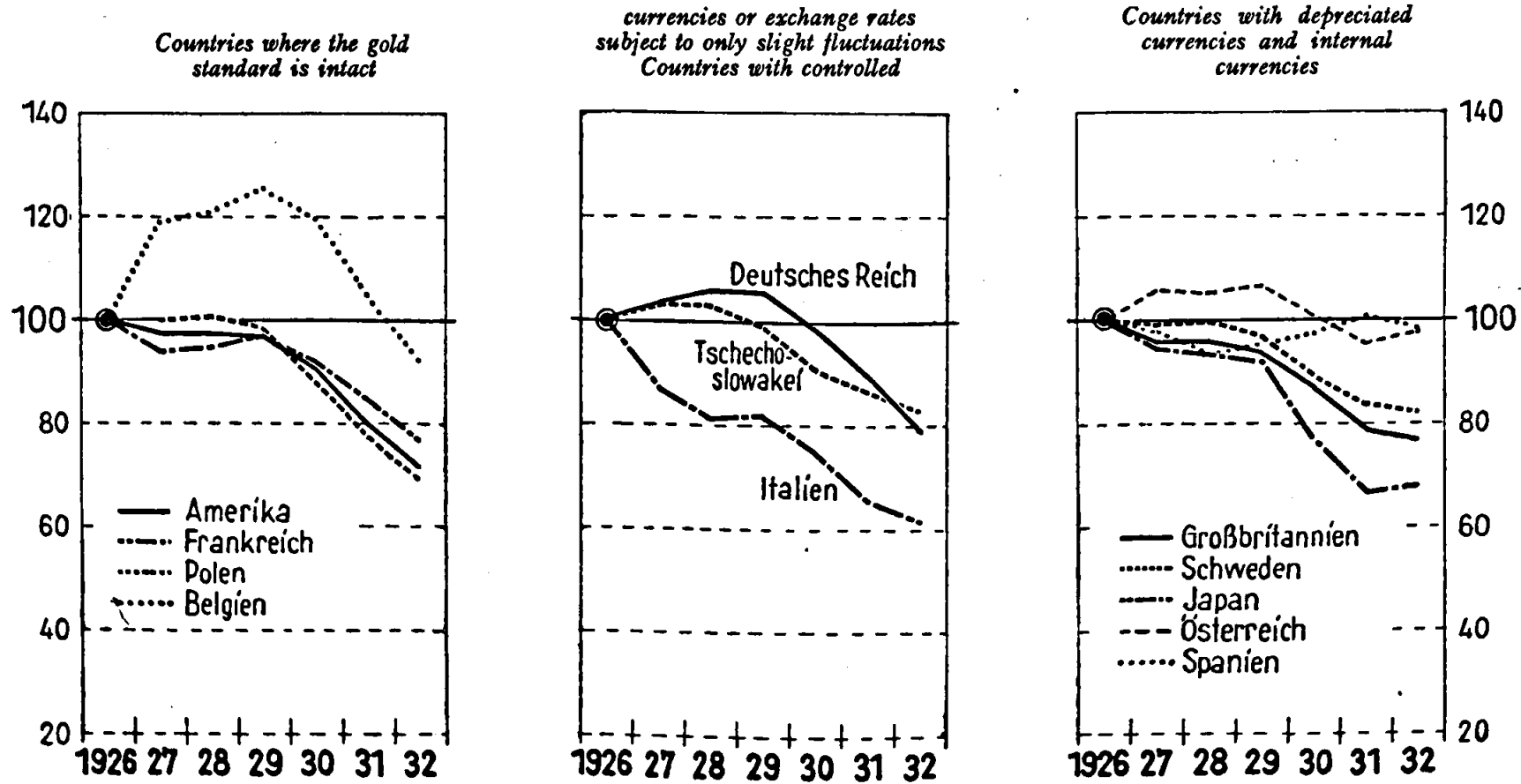


Table 6.

Variations in Internal Purchasing Power according to the Combined Average of the Wholesale Price Index and Cost-of-living Index Figure.

Annual averages, 1926 = 100.





ANNEX 11.

TABLES SHOWING THE EXPENDITURE UNDER EACH OF THE MAIN HEADINGS OF THE MODEL STATEMENT EXPRESSED AS A PERCENTAGE OF THE TOTAL EXPENDITURE:

- (i) ON EACH FORCE;
  - (ii) ON ALL FORCES TAKEN TOGETHER.
-



ANNEXE 11.

TABLEAUX INDIQUANT LES DÉPENSES QUI FIGURENT A CHACUN DES PRINCIPAUX TITRES DU RELEVÉ-TYPE, EXPRIMÉES EN POURCENTAGE DES DÉPENSES TOTALES:

- (i) POUR CHACUNE DES FORCES;  
(ii) POUR TOUTES LES FORCES PRISES ENSEMBLE.

ANNEX 11.

TABLES SHOWING THE EXPENDITURE UNDER EACH OF THE MAIN HEADINGS OF THE MODEL STATEMENT EXPRESSED AS A PERCENTAGE OF THE TOTAL EXPENDITURE:

- (i) ON EACH FORCE;  
(ii) ON ALL FORCES TAKEN TOGETHER.

	Afrique du Sud South Africa	Albanie Albania	Allemagne Germany	Australie Australia	Autriche Austria	Belgique Belgium	Royaume-Uni United Kingdom	Bulgarie Bulgaria	Canada	Danemark Denmark	Espagne Spain	Etats-Unis United States	Finlande Finland	France	Inde India	
<b>TERRE:</b>																<b>LAND:</b>
I. Personnel { A-D . . . E . . . . .	{ 58,2 13,7	{ 49,4 27,7	{ 47,5 7,6	{ 55,4 8,9	{ 61,5 42,2	{ 50,7 10,9	{ 56,0 13,8	{ 44,6 39,5	{ 61,8 6,1	{ 40,4 20,6	{ 41,5 28,8	{ 52,5 13,6	{ 39,9 23,2	{ 43,2 20,4	{ 57,1 12,5	I. Effectives { A-D E
II. Mouvements . . . . .	7,0	8,6	8,1	5,3	3,9	14,0	6,8	10,5	2,4	7,8	15,0	7,8	5,7	9,5	11,4	II. Transport.
III. Immeubles . . . . .	10,3	7,6	13,1	6,7	8,4	7,3	13,0	1,1	10,1	9,8	7,7	9,9	15,3	9,8	11,2	III. Buildings.
IV. Matériel de guerre. . .	10,8	6,7	23,7	23,7	14,0	17,1	10,4	4,3	10,6	21,4	7,0	16,2	15,9	17,1	7,8	IV. War Material.
Total . . . . .	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	Total.
<b>MER:</b>																<b>SEA:</b>
I. Personnel { A-D . . . E . . . . .	{ 63,1 9,0	{ 41,2 42,0	{ 28,6 6,6	{ 54,7 6,7	— —	— —	{ 40,0 4,4	— —	{ 32,0 7,8	{ 41,7 9,4	{ 28,9 8,6	{ 36,3 12,1	{ 20,1 11,8	{ 15,6 8,0	{ 24,2 7,7	I. Effectives { A-D E
II. Mouvements . . . . .	4,6	6,7	9,3	4,9	—	—	5,4	—	2,7	8,7	7,5	4,1	2,8	6,0	18,8	II. Transport.
III. Immeubles . . . . .	10,4	4,2	7,9	4,0	—	—	3,2	—	3,4	4,5	2,5	2,1	9,5	7,3	6,3	III. Buildings.
IV. Matériel de guerre. . .	12,9	5,9	47,6	29,7	—	—	47,0	—	54,1	35,7	52,5	45,4	55,8	63,1	43,0	IV. War Material.
Total . . . . .	100	100	100	100	—	—	100	—	100	100	100	100	100	100	100	Total.
<b>AIR:</b>																<b>AIR:</b>
I. Personnel { A-D . . . E . . . . .	{ 70,1 6,4	— —	— —	{ 55,2 3,8	— —	{ 25,8 3,9	{ 32,1 5,8	— —	{ 51,3 4,6	{ 23,9 5,4	{ 17,8 12,0	{ 28,7 6,2	{ 28,6 16,3	{ 19,2 5,0	{ 35,3 4,5	I. Effectives { A-D E
II. Mouvements . . . . .	7,8	—	—	5,5	—	2,8	5,8	—	4,2	6,7	9,5	6,1	6,3	5,3	8,1	II. Transport.
III. Immeubles . . . . .	2,5	—	—	9,4	—	1,9	14,5	—	18,7	6,3	12,2	5,5	14,4	9,1	8,2	III. Buildings.
IV. Matériel de guerre. . .	13,2	—	—	26,1	—	65,6	41,8	—	21,2	57,7	48,5	53,5	34,4	61,4	43,9	IV. War Material.
Total . . . . .	100	—	—	100	—	100	100	—	100	100	100	100	100	100	100	Total.
<b>DÉPENSES POUR L'ENSEMBLE DES TROIS FORCES:</b>																<b>TOTAL EXPENDITURE FOR THE THREE FORCES:</b>
I. Personnel { A-D . . . E . . . . .	{ 60,9 11,8	{ 49,3 27,8	{ 42,5 7,3	{ 55,0 7,1	{ 61,5 12,2	{ 48,2 10,2	{ 44,0 8,0	{ 44,6 39,5	{ 54,1 6,2	{ 39,8 16,1	{ 37,0 23,2	{ 41,8 11,9	{ 32,7 19,0	{ 33,6 15,4	{ 55,6 12,1	I. Effectives { A-D E
II. Mouvements . . . . .	6,7	8,6	8,4	5,1	3,9	12,9	5,9	10,5	2,7	8,0	12,9	5,8	5,0	8,2	11,3	II. Transport.
III. Immeubles . . . . .	9,1	7,5	11,7	5,5	8,4	6,8	9,1	1,1	15,9	7,9	6,9	5,7	13,5	9,1	11,0	III. Buildings.
IV. Matériel de guerre. . .	11,5	6,8	30,1	27,3	14,0	21,9	33,0	4,3	21,1	28,2	20,0	34,8	29,8	33,7	10,0	IV. War Material.
Total . . . . .	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	Total.

	Etat libre d'Irlande Irish Free State	Italie Italy	Japon Japan	Norvège Norway	Nouvelle- Zélande New Zealand	Pays-Bas Netherlands	Pologne Poland	Portugal	Roumanie Roumania	Suède Sweden	Suisse Switzerland	Tchécoslovaquie Czechoslovakia	U.R.S.S. U.S.S.R.	Yougoslavie Yugoslavia	
<b>TERRE:</b>															
I. Personnel { A-D . . . E . . .	{ 69,0 { 13,1	{ 45,2 { 20,0	{ 32,8 { 27,0	{ 56,4 { 17,1	{ 72,4 { 6,7	{ 52,0 { 18,4	{ 38,0 { 20,4	{ 57,2 { 26,6	{ 52,4 { 29,8	{ 45,4 { 24,7	{ 29,5 { 31,4	{ 34,5 { 25,4	{ 19,0 { 34,8	{ 22,9 { 33,9	<b>LAND:</b>
II. Mouvements . . . . .	2,7	8,3	8,2	6,6	7,1	9,5	7,3	6,7	5,1	10,0	14,4	10,9	11,4	8,0	I. Effectives { A-D E
III. Immeubles . . . . .	8,7	10,1	9,5	4,7	4,5	7,6	5,9	3,2	2,4	8,0	3,9	8,7	20,2	10,4	II. Transport.
IV. Matériel de guerre . . .	6,5	16,4	22,5	15,2	9,3	12,5	28,4	6,3	10,3	10,9	20,8	20,5	14,6	24,8	III. Buildings.
Total . . . . .	100	100	100	100	100	100	100	100	100	100	100	100	100	100	IV. War Material.
															Total.
<b>MER:</b>															
I. Personnel { A-D . . . E . . .	— —	{ 21,9 { 7,7	{ 17,7 { 9,6	{ 43,5 { 3,0	{ 39,1 { 9,5	{ 32,8 { 6,7	{ 19,7 { 10,2	{ 33,3 { 20,1	{ 46,0 { 13,5	{ 29,6 { 16,6	— —	— —	{ 19,1 { 20,1	{ 12,6 { 19,8	<b>SEA:</b>
II. Mouvements . . . . .	—	3,0	9,7	8,0	9,4	9,0	9,5	5,7	1,7	4,1	—	—	13,4	14,4	I. Effectives { A-D E
III. Immeubles . . . . .	—	5,4	3,6	12,0	1,9	3,9	10,6	8,1	0,3	2,1	—	—	25,4	7,8	II. Transport.
IV. Matériel de guerre . . .	—	62,0	59,4	33,5	40,1	47,6	50,0	32,8	38,5	47,6	—	—	22,0	45,4	III. Buildings.
Total . . . . .	—	100	100	100	100	100	100	100	100	100	—	—	100	100	IV. War Material.
															Total.
<b>AIR:</b>															
I. Personnel { A-D . . . E . . .	{ 37,0 { 7,6	{ 18,3 { 8,0	{ 10,8 { 7,9	{ 28,6 { 8,4	{ 31,7 { 2,7	{ 26,1 { 2,5	{ 17,2 { 6,1	{ 38,9 { 15,0	{ 27,6 { 6,8	{ 19,6 { 12,2	{ 36,4 { 5,3	{ 12,2 { 8,3	{ 21,0 { 17,8	{ 10,8 { 5,8	<b>AIR:</b>
II. Mouvements . . . . .	2,3	5,1	6,2	7,6	7,4	5,2	3,2	7,6	1,9	5,4	7,3	5,8	10,6	10,7	I. Effectives { A-D E
III. Immeubles . . . . .	18,8	22,1	6,0	3,1	24,7	10,2	13,6	9,6	0,4	5,6	2,9	10,3	18,3	15,3	II. Transport.
IV. Matériel de guerre . . .	34,3	46,5	69,1	52,3	83,5	56,0	59,9	28,9	63,3	57,2	48,1	63,4	32,3	57,4	III. Buildings.
Total . . . . .	100	100	100	100	100	100	100	100	100	100	100	100	100	100	IV. War Material.
															Total.
<b>DÉPENSES POUR L'ENSEMBLE DES TROIS FORCES:</b>															
I. Personnel { A-D . . . E . . .	{ 67,1 { 12,8	{ 35,8 { 15,3	{ 23,0 { 16,4	{ 50,3 { 11,7	{ 49,7 { 8,0	{ 45,8 { 14,6	{ 35,6 { 18,9	{ 50,4 { 24,5	{ 49,9 { 27,2	{ 38,0 { 21,5	{ 30,0 { 29,8	{ 31,7 { 23,3	{ 19,2 { 31,3	{ 20,5 { 29,3	<b>TOTAL EXPENDITURE FOR THE THREE FORCES:</b>
II. Mouvements . . . . .	2,7	6,6	8,7	7,2	8,5	9,1	7,0	6,5	4,7	7,6	14,0	10,2	11,5	9,0	I. Effectives { A-D E
III. Immeubles . . . . .	9,3	10,9	6,2	7,1	4,5	6,9	6,7	4,7	2,1	5,7	3,8	8,9	20,6	10,7	II. Transport.
IV. Matériel de guerre . . .	8,1	31,4	45,7	23,7	29,3	23,6	31,8	13,9	16,1	27,2	22,4	25,9	17,4	30,5	III. Buildings.
Total . . . . .	100	100	100	100	100	100	100	100	100	100	100	100	100	100	IV. War Material.
															Total.

**Notes explicatives:**

(1) Ce tableau a été établi sur la base des chiffres insérés dans les Tableaux récapitulatifs des relevés-types qui figurent à la fin du Volume II du présent rapport. Dans la note explicative qui accompagne ces tableaux on a fait connaître que les chiffres inscrits sont, à une ou deux exceptions près, les chiffres originaux présentés par les divers Etats, aucune révision de ces chiffres n'ayant été entreprise jusqu'à maintenant à la suite de l'examen des relevés-types par le Comité technique.

(2) Le présent tableau doit être utilisé avec la plus grande circonspection: il se borne à reproduire les chiffres qui sont indiqués dans les relevés-types, dont aucune déduction ne peut être tirée indépendamment de leur contexte et à défaut d'explications; en particulier, il faut observer que, pour diverses raisons, chaque Etat ne calcule pas nécessairement tous les chiffres exactement sur les mêmes bases. Les « Recueils synthétiques » insérés au volume II du présent rapport indiquent certaines différences entre les méthodes suivies pour remplir les titres du relevé-type.

Le Comité appelle également l'attention sur les observations présentées au chapitre XXI au sujet de l'impossibilité de comparer les dépenses de défense nationale d'un pays à celles d'un autre pays.

**Explanatory Notes:**

(1) This table has been prepared on the basis of the figures inserted in the Recapitulatory Tables of the Model Statements which are published at the end of Volume II of the present report. In the explanatory note to those tables, it is stated that the figures given are, with one or two exceptions, those originally submitted by the various States, no revision having so far been undertaken after the examination of the Model Statements by the Technical Committee.

(2) The greatest care must be used in making any use of this table: it is simply a re-statement of figures given in the Model Statements; no deductions can be drawn from these figures apart from their proper context and without explanations; in particular, it must be observed that, for various reasons, all the figures are not necessarily established by each State on exactly the same basis. Certain variations in method of filing in the heads of the Model Statement are indicated in the "Summary of Information" in Volume II of this report.

The Committee also call attention to their remarks in Chapter XXI on the impossibility of comparing the defence expenditure of one country with that of another.

**Table II.**  
**WHOLESALE PRICES OF CERTAIN COMMODITIES.<sup>1</sup>**

Country	Quality	National currency	Original quotation		Price per common unit		Equivalent in dollars according to the average rates in:	
			Unit	Price	Unit	Price	November 1932	January 1933
<b>Wheat (January 20th, 1933):</b>								
Belgium . . . . .	National grown, Anvers . . . . .	Francs	100 kg.	77.00	} Bushel	20.06		0.58
United Kingdom . . . . .	National grown, London . . . . .	s. d.	504 livr.	22s. 9d.		2s. 8½d.		0.45
France . . . . .	National grown (75-77 kg. hl.). Paris . . . . .	Francs	100 kg.	107.85		29.35		1.14
Germany . . . . .	National grown, Berlin . . . . .	RM.	100 "	18.50		5.03		1.20
Italy . . . . .	National grown, soft, Milan. . . . .	Lire	100 "	112.00		30.48		1.56
U.S.A. . . . .	Hard winter No. 2, Chicago . . . . .	Cents	Bushel	47.75	47.75		0.48	
<b>Coal (November 1932):</b>								
Belgium . . . . .	Tout venant, 35% . . . . .	Francs	Ton	140.00	} Met. ton	140.00	3.88	
United Kingdom . . . . .	Northumberland, unscreened Newcastle, f.o.b. . . . .	s. d.	Long ton	12s. 4d.		12s. 17/10d.	1.99	(2.04)
France . . . . .	Tout venant, gras, Nord . . . . .	Francs	Ton	113.00		113.00	4.43	
Germany . . . . .	Fettförderkohle, rheinischwestfälische. . . . .	RM.	"	14.21		14.21	3.37	
Italy . . . . .	Carbone di vapore, Cardiff primario, Milano . . . . .	Lire	"	140.00		140.00	7.16	
U.S.A. . . . .	Bituminous on tracks (composite price) mine run. . . . .	Dollars	Short ton	3.613		3.98	3.98	
<b>Motor spirit (November 1932):</b>								
Belgium . . . . .	Essence à moteur en vrac, Anvers . . . . .	Francs	100 litres	237.00	} 100 litres	237.00	6.57	
United Kingdom . . . . .	Motor spirit in bulk, commercial Engl., Wales . . . . .	£ s. d.	Gallon	1s. 4½d.		£1 16s. 4d.	5.95	(6.11)
France . . . . .	Tourisme, Paris . . . . .	Francs	100 kg.	173.00		126.47	4.96	
Germany . . . . .	Benzin, in Kesselwagen, Berlin. . . . .	RM.	100 litres	28.80		28.80	6.84	
Italy . . . . .	Benzina per autoveicoli, franco Milano . . . . .	Lire	100 kg.	251.25		183.67	9.39	
U.S.A. . . . .	Gasoline, refinery, Oklahoma . . . . .	Dollars	Gallon	0.047	1.24	1.24		
<b>Foundry pig-iron (November 1932):</b>								
Belgium . . . . .	Fonte de moulage, Charleroi . . . . .	Francs	Ton	295.00	} Met. ton	295.00	8.18	
United Kingdom . . . . .	Cleveland No. 3, London . . . . .	s. d.	Long ton	58s. 6d.		57s. 7d.	9.43	(9.68)
France . . . . .	3 P.L., Est . . . . .	Francs	Ton	207.50		207.50	8.13	
Germany . . . . .	Eisen, Giess. III. Bas. Oberhausen . . . . .	RM.	"	63.00		63.00	14.96	
Italy . . . . .	" Middlesbro ", No. 3, franco vagone, Milano . . . . .	Lire	"	385.00		385.00	19.68	
U.S.A. . . . .	East Pennsylvania, No. 2 x., foundry pig-iron, Philadelphia . . . . .	Dollars	Long ton	14.09		13.87	13.87	
<b>Steel (November 1932):</b>								
Belgium . . . . .	Blooms, national price . . . . .	Francs	Ton	450.00	} Met. ton	450.00	12.48	
United Kingdom . . . . .	Billets, soft, London . . . . .	£ s. d.	Long ton	£4 17s. 6d.		£4 15s. 11½d.	15.71	(16.13)
France . . . . .	Blooms, Thomas, Est . . . . .	Francs	Ton	340.00		340.00	13.32	
Germany . . . . .	Knüppel, Bas. Dortmund. . . . .	RM.	"	96.45		96.45	22.91	
Italy . . . . .	Billetes, 40L1.30, pr. base franco vagone, Milano . . . . .	Lire	"	745.00		745.00	38.08	
U.S.A. . . . .	Bessemer, steel billets, Pittsburg . . . . .	Dollars	Long ton	26.00		25.59	25.59	

<sup>1</sup> Supplied by the Financial Section and Economic Intelligence Service of the Secretariat.

NOTE. — The wholesale prices of certain commodities shown in this Table refer to such quotations as are currently published in each of the countries covered by the table. In no case do these national quotations relate to identical qualities within the commodity groups selected. The lack of homogeneity as between the price quotations available is particularly marked in the case of iron, steel and coal. Further discrepancies arise from the fact that the prices as quoted may in some cases include and in others exclude transport charges, and from the fact that effective prices are often different from the base prices quoted and export prices different from those relating to the home market. It is therefore obvious that the prices shown in the table are not strictly comparable from country to country.

## ANNEX 12.

## MISCELLANEOUS STATISTICAL INFORMATION GIVEN AS ANNEX TO CHAPTER XXI (THE EXPENDITURE ON ARMAMENTS OF THE VARIOUS COUNTRIES DOES NOT PROVIDE A CRITERION FOR COMPARING THEIR ARMAMENTS).

Table I.  
TOTAL ANNUAL PAY.<sup>1</sup>

Country	National currency	1. INFANTRY N.C.O.s		2. INFANTRY OFFICERS							
		Infantry N.C.O.s of the lowest rank that can be held after five years' service, married, no children (Annual pay after five years' service)		Officers of the lowest rank (2nd lieutenant, lieutenant), unmarried (at date of appointment)		Captain, married, no children (at date of promotion)		Colonel, married, no children (at date of promotion)		General of Division, married, no children (at date of promotion)	
		In national currency	In dollars (average rate January 1933)	In national currency	Dollars (average rate January 1933)	National currency	Dollars (average rate January 1933)	National currency	Dollars (average rate January 1933)	National currency	Dollars (average rate January 1933)
Brazil . . . . .	Milreis	2nd-class sergeants 3: 960\$000	302.54	6: 000\$000	458.40	12: 000\$000	916.80	24: 000\$000	1,833.60	36: 000\$000	2,750.40
United Kingdom . . . .	£	Lance-corporal £59 6s. 3d. *	199.37	260.—	873.96	532.—	1,788.26	1,443.—	4,850.50	Major-Gen. 2,085.—	7,008.52
		Corporal £73 *	245.38							Lieut.-Gen. 2,824.—	9,492.59
		Sergeant £109 10s.	368.07							General 3,644.—	12,248.94
France . . . . .	Francs	13,629.60	531.96	2nd Lt. 16,308	636.50	31,687.20	1,236.75	66,132.—	2,581.13	111,376.50	4,347.04
				Lieut. 20,340	793.87						
Italy . . . . .	Lire	Sergeant 6,280	321.41	11,880.—	608.02	22,000.—	1,125.96	33,880.—	1,733.98	56,320.—	2,882.46
		Sergeant-Major 7,544	386.10							77,000.—	3,940.86
Japan . . . . .	Yen	Sergeant 162	33.60	2nd Lt. 850	176.29	Captain 3rd class	304.88	4,350.— *	902.19	6,000.— *	1,244.40
				Lieut. 2nd class 1,020	211.55						
Poland . . . . .	Zloty	Corporal 2,571	287.69	4,197.—	469.64	7,147.—	799.75	12,937.—	1,447.65	17,250.—	1,930.28
Sweden . . . . .	Crowns	3,642	666.12	3,396.—	621.13	7,992.—	1,461.74	14,100.—	2,578.89	18,180.—	3,325.12
Switzerland . . . . . (Figures for instructors, who are very few in number; militia officers and N.C.O.s do not receive permanent remuneration)	Swiss francs	Sergeant-major 5,330	1,027.62	5,700.—	1,098.96	7,500.—	1,446.—	Lt.-Colonel commanding a regiment 11,500.— Colonel 13,300.—	2,217.20 2,564.24	Colonel commanding division 17,600.—	3,393.28

<sup>1</sup> The information has been supplied by the Members of the Committee; the conversion into dollars has been effected by the Secretariat.

\* Plus proficiency pay.

\* A colonel not commanding a regiment receives Y.4,150 annual pay.

\* A general of division not in command of a division receives Y.5,800 annual pay.

**Table III.<sup>1</sup>**  
**AVERAGE WAGES OF VARIOUS CATEGORIES OF ADULT MALE WORKMEN IN CERTAIN TOWNS**  
 CALCULATED FOR A 48-HOUR WEEK, IN OCTOBER 1932 (UNLESS ANOTHER DATE IS MENTIONED).

Countries and cities	Occupations and industries	Nature of data	Wage for a 48-hour week			
			In national currency	In dollars		
				At par	At average rate for October 1932 or at date of wage details	
United Kingdom: London	Mason	Time-rates of wages	s. d.			
			78 0	18.98	13.25	
	Labourer (building)	Time-rate of wages	59 0	14.36	10.02	
			64 3	15.63	10.91	
	Fitter	Basic time-rates for piece work	75 2½	18.30	12.77	
			69 6¼	16.92	12.65	
	Labourer (mec. constr.)	Average actual time earnings } in March 1932 {	80 6¼	19.59	14.65	
			Time-rate of wages	46 3	11.25	7.85
				Basic rate of time wages for piece work	52 8½	12.83
			Average actual time earnings } in March 1932 {	50 0	12.17	9.10
Average actual piece earnings				57 11½	14.10	10.55
France: Paris			Mason	Average time-rates in force (piece work about 15 per cent more)	Francs	
	300.00	11.75			11.78	
	Fitter	Estimate of predominant time wages	276.00	10.81	10.84	
			256.80	10.06	10.08	
Labourer (mec. constr.)		196.80	7.71	7.78		
Germany: Berlin	Mason	Time-rate of wages, including tool allowance	RM.			
			52.32	12.46	12.44	
	Fitter	Weighted average of time wages and piece wages	43.30	10.31	10.39	
			43.20	10.29	10.27	
Labourer (mec. constr.)	Time-rate of wages	33.26	7.92	7.91		
Italy: Milan	Mason	Minimum wage rates or rates fixed by collective contracts, by time or piece, on July 1st, 1932	Lire			
			151.20	7.96	7.71	
	Labourer (building)	Average actual wages of job workers on July 1st, 1932	95.52	5.03	4.87	
			106.08	5.58	5.41	
Fitter		132.96	7.00	6.78		
Poland: Warsaw	Mason	Minimum time rate fixed by collective contracts	Zloty			
			90.24	10.12	10.08	
	Labourer (building)	do. (the basic time-rate of piece workers is 25 per cent greater)	37.44	4.20	4.18	
			50.40	5.65	5.63	
Fitter		33.12	3.72	3.70		
Sweden: Stockholm	Mason	Typical time-rate of wages	Krone			
			76.80	20.58	13.46	
	Labourer (building)	Average actual earnings in 1931	168.00	45.02	42.42	
			69.60	18.65	12.20	
	Fitter	Typical time-rate of wages	105.60	28.30	26.66	
			42.24	11.32	7.40	
	Labourer (constr.)	Average actual earnings in 1931	80.16	21.48	20.24	
			36.00	9.65	6.31	
	Minimum time-rate of wages	66.72	17.88	16.85		
United States: Chicago	Mason	Union rates on May 15th, 1932	\$			
			66.00	66.00	66.00	
	Labourer (building)		39.00	39.00		

Rates and parities: United Kingdom: £1 = 486.66 cents at par and 339.62 cents at average rate of October 1932 (363.93 in March 1932).  
 France: 1 franc = 3.918 " " " " 3.926 " " " " " " " "  
 Germany: 1 RM. = 23.82 " " " " 23.77 " " " " " " " "  
 Italy: 1 lira = 5.263 " " " " 5.101 " " " " " " " " July 1932.  
 Poland: 1 zloty = 11.22 " " " " 11.17 " " " " " " " " October 1932.  
 Sweden: 1 krona = 26.80 " " " " 17.53 " " " " " " " " (25.25 in 1931).

<sup>1</sup> Information supplied by the International Labour Office. See remarks on following page.

REMARKS REGARDING TABLE III.

The attached data are taken from information recently obtained by the International Labour Office by means of enquiries from the statistical services of the different countries. Attention should, however, be drawn to the fact that the nature of these figures differs somewhat from one country to another and in certain cases from one occupation to another in the same country. Sometimes they refer to actual earnings, sometimes to so-called typical wage rates and sometimes to minimum wages. It is well known what a wide difference there is between these three notions and how wide is the gap, for example, between the figures expressing the minimum rate and the actual earnings. It should further be remarked that, under the apparent uniformity of a one and the same description, are concealed differences of fact, for the notion of typical or minimum wage rates is by no means the same everywhere. The data therefore only represent the reality to an extent differing from one case to another, and this precludes any possibility of an accurate comparison.

Moreover, in addition to these imperfections, there are certain factors which the wage statistics are unable to take into consideration, but which nevertheless play an important part in the final cost of labour. This is the case in particular as regards the different social charges—namely, family allowances, paid holidays, employers' contributions to social insurance and welfare institutions.

Lastly, the selection of a single town for each country considerably restricts the scope of comparison, for the differences between one town and another in the same country may in certain cases be as great as between towns of different countries.

Table IV.

UNITED STATES.

(a) AVERAGE EARNINGS OF FITTERS AND LABOURERS IN MACHINE SHOPS DURING A REPRESENTATIVE WAGE PERIOD BETWEEN JUNE AND AUGUST 1931 IN THE STATE OF ILLINOIS AND IN THE WHOLE COUNTRY.

	Number of workers covered	Average earnings per hour	Calculated for a 48-hour week
State of Illinois:			
Fitters and bench hands . . . . .	307	\$0.659	\$31.63
Labourers . . . . .	607	\$0.474	\$22.75
Whole country:			
Fitters . . . . .	5,528	\$0.666	\$31.97
Labourers . . . . .	5,173	\$0.455	\$21.84

(b) MOVEMENT OF AVERAGE EARNINGS OF ALL WORKERS IN MACHINES AND MACHINE TOOLS FROM 1931 TO 1932.

	Average earnings					
	Per hour			Calculated for a 48-hour week		
	July 1931	October 1931	October 1932	July 1931	October 1931	October 1932
Men:						
Skilled and semi-skilled workers	\$0.650	\$0.660	\$0.601	\$31.20	\$31.68	\$28.85
Unskilled workers . . . . .	\$0.479	\$0.473	\$0.432	\$22.99	\$22.70	\$20.74

SOURCES: *Monthly Labor Review*, January 1932.  
 "The Service Letter on Industrial Relations", 1931 and 1932 (National Industrial Conference Board).

Table V.

JAPAN.

AVERAGE EARNINGS OF VARIOUS CATEGORIES OF WORKERS AT TOKIO IN JUNE 1932.

	Average earnings			
	Per day	Calculated for a 48-hour week <sup>1</sup>		
	Yen	Yen	In dollars	
			At par	Average rate for October
Stone-masons . . . . .	2.93	14.80	7.38	4.48
Finishers . . . . .	3.35	18.20	9.07	5.51
Day labourers . . . . .	1.40	7.08 and 7.60	3.53 and 3.79	2.14 and 2.30

SOURCE: *The Monthly Report on Current Economic Conditions*, October 1932 (Tokio Chamber of Commerce and Industry).

Table VI.

SWITZERLAND.

RATE OF WAGES IN BUILDING AND ENGINEERING AT GENEVA IN JANUARY 1933.

	Rate of wages		
	Per hour	Calculated for a 48-hour week	
	Francs	Francs	In dollars at par
Building:			
Masons . . . . .	1.60-1.80	76.80-86.40	14.82-16.67
Labourers . . . . .	1.25	60.—	11.58
Engineering:			
Fitters: Time-workers . . . . .	1.30	62.40	12.04
Piece-workers . . . . .	1.40-1.45	67.20-69.60	12.97-13.43
Labourers . . . . .	1.10-1.20	52.80-57.60	10.19-11.12

SOURCE: Communication from the Geneva "Chambre de travail" to the International Labour Office.

Table VII.

UNION OF SOVIET SOCIALIST REPUBLICS.

AVERAGE EARNINGS OF ALL WORKERS IN THE BUILDING AND ENGINEERING INDUSTRIES IN THE COUNTRY AS A WHOLE.

	Average earnings			
	Per month		Calculated for a 48-hour week <sup>2</sup>	
	1931	1st quarter 1932	1931	1st quarter 1932
	Roubles	Roubles	Roubles	Roubles
Building . . . . .	106.60	—	25.85	—
Engineering . . . . .	120.87	139.70	33.90	39.20

SOURCE: Information from the International Labour Office on the basis of the *Collection of Statistics of the Central Statistical Office of the U.S.S.R.* 1932 and the "Report of the Labour Commissariat" to the Ninth Trade Union Congress in 1932.

<sup>1</sup> Taking as basis for stone-masons an average duration of nine and a-half hours per day, for finishers eight hours fifty minutes, and for day labourers each of these two periods.

<sup>2</sup> Taking as a basis for building an average monthly working period of 198 hours and for engineering 171 hours.

REMARKS ON TABLES IV TO VII.

The data contained in Tables IV to VII are taken from the national publications of the countries concerned or from communications addressed to the International Labour Office. All the reservations mentioned in the remarks concerning Table III also apply here.

It should be added that, from several points of view, the data are still less directly comparable among themselves. The date to which they relate does not always correspond to that of October 1932; in the absence of figures for the occupations referred to, it has been necessary to give averages covering all the workers in the same branch of an industry; and certain approximations have had to be made to convert the data originally given per day and per month and express them in terms of a theoretical 48-hour week.

For the United States of America, in the absence of data on the wages of fitters and machine-shop labourers in October 1932, figures are given for these two occupations in June to August 1931 in the State of Illinois, supplemented by figures showing the movement of wages between that date and October 1932 in the machinery industry as a whole.

As regards the U.S.S.R., no conversion into dollars was made owing to the impossibility of having a rate of exchange representing existing conditions.

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Conf.D./C.D./C.T./160(2)  
EXTRACT

Geneva, April 8th, 1933.

LEAGUE OF NATIONS

CONFERENCE FOR THE REDUCTION AND LIMITATION  
OF ARMAMENTS

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NATIONAL DEFENCE EXPENDITURE  
COMMISSION

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SUMMARY AND CONCLUSIONS  
OF THE  
REPORT  
OF THE  
TECHNICAL COMMITTEE

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(EXTRACT from Volume I.)

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## Chapter XXII.

### SUMMARY AND CONCLUSIONS.

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#### I. INTRODUCTION: THE CIRCUMSTANCES IN WHICH THE COMMITTEE HAS EXAMINED THE BUDGETARY DATA SUPPLIED BY THE STATES REPRESENTED AT THE CONFERENCE.

1. The Committee was instructed by the Expenditure Commission to examine, in the light of the material submitted by the various States, the technical problems raised by the application of the provisions of the draft Convention relating to the limitation and publicity of national defence expenditure (Articles 10, 24, 29, 33 and 38).

2. Out of the sixty States represented at the Disarmament Conference, twenty-nine have supplied the Technical Committee with all the documents requested, and the Committee has completed its examination of the material relating to nineteen States.<sup>1</sup> Furthermore, it has partially examined the budgetary documents of ten other States.<sup>2</sup> Thirty-one States have submitted incomplete documents or have sent none at all.

3. In its resolution of July 23rd, 1932, the General Commission invited the Committee to continue its work and to submit a report as soon as possible. Although such a wide enquiry, which met with difficulties due in particular to the diversity of languages, necessitated more than a year's work, the Committee has naturally been unable to collect complete information regarding the practical working of the financial and administrative institutions of the various countries.

As the Committee has, however, succeeded in obtaining the essential material for the practical task allotted to it, it has drawn up a report on the basis of the documents which it has examined. Its conclusions are therefore based upon the complete examination of the documents of nineteen States and the incomplete examination of those of ten States.

4. Although, from the point of view of the universality of its investigations, it is regrettable that the Committee has not as yet been able to examine the documentation of all the countries represented at the Conference, and although as a result it is necessary to make appropriate reservations with regard to the application of the system of publicity and limitation to such countries, it should be pointed out that the nineteen countries whose documents have been fully examined by the Committee include almost all the great military Powers and that, if account is taken of the ten countries the examination of whose material the Committee has commenced but not as yet completed, it may be said that the latter has been able to form an opinion of the position in twenty-nine countries whose expenditure, taken together, represents approximately 90 per cent of the total military expenditure of the whole world.

#### II. WHAT IS TO BE UNDERSTOOD BY NATIONAL DEFENCE EXPENDITURE ?

5. In order to define the contractual obligations of the States, it is necessary to specify what is to be understood by national defence expenditure for the purposes of the Convention. The Committee, which set itself a practical and attainable object, endeavoured to determine those classes of expenditure which, in its view, are incontestably

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<sup>1</sup> Belgium, United Kingdom, Czechoslovakia, Denmark, France, Germany, India, Irish Free State, Italy, Japan, Netherlands, Norway, Poland, Roumania, Sweden, Switzerland, United States of America, U.S.S.R., Yugoslavia.

<sup>2</sup> Albania, Australia, Austria, Bulgaria, Canada, Finland, New Zealand, Portugal, South Africa, Spain.

of a specifically military character. It is this category of expenditure alone which the Committee proposes should be taken by the Conference as the juridical basis of the Convention, to the exclusion of all expenditure which, though primarily of a general character, may nevertheless contribute to increase the war potential of States.

Such a distinction is necessarily not without its arbitrary side, but it has the advantage of defining with adequate precision the common obligations proposed for acceptance by the contracting parties.<sup>1</sup>

6. The Committee has therefore taken national defence expenditure to mean:

“ All expenditure necessitated or entailed by the creation, maintenance and training in time of peace of armed forces and formations organised on a military basis and by measures immediately connected with preparations for national mobilisation.”

As no such definition can in itself afford the necessary degree of legal precision, the Committee, with a view to defining the sphere of application of the Convention as exactly as possible, has deemed it necessary to supplement that given above by means of a list<sup>2</sup> of items of expenditure answering to the general definition which has been given above and to be regarded therefore as national defence expenditure for the purposes of the Convention. Its perusal sufficiently shows that there can be no doubt as to the specifically military character of the expenditure which it enumerates. This list will have to be supplemented later by very definite instructions as to its application.

7. The list of expenditure on national defence includes subsidies granted by the State to private undertakings the activities of which include the manufacture of war material in time of peace, and also those granted to firms with a view to the adaptation of their plant and equipment in time of peace to permit of their immediately manufacturing or constructing material of use to the armed forces as from the first days of mobilisation.

8. It also comprises the full expenditure of such formations or associations as may be deemed by the Conference to be “ formations organised on a military basis ”. The expenditure which other associations might incur for national defence purposes appeared to the Committee to be so small that it has decided to ignore it. Nevertheless, whenever a State grants subsidies to sports associations or shooting clubs with a view to military education or training, such subsidies are national defence expenditure. If, moreover, associations or individuals give or bequeath sums of money or material to the defence services, expenditure defrayed out of such sums, or the value of such materials, are national defence expenditure.

9. Ordinary pensions, as opposed to war pensions, must be treated as national defence expenditure for publicity purposes, but should not be subjected to any scheme of limitation.

10. The conventional list of national defence expenditure compiled by the Committee corresponds very closely to the usual conception of military expenditure which is borne by national budgets in time of peace.

### III. NEED FOR THE UNIFORM PRESENTATION OF THE FIGURES OF NATIONAL DEFENCE EXPENDITURE.

11. The Committee is of opinion that it would be very difficult for States to demonstrate their compliance with undertakings in respect of publicity or limitation

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<sup>1</sup> M. WORBS wishes to point out that, by the method adopted for practical purposes, certain expenditure of considerable importance cannot be ascertained with adequate precision because it is impossible to separate it from the “ war potential ” and because, therefore, there is no alternative but to leave it to the States themselves to decide whether they wish to consider such expenditure as expenditure which should be included in the Model Statement.

<sup>2</sup> For this list, see page 16 of volume I of the Report.

based on a definition and a conventional list of national defence expenditure by means of the accounts in which they enter this expenditure. The structure of these accounts differs, indeed, widely from State to State, and, furthermore, the line of demarcation between national defence expenditure within the meaning of the Convention and expenditure which, although having military value, is not to be regarded as national defence expenditure, does not appear in these accounts. If, indeed, it were desired to draw up a complete account of the national defence expenditure within the meaning of the Convention on the basis of these documents, it would be necessary to proceed to a variety of researches, interpretations and calculations which would necessitate familiarity with the administrative practice and institutions of each country. The Committee considers that this would be an extremely difficult if not a practically impossible task for any supervisory or checking body.

12. Hence the Technical Committee, like the Committee of Experts on Budgetary Questions, found it essential to establish a uniform framework (*Model Statement*)<sup>1</sup> in which States could enter all national defence expenditure, within the meaning of the Convention, irrespective of the nature and origin of the resources out of which that expenditure is met. The key to this operation will be supplied by the *reconciliation tables*, showing how each figure of the accounts has been transferred to the Model Statement. Such an instrument will enable all States to certify their national defence expenditure in an identical form.

#### IV. PAYMENTS MADE IN THE COURSE OF THE FINANCIAL YEAR MUST BE TAKEN AS THE JURIDICAL BASIS FOR EITHER THE PUBLICITY OR LIMITATION OF EXPENDITURE.

13. The result of the limitation of expenditure should be to limit the acquisition of armaments.

Any definition of expenditure must satisfy the two following conditions:

- (a) Expenditure must be as nearly as possible contemporaneous with the rendering of the services and the delivery of the material;
- (b) The expenditure must be entered in an identifiable and authentic form in the accounts of all States.

Credits voted are nothing more than an estimate and, as they are granted prior to the acquisition of armaments, they cannot be taken as the legal basis of the Convention.

The Committee proposes that the legal basis of limitation should be the actual *payments*, because (1) they are usually contemporaneous with or follow shortly after the acquisition of armaments and (2) they are shown in the accounts of all States.

14. If, in the course of a year, a State acquired armaments which were not paid for until the following year or years, and if that State nevertheless reached in the course of the same year the limitation figure assigned to it, it could during that year obtain armaments the value of which was in excess of that figure. In order to preclude such a possibility, the Committee has proposed a contractual clause in accordance with which the total payments in one year and the value of armaments acquired and not paid for during that year may not exceed the limitation figure fixed.

15. Deferred payments must sooner or later be made and included in the accounts and Model Statements; they will thus be subject to publicity and limitation unless the Convention has a fixed date of termination.

In this connection, the Committee points out that Article 57 of the draft Convention provides for the renewal of the initial Convention by tacit consent, and it has therefore not contemplated the possibility of a convention of relatively short duration.<sup>2</sup>

16. Limitation of expenditure can result only in the limitation of those armaments which have led to a cash disbursement. The Committee therefore considers that, for

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<sup>1</sup> See the model of this statement, Appendix I to Part VI of the report.

<sup>2</sup> See reservation on page 153 of volume I of the Report.

purposes of budgetary limitation, it would not be practicable to estimate, for example, the value of services rendered without payment by conscripts or by reservists whose remuneration is insignificant. On the other hand, the defence forces may have the benefit, without paying for them, of certain services or payments in kind supplied by communities or private individuals. The payments made by those who supply these goods or services must in principle be subject to limitation and publicity.

17. In some cases, however, the defence forces benefit by the activities of certain services of a general character—such as those responsible for the upkeep of public roads, the police and the organisations for auditing public funds—without paying for them. The Committee considers that in such cases there is no need to subject to publicity and limitation the proportion of the expenditure on those general services which might be of military utility. As the sums involved are very small, the Committee considers that there can be no objection to the States' treating such items differently, provided always that the Conference is informed of their methods and that any change made during the term of the Convention is communicated without delay.

18. Limitation of expenditure cannot affect withdrawals from stocks of consumable stores during the period of the Convention for the requirements of the defence forces.

#### V-VI. BUDGETS AND ACCOUNTS.

19. The greater part of the payments to which the publicity and limitation of expenditure should apply are found in the accounts relating to the application of the budgets. The true object of payments can only be ascertained by going back to the credits in respect of which the payments were made and by studying the rules governing the application of budgets and supervision over that application. At the Expenditure Commission's request, the Committee has investigated the budgetary systems of the various countries whose documentary material was submitted to it with a view to determining in particular:

(a) To what extent publicity of credits and acts relating to the application of budgets enable the true nature of national defence expenditure to be ascertained;

(b) To what extent the control of the internal audit services over the public finances ensures the authenticity of the payment figures entered in the published accounts.

20. As regards the publicity of credits, the Committee concluded that the value of the guarantee which it affords varies according to tradition, custom and parliamentary practice and according to the real efficacy of the supervision which Parliament, through the continuous nature of its action, exercises over the granting of credits. In this connection, *de facto* situations exist, in some cases of a temporary nature, consideration of which is outside the scope of a technical body and which will have to be taken into account when the Convention is signed.

21. The application of a limitation Convention, however, based on payments made in the course of the financial "exercice" rests essentially on the accuracy of the payment figures. This accuracy primarily depends on the rules governing the organisation of public accounting and the action of the independent supervisory bodies responsible for seeing that the budgets are properly executed.

22. The Committee found that almost all national defence expenditure within the meaning of the Convention appears in the accounts of the States. These accounts show payments made under credits granted by the public authorities. The authenticity of the payment figures entered in the accounts is ensured through the application of the public accountancy regulations—that is to say, the rules governing the preparation and execution of the budget, the supervision over that execution and the establishment of the final accounts. Among these regulations the Committee attached special importance to the activities of the bodies responsible for the higher audit of the accounts and to the independence of their members as regards the Executive. The

Committee found that the degree of independence of these bodies was not the same for every State. Without expressing an opinion, however, on the question whether a particular system of accounting is more efficient than another, the Committee has ascertained that there are, in all the countries whose systems it has examined, laws and regulations relating to public finance and accountancy the observance of which guarantees the authenticity of the figures in the closed accounts.<sup>1</sup>

23. The Committee noted that, out of the nineteen States which it has examined, sixteen only have published their audited accounts regularly. These sixteen countries have supplied the Committee with audited and published accounts relating to the year for which their statements of expenditure were compiled. The other three, however, have not published audited accounts for several years, although they have laws providing for their regular presentation. They have nevertheless supplied the Committee with manuscript statements of expenditure for the year to which the Model Statements refer and certified correct in two cases (France and Roumania) by the Government and in the third case (Belgium) by the Court of Audit.

24. The correct execution of the stipulations of the Convention naturally requires that the laws and regulations which have been ascertained by the Committee to exist should be regularly applied in practice.

25. The closed accounts are an essential instrument in any system for publicity or limitation of expenditure. For this reason, the Committee considers that the publication of the closed accounts at a sufficiently early date for the purposes of the Convention constitutes an indispensable condition for the conclusion of the said Convention.<sup>2</sup>

26. In view of these considerations, the Committee is of opinion that the various States signatories of the Convention should assume a contractual obligation to publish their accounts at a sufficiently early date and in a form suitable for meeting the requirements of the Convention. It is not within the Committee's powers to indicate the internal measures which certain States will have to take to fulfil the preliminary conditions necessary for the conclusion of the Convention, but, in view of the time which may be required to regularise the time-limits for the production of accounts or their mode of submission, it feels entitled to propose that the attention of the Governments concerned should be drawn to the necessity for immediately taking all the necessary steps to this end.

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<sup>1</sup> NOTE. — 1. As, in one of the countries whose documentation was examined, there is no higher auditing body independent of the Executive, M. ANDO, attaching particular importance to the independence of the higher auditing bodies in each country, accepts the conclusions formulated on condition that, in the future, the independence of the higher auditing bodies is effectively provided for.

2. M. HÄGGLÖF (replacing M. SANDLER) is of opinion that reliance must be placed in the closed accounts audited by the competent auditing authorities and published officially by the different States. He does not think that the accuracy of these figures, which are drawn up and submitted officially, should be called in question.

The Committee has, however, stipulated as an essential condition that all States must be in a position to submit regular closed accounts audited by the competent auditing authorities within a sufficiently short period.

This principle having been laid down, the Swedish expert considers that it is unnecessary—either for the Conference or for the Permanent Commission—to undertake studies, which would inevitably be very difficult, with regard to the advantages or disadvantages of the financial or administrative systems which may exist in the different States of the world.

<sup>2</sup> NOTE. — See the Note by Major-General BARBERIS and M. WORBS, on page 47, on the inadequacy of this affirmation of the majority and on the vital importance of this defect in the system based on the payments effected. The present absence of closed accounts in certain countries and the necessity for improving the closed accounts of certain other countries which are regularly published render the signature of a Convention on the limitation of expenditure impossible at the present time.

VII. TO WHAT EXTENT IS IT POSSIBLE FOR EACH STATE TO DRAW UP COMPLETE ACCOUNTS OF ITS NATIONAL DEFENCE EXPENDITURE ?

27. Article 29 of the draft Convention contemplates the limitation of total national defence expenditure. The Committee has enquired into the question of whether it is possible for each State to ascertain the total amount of the expenditure subject to limitation.

28. The Committee found that the major part of national defence expenditure within the meaning of the Convention appears in the State accounts (budgetary accounts of the national defence departments, of the colonial department, of the civil departments, and special accounts), and that, in addition, a very large proportion of such expenditure is included in the accounts of the defence departments, where it is indicated under separate items.

Such national defence expenditure as appears in the budgetary accounts of the civil departments or services, and in special accounts, represents no more than a small proportion of the total. In certain cases, such expenditure is not clearly specified under special headings and is sometimes merged with expenditure having no bearing upon national defence.

29. National defence expenditure not included in the above-mentioned State accounts is of little importance, and a small proportion of such expenditure is borne by regional and local authorities and, notably in certain States with a federal form of government, by the constituent States.

The accounts of such regional or local authorities have not been supplied to the Committee, and certain States have confined themselves to submitting estimates of the expenditure shown in the accounts of these authorities. As regards the colonies, their defence expenditure is borne sometimes by the budgets of the home countries and sometimes by the general budgets of the colonies. In the various cases examined, the Committee found that the details of defence expenditure of the colonies can be easily ascertained.

30. Expenditure in the form of subsidies granted for a military purpose to sports or shooting clubs—representing in any case a comparatively small amount—are as a rule separately entered in the accounts. On the other hand, expenditure out of donations or bequests from private associations or individuals is almost invariably entered in the State accounts.

31. The Committee has indicated certain principles which the States should follow in calculating their total national defence expenditure, more especially as regards methods of reconstituting the gross amount of expenditure in countries where the services are authorised to use certain receipts in addition to budgetary credits. The other technical aspects of the problems raised by the reconstitution of the total of expenditure have been examined. It is no doubt possible that, in certain cases, States may be in doubt as to the interpretation of the rules laid down, but the sums affected could never be very considerable. It should, moreover, be noted that such possibilities of error will have less effect if in doubtful cases the various Governments always interpret in the same way the rules which the Committee has proposed.

32. Having found that a very large proportion of the expenditure on national defence appears in the accounts of the national defence departments and can therefore be easily identified, and while admitting that there may be some difficulties of interpretation with regard to the nature of certain items of expenditure appearing in other accounts, the Committee, at the conclusion of its enquiry, considers it possible for all States to produce for practical purposes a complete statement of their national defence expenditure within the meaning of the Convention.

VIII. WITH WHAT DEGREE OF ACCURACY CAN THE TOTAL NATIONAL DEFENCE EXPENDITURE RETURNED BY EACH STATE BE VERIFIED ?

33. The bulk of the figures making up the total amount of national defence expenditure are included in the published accounts, where they are shown under separate items;

it is therefore possible to verify exactly whether the majority of these figures have been correctly incorporated in the total national defence expenditure of each State.

Only a relatively small proportion of the national defence expenditure entered in the published accounts is not shown under separate heads in those accounts. In the accounts of the colonial ministries and those of the civil ministries or regional and local bodies, certain national defence expenditure is clearly specified, but it also happens that national defence expenditure is merged with civil expenditure. To enter the proportion of this expenditure which refers to national defence in the total national defence expenditure, States have to resort to allocations based on internal documents or on estimates. The method of making such allocations cannot be controlled by means of published accounts.

34. This difficulty might be to a great extent reduced if States agreed to specify under separate headings all expenditure of a military nature included in accounts other than those of the national defence ministries, and also all expenditure (in particular, civil aviation expenditure) which, though included in the accounts of the national defence ministries of certain countries, does not constitute national defence expenditure within the meaning of the Convention.

35. The verification of the inclusion in the total national defence expenditure of subsidies granted to private armament firms is closely connected with the problems referred to the Committee for the Regulation of the Trade in and Private and State Manufacture of Arms and Implements of War.

36. There will be some difficulty, from the point of view of supervision, in verifying the observance by the various States of the rules proposed by the Committee in order to remove the difficulties inherent in certain peculiarities of public accountancy, and, more especially, in the reconstitution of expenditure in the case of countries with net accounts.

37. After taking into account the aforementioned obstacles, which vary considerably in different States, the Committee is opinion that, for the practical purpose for which such verification is required, it will be possible to verify with a high degree of accuracy, by means of the accounts, whether the rules proposed by the Committee for calculating the total national defence expenditure are being applied by the States.<sup>1</sup>

#### IX. POSSIBILITY OF ASCERTAINING SEPARATELY THE TOTAL EXPENDITURE FOR EACH OF THE THREE FORCES (ARMY, NAVY AND AIR).

38. A note appended to Article 29 of the draft Convention contemplates the possibility of ascertaining and limiting the total expenditure of the Army, Navy and Air Forces separately.

In the light of the documentary material supplied, the Committee has tried to ascertain with what degree of accuracy expenditure could be thus separated. All the States whose budgetary documentation has been examined have tried to give separate figures for the expenditure on the three forces. Certain countries, however—such as the Irish Free State, Japan and the United States of America—have only shown a part of their air expenditure separately. In the case of these countries, therefore, it has been impossible to make a complete separation of the expenditure on the three forces.

39. Certain countries have separate departments for each force, so that expenditure (with the exception of certain joint expenditure) is entered separately in the respective accounts of those departments. In such cases, the only difficulty in separating expenditure lies in the splitting among these forces of the portion of national defence expenditure which is entered in the accounts of civil departments or of regional and local public bodies; but the difficulty of splitting such expenditure among the expenditure of the various forces is not such as to make it impossible to ascertain exactly the respective expenditure on each force.

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<sup>1</sup> See reservation on page 83 of volume I of the Report.



40. In other countries, however, the difficulties of separating the expenditure on each force are much greater. Separate accounts are not kept for Air Force expenditure. The Air Force is considered organically as forming an integral part of the Army and Navy, and there are services which are shared by both the Air Force and the other forces. The respective costs of these common services for the Army and Navy on the one hand and the Air Force on the other are not booked separately. The figures taken from the accounts and transferred to the total expenditure for each force must be split up on the basis either of administrative documents or of estimates. Under these circumstances, if each State is thus in a position to draw up an account for each force, the verification of this account will offer serious difficulties.

41. (a) If the Conference decides that it must be possible to check the separation of the expenditure on the three forces on the basis of figures taken to a great extent *en bloc* from the audited accounts, not all countries can effect this separation owing to the form in which their accounts are made out at the present time.

(b) Such separation is, however, not in itself impossible, provided that countries which do not at present submit separate accounts for the expenditure on each force agree to prepare such accounts, as is done at present in the United Kingdom, France, Italy, and Sweden for the three forces, in Germany for the Army and Navy, and in Switzerland for the Army and Air Force.

(c) It is only in case the Conference considers that, for the separation of expenditure on the three forces, it must accept a degree of "controllability" considerably lower than that attainable for checking the grand total of each State's expenditure that, in view of the application of Article 29 of the draft Convention, a separation of expenditure on the three forces could be considered possible.<sup>1</sup>

#### X. POSSIBILITY OF SEPARATING EXPENDITURE IN RESPECT OF LAND AND NAVAL WAR MATERIAL. (ARTICLES 10 AND 24.)

42. The accurate separation of the expenditure on land and naval war material requires three conditions:

(a) The term "war material" must be precisely defined, and it must be exactly determined what is meant by expenditure on war material;

(b) It must be possible to separate the expenditure on air war material from the expenditure on land and naval material respectively;

(c) It must be possible to distinguish the annual expenditure on war material very clearly from all other expenditure that does not concern the upkeep, manufacture, or construction of such material.

(a) The Budgetary Experts' report gave a specific list of the material which should be regarded as war material, and it also clearly indicated what expenditure should be entered in the Model Statement under the head relating to expenditure on war material. Governments endeavoured to fill up the war material heads of the Model Statement in accordance with these instructions.

(b) The absence of separate accounts for the Air Forces usually makes it impossible to separate completely the expenditure on air war material. The extent to which this expenditure is shown separately in the accounts will be seen from the table on page 91. As a rule, however, it is easier to separate the expenditure on land and air war material than to separate the expenditure on naval and air material.

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<sup>1</sup> See reservation on page 93 of volume I of the Report.

(c) The structure of accounts as reflecting the various forms of military organisation is at present so different from the idea which led to the insertion of those heads in the Model Statement which deal with war material that it is impossible, without relying very largely on estimates, to ascertain on the basis of such accounts the amount of expenditure under these heads as defined by the Budgetary Experts. If war material were all bought either from private undertakings or autonomous establishments and if it were stocked and maintained in establishments where there was no other material, there would be no serious difficulty in entering under the war material head the expenditure which should appear there. This is not the case, however, and difficulties arise in consequence both of the system of military organisation and the system of accounting adopted. In some countries, war material is manufactured or repaired in non-autonomous establishments. Sometimes war material is stored and even repaired in warehouses which contain stores of material other than war material. In countries which have non-autonomous establishments, expenditure on personnel and the overhead costs of the establishments where war material is manufactured, repaired or stocked are not shown separately in the accounts, but are divided up among various heads of these accounts. In order to fill up the war material head, an exact distinction must be made between the expenditure on war material and other expenditure and then, for purposes of re-grouping, a search must be made in all the relevant budgetary items for the expenditure corresponding to the definition given of expenditure on war material. The latter difficulty might, to a great extent, be solved in countries which have non-autonomous manufacturing establishments if the accounts were submitted in a form corresponding to the war material head of the Model Statement. This would be nothing more than a change in accounting procedure. But the difficulty inherent in the existence of joint establishments or depots in which all kinds of material are stocked, repaired or manufactured raises problems of military organisation and cannot be solved by a simple accountancy reform.

43. The Committee examined the extent to which in each country the head relating to war material represented figures taken *en bloc* from the authenticated and audited accounts. The results of this investigation are shown in the tables reproduced in Chapters X.

A perusal of the tables shows that the proportion which these figures bear to the totals under the heads relating to war material varies very widely from country to country and that, in general, these heads cannot be filled up without recourse in a great many cases to allocations based upon the internal accounts or on estimates.

In an endeavour to remedy these difficulties, the Committee set itself to evolve a simpler conception of Head IV (Expenditure on War Material) which would have enabled the States to ascertain with greater accuracy the total expenditure to be entered under this head; it did not, however, succeed in discovering a satisfactory solution.

44. (a) Should the Conference decide that the separation of expenditure on land and naval material must be capable of verification on the basis of figures taken largely *en bloc* from the audited accounts, no such separation is feasible with the accounts drawn up as they are at present.

(b) Such separation, however, is not inherently impossible provided that the States are prepared to draw up separate budgets and accounts for the different forces and provided that those which possess autonomous establishments in which material is manufactured, constructed or repaired submit their budgets and accounts in the same form as the war material heads of the Model Statement.

(c) The separation of expenditure on land and naval material with a view to the application of Articles 10 and 24 of the draft Convention could only be regarded as practicable if the Conference were to take the view that, in the matter of the separation of expenditure on land and naval material respectively, it should accept figures which might not be capable of verification to anything like the same degree as is attainable in regard to the grand total of the expenditure of each State.<sup>1</sup>

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<sup>1</sup> See reservation on page 99 of volume I of the Report.

## XI. CLASSIFICATION OF EXPENDITURE FOR PUBLICITY PURPOSES.

### A. *Article 38 of the Draft Convention.*

45. Article 38 of the draft Convention provides for publicity of national defence expenditure by means of a Model Statement comprising a certain number of detailed sub-heads.

In the light of the documents submitted, the Committee has examined the possibility of filling in the various sub-heads of the Model Statement and also of verifying the accuracy of the figures given.

The Committee has already stated its opinion of the extent to which States can draw up a complete account of their national defence expenditure and also of the extent to which a supervisory body could verify the accuracy of the figure given (Chapters VII and VIII).

The Committee has further considered how far the States have been able to supply figures for the expenditure on each of the three forces. It has noted (Chapter IX) that, on account of the manner in which their accounts are at present drawn up, it is impossible for the States to make such a separation on the basis of figures entirely capable of verification.

If this is true of the figures of the total expenditure in respect of the various forces, it follows that the difficulties of filling in a detailed Model Statement are still greater. If the figures of the total expenditure on each force can only be verified with difficulty, there will obviously be still greater difficulties in verifying the subdivisions of the main totals.

46. The Committee nevertheless considers that there would be an undoubted advantage in having all national defence expenditure shown, with the necessary explanations, in a uniform Model Statement in which the various items would be given in some detail, even though the figures under each of them might not always be entirely accurate and even though an international supervisory body might encounter very considerable difficulties in checking the detailed figures. Article 8 of the Covenant of the League of Nations provides for an exchange of information regarding national defence and, in pursuance of this article, States have communicated, amongst other particulars, information regarding their national defence expenditure. The Committee is of opinion that it would be preferable that such information might be supplied by means of a universally adopted Model Statement, with a total figure capable of verification to the extent indicated under section VIII.

Should the Conference adopt a system of limitation, publicity by means of a Model Statement would facilitate supervision.<sup>1</sup>

### B. *Article 33. Publicity by Categories of Expenditure in respect of Land and Naval Material.*

47. More detailed publicity of expenditure on war material was contemplated under Article 33 of the draft Convention, which provided for publicity of the sums annually expended on certain categories of land and naval war material. The Committee of Budgetary Experts showed that such separate publicity by categories of war material was impossible for the generality of States.

48. The Technical Committee has already expressed the opinion that, with the budgetary accounts of the majority of countries in their present state, publicity of the exact amount actually expended in the course of each budgetary year on the maintenance,

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<sup>1</sup> M. WORBS (Germany) fails to see how it can be stated that publicity through the medium of a Model Statement would facilitate supervision of limitation when it is patent that, for publicity purposes, the rules governing the accuracy of the figures in the Model Statement will be less strict. Any such statement would give rise to confusion between the conceptions of "publicity" and "limitation".

repair, purchase and manufacture of the various categories of war material is impossible. The most detailed publicity at present attainable as regards expenditure on war material is that provided by filling in the various items of the heads of the Model Statement relating to war material.

49. The Committee wishes to make it clear that the fact that it is impossible to publish detailed particulars of budgetary expenditure by categories of material does not imply that it is impossible to ascertain the cost price of the finished articles, either through the purchase price or through the cost accounts. The latter are not usually published. In the first instance, indeed, it is a case of ascertaining the annual budgetary expenditure on various categories of material, while, in the second, it is a case of ascertaining the cost price of such material on the completion of manufacture. This question has been raised by another committee; it is not, however, for the Technical Committee to consider how far its conclusions might influence the activities of other organs of the Conference and more especially those of the Committee for the Regulation of Trade in and the Private and State Manufacture of Arms and Implements of War.

## XII. FLUCTUATIONS IN THE PURCHASING POWER OF CURRENCIES.<sup>1</sup>

49. The limits of expenditure must be expressed in the respective national currencies of the various States.

50. If the purchasing power of these currencies varies, the limits originally fixed must be readjusted in order to retain in all circumstances the same power of obtaining armaments.

51. To be able to judge the effect of fluctuations in purchasing power on the limitation of expenditure, the Committee first of all studied the extent of the fluctuations which have occurred since 1929 in the various countries.

The first basic fact observable is the considerable fall in prices which occurred in almost all countries during the period 1929 to September 1931. This increase in purchasing power, however, varied from country to country. Nevertheless, the general tendency—*i.e.*, the general fall in prices—bore a universal character.

In autumn 1931, a large number of countries left the gold standard. This led to very serious fluctuations in the external value of their currencies, while, with few exceptions, their domestic purchasing power preserved a relative stability.

The general impression from a study of the fluctuations in purchasing power in most of the countries which have left the gold standard may be thus expressed:

- (a) Relative stability of the cost of living;
- (b) Moderate fluctuations of wholesale prices and
- (c) Considerable alterations in the external values of the currencies.

A study of the fluctuations since the autumn of 1931 in the countries which remained on the gold standard gives a rather different impression. The Committee has found that, in these countries, the fall in prices, which was universal up to the autumn of 1931, has, as a rule, continued up to the present day. Some differences were noted between the tendencies in the various countries. In countries with a "managed" currency particularly, the fluctuations were not negligible.

52. Any automatic adjustment of limits as a result of fluctuations of purchasing power was recognised to be impossible either on the basis of national price indices or on the basis of an international index of the cost of armaments.

53. After suggesting that, as a temporary measure and for a brief period, States might under certain conditions<sup>1</sup> accept a lump sum increase in their limits to minimise

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<sup>1</sup> See note on page 115 of volume I of the Report.

the probable consequences of fluctuations in purchasing power, the Committee recognised that only a living organisation could proceed to readjustments of the contractual limits.

54. Any request for the adjustment of its own limits submitted by a State should be justified by an appreciable decrease in purchasing power having seriously increased the cost of its armaments.

55. Should an appreciable increase in the purchasing power of a country's currency have led to a serious decline in the cost of armaments, other States would have the right to ask for a readjustment of the limits of the State concerned.

56. The task of readjusting limits should be entrusted to the Permanent Disarmament Commission itself; the latter would decide on the advice of a sub-committee consisting of experts who would not be representatives of Governments. The Permanent Commission could not pronounce against this committee's advice without hearing its explanations.

57. Any request for readjustment would be considered by a small committee, which would judge whether such a request could be entertained.

58. The nature of the evidence to be furnished when a request for readjustment is submitted is specified in paragraph 96 below.

59. The Technical Committee is of opinion that, if the purchasing power of currencies were affected by changes which were both very considerable and very rapid and if these changes were not universal and occurred at different periods and to a different degree in the various countries, the budgetary limitation method would no longer operate.

But should fluctuations in the different countries not be too violent, the Committee considers that the living organisation which it recommends would suffice to provide for a readjustment of limits such as would allow the latter to retain their full contractual value.<sup>1</sup>

### XIII. INFLUENCE OF VARIATIONS OF EXPENDITURE FROM ONE YEAR TO ANOTHER ON THE FIXING OF LIMITS.

60. The system of limitation provided for in Articles 10, 24 and 29 of the draft Convention, and described in detail in the report of the Committee of Budgetary Experts and in the present report, is based on the limitation of the *annual* expenditure of the contracting parties. The fixing of annual limits is, in the Technical Committee's opinion, essential both to the practical application of the Convention by States and for the efficacy of international supervision.

The Committee of Budgetary Experts was of opinion, however, that, if equal annual limits were fixed simply for each year while the Convention was in force, States would be compelled to ask for a high figure in order to allow for the inevitable fluctuations in the volume of their payments over a number of consecutive years. To deal with this difficulty, the Committee proposed that an annual average limit for four years should be laid down, the contracting parties being entitled to exceed this annual average limit by a percentage fixed by the Conference and kept as low as possible, provided that any such excess amounts were set off by reductions during the rest of the period and that States did not in the long run exceed, during the consecutive years of the period proposed, the limit fixed for that period.

61. After studying the proposals of the Experts and recognising the necessity for an annual limit in conformity with the general provisions of the draft Convention, the Technical Committee considers that it is not at present in a position, especially in the

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<sup>1</sup> See the note submitted by M. WORBS, Major-General BARBERIS and M. ANDO (page 127) on the defects of the system recommended in the present report, due to the fluctuations of purchasing power.

absence of information as to the duration of the Convention and the relations which may exist between the present expenditure of the different States and the limits fixed in the Convention, to make definite recommendations either regarding the period over which the annual limit should be averaged or the permissible percentage of excess—or, indeed, the proposal to adopt such a percentage. Only when the financial consequences of the Conference's decisions can be appreciated will it be possible to express a definite technical opinion on this point.

62. In any case, the Technical Committee expresses the view that the period to be covered by the annual average limit should be sufficiently long to make it possible during this period to ascertain the manner in which the States have observed their limitation undertakings. The period in question must also be short enough to enable proof of compliance with the annual average limit to be produced within a reasonably short period.<sup>1</sup>

63. Without wishing to deal with the problem of the fixing of contractual limits, the Committee considers that, from the technical point of view, it will be necessary, among other considerations, to take into account the expenditure relating to military activities not subject to special limitation; nor should the limits prevent the contracting States from duly carrying out any programmes for manufacture or construction of material they may have drawn up within the framework of the decisions of the Conference or within the limits laid down by other conventions remaining in force after the conclusion of the Disarmament Convention or from providing for the maintenance of material.

Lastly, the fixing of limits in the Convention or on the occasion of the revisions which will be carried out in accordance with Article 59 must enable the contracting States to provide a reasonable standard of living for their personnel and their troops.<sup>1</sup>

#### XIV. TRANSFERS BETWEEN THE LIMITS OF THE THREE FORCES.

64. In the absence of any decision by the Conference regarding the separate limitation of expenditure on the three forces and their material, the Technical Committee was only able to consider from a theoretical standpoint the possibilities of transfers between the limits fixed for the expenditure on each of the forces and the expenditure on land and naval material.

65. If the Conference accepts the principle of such limitations, the possibility of transfers will have to be considered for all States both between the limits of expenditure on each of the forces and between the expenditure on material of each force and the other expenditure of that force.<sup>2</sup>

66. The possibility of such transfers would facilitate the adoption of a limitation of expenditure. The system of transfers might be as follows: A separate limit would be fixed for the total expenditure of each force, but, at the same time, percentages would be fixed for the transfers authorised between these limits. These percentages would be determined for each country by agreement between the Powers represented at the Conference and taking into account its special situation. The transfer percentages would have to be fixed at a low figure.

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<sup>1</sup> See the note on page 131 by Major-General BARBERIS and M. WORBS on the ineffectiveness of supervision finally carried out perhaps six or seven years after the close of the financial year.

<sup>2</sup> For the reasons given in the note on pages 136 and 137, Mr. LYON is of opinion that the right of effecting transfers between the forces is illogical, unnecessary and inconsistent with the resolution on budgetary limitation adopted by the General Commission on July 23rd, 1932.

XV. SPECIAL PROCEDURE REGARDING CERTAIN UNFORESEEABLE AND EXCEPTIONAL EXPENDITURE NOT INVOLVING AN INCREASE IN THE ARMAMENTS OF THE COUNTRY INCURRING IT.<sup>1</sup>

67. When, as a result of natural disasters such as earthquakes, cyclones, tidal waves, floods, forest fires, or epidemics, the armed forces are called upon to assist civilian populations, their intervention may entail additional expenditure. These natural disasters or accidents may also cause the loss or destruction of naval units or material, the reconstruction or reconstitution of which would involve extra expenditure. Again, the suppression of internal disorder, civil wars, revolts in distant possessions and the protection of the life and property of nationals in danger, may call for the intervention of the armed forces and result in exceptional expenditure.

68. In consequence of the reduction of armaments itself, Governments may be obliged, on account of the withdrawal of certain garrisons, to compensate municipalities which have already incurred expenditure for the accommodation of the troops. The cancellation of certain contracts for supplies or building—*e.g.*, the cancellation of a contract for building a warship—may involve the payment of large compensation.

69. The Technical Committee is not entitled to prejudge any questions that may arise in regard to the legitimacy of any particular case contemplated above, and, considering the matter solely from the technical standpoint, it expresses the opinion that the Convention would be lacking in fairness if it did not provide a procedure enabling States to have such expenditure excluded from the figures they would be called upon to produce in evidence of the fulfilment of their contractual engagements.

The Technical Committee therefore recommends the following procedure for such cases:

70. When a State is called upon during a given year to meet extraordinary expenditure in respect of the cases enumerated above, it must include this expenditure in the Model Statement produced in evidence of limitation, but it could indicate to the Permanent Commission the nature and amount of such exceptional expenditure and prove by definite evidence that this expenditure does not represent an increase in its armaments.

Having considered that evidence, the Permanent Commission would see:

(a) Whether the expenditure shown in the publicity table had really been applied to one of the exceptional cases referred to above;

(b) Whether it had enabled the country concerned to increase the strength of its armaments.

The amount of the expenditure mentioned above would be deducted from the Model Statement produced in evidence of limitation, unless the Permanent Commission, by a reasoned decision, established that one or both of these conditions had not been fulfilled. Should the Commission establish that part of this exceptional expenditure had had the effect of enabling armaments to be increased, the amount of the corresponding expenditure would be kept in the Model Statement produced in evidence of limitation.

Should certain of the events enumerated above assume such gravity as to threaten the national safety, the provisions of Article 50 of the draft Convention would be applicable.

XVI. THE MODEL STATEMENT.

71. In view of the considerations set out in paragraphs II and 12, the Committee proposes the adoption for publicity purposes of a detailed Model Statement for the expenditure of each category of the Land, Naval and Air Forces.

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<sup>1</sup> See reservation on page 139 of volume I of the Report.

As regards the form of this statement, the Committee proposes to maintain the model adopted by the Committee of Experts on Budgetary Questions.

72. In the case, however, of expenditure on naval material, it proposes to substitute for the former subdivisions L and M the two following subdivisions:

L. New construction.

M. Maintenance.

Further, it proposes that the recapitulatory table of the expenditure on the three forces should follow, and not precede, the tables for the expenditure on each force.<sup>1</sup>

73. In the event of the principle of budgetary limitation being adopted by the Conference, the subdivisions of the Model Statement, even though none of them may be subject to special limitation, will show how the expenditure subject to limitation is distributed.

The Model Statement may help to encourage States to present their accounts in constantly increasing detail and thus achieve greater accuracy in the presentation of their expenditure for the three categories of forces and war material. The technique involved in limitation and publicity of expenditure must develop gradually. The decisions which will be taken by the Conference in this sphere should, in the Committee's opinion, be regarded as the opening stage.

74. In the Committee's view, it will not, for the time being, be possible to propose such extensive reforms as those implied by the standardisation of the budgets and accounts of the various countries, but the adoption of the Model Statement and its annexed tables might contribute to accelerating this standardisation.

75. On the basis of the information obtained, the Committee confirms the opinion of the Budgetary Experts that it would not be possible for all States to submit a Model Statement based on audited and published closed accounts within a period of less than fourteen months from the end of the financial year in each particular country.

#### XVII. SPECIAL INFORMATION ANNEXED TO THE MODEL STATEMENT FOR LIMITATION AND PUBLICITY PURPOSES.

76. The Committee of Budgetary Experts suggested annexing to the Model Statement a certain number of publicity tables.<sup>2</sup>

The Technical Committee examined, in the light of the documents submitted, how far the States had succeeded in filling in these tables, and considered afresh their utility.

77. The Committee came to the conclusion that it was desirable that each State should be requested to supply particulars of the total amount spent on ordinary pensions as opposed to war pensions. These particulars should immediately follow the table showing the aggregate total expenditure of the three forces so as to facilitate the addition of the expenditure on ordinary pensions to the expenditure shown in the Model Statement.

78. Furthermore, it recognised that Table A (particulars of expenditure on reservists) and Table B (special particulars with regard to the material of the naval forces) had given rise to very great difficulties of interpretation and that their value was not in fact very considerable. Such being the case, it proposes their abolition.

<sup>1</sup> See the specimen Model Statement, Part VI, of the Report, Appendix I.

<sup>2</sup> These tables contained particulars on the following points:

Table A — Expenditure on pay of reserves;

Table B — Expenditure on shipbuilding (new construction; maintenance and repairs);

Table C — Statement of the amount not utilised at the end of the financial year out of block credits voted in respect of expenditure for more than one year;

Table D — Statement of amounts outstanding in respect of credit purchases or deferred payments;

Table E — Statement of subsidies granted in the form of advances to, or participations acquired in, enterprises having among their objects the furnishing of goods or services for armament purposes where such expenditure has been excluded from the return on the ground that it was not regarded as armaments expenditure;

Table F — Expenditure on pensions;

Table G — Chief alterations made during the year in (a) provisions concerning the grant of pensions, (b) provisions concerning taxes on pay, (c) provisions regarding social insurance or similar privileges granted to personnel.



79. On the other hand, it attaches particular importance to information regarding the amount of the funds remaining at the disposal of each State at the end of each financial "exercice" and also to information regarding a statement of the reasons advanced by States to justify the exclusion from the Model Statement of expenditure on subsidies to private firms engaged, *inter alia*, in manufacturing war material in time of peace—when, it is claimed, that they were not granted to the firms in question for specifically military purposes.

80.<sup>1</sup> It also attaches special importance to being informed of the liquidation figures in respect of material delivered but not paid for during the course of each financial year. This table is of great importance from the point of view of the system proposed by the Technical Committee in order to prevent States from using credit purchases and deferred payments as a means of procuring during any one year armaments to a value in excess of the limitation figure fixed for its expenditure.

81. Lastly, the Committee deems it necessary to provide a table in which the States would supply information regarding contributions in kind and free services rendered to the armed forces and the formations organised on a military basis.

82. Strictly speaking, there would no longer be any annexed tables, the Model Statement being followed by the following particulars:

*National Defence Pensions.*

1. Ordinary Pensions.

Optional: Pensions granted as a result of the reduction of armaments.

*Other Special Information appended to the Model Statement.*

2. Difference between the initial amounts of the block credits voted for several years and any part of such credits already entered in the budgets, including the budget for the year to which the Model Statement refers.
3. Difference between carry-forward credits—that is to say, credits which may be used for payments to be made during the year or subsequent years and payments in respect of such credits shown in the accounts for the former.
4. Authorisations to enter into commitments granted apart from credits voted in the budget of the year to which the Model Statement refers.
5. Difference between the block credits dealt with in special accounts and payments already made against such accounts, including those made during the year in respect of which the Model Statement has been compiled, together with all other credits available in special accounts.
6. Credit balances of autonomous establishments remaining at the disposal of those establishments.
7. Amount liquidated and not paid for materials supplied and services rendered.
8. Expenditure not included in the Model Statement for subsidies to and participations in private undertakings having among their objects the furnishing of war material in peace-time.
9. Various information regarding unpaid services and contributions for national defence.

XVIII. RECONCILIATION TABLE — DEROGATIONS.

83. In order to fill up the Model Statement, the States are obliged to rearrange under a limited number of headings their total national defence expenditure, at present shown in a large number of accounts. It is clear that the usefulness of the Model Statement would be greatly impaired if sufficient explanations were not given. The Committee

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<sup>1</sup> See the reservations on pages 153, 155 and 159 of volume I of the Report.

therefore considers it essential for the machinery of limitation and publicity of expenditure that the States should supply explanatory tables (*reconciliation tables*)<sup>1</sup> showing exactly how the various items in the accounts of each State have been transferred to the Model Statement.

84. The Model Statement, annexed information, reconciliation tables and closed accounts will provide the Permanent Disarmament Commission with practical instruments for the supervision of limitation and publicity obligations.

85. *Derogations.* — The reconciliation tables should bring out and explain with all due clarity the extent to which the States have been obliged to derogate from the rules adopted by the Conference for the transfer of the figures in the accounts to the Model Statement in such a way as to make it possible accurately to ascertain the content and meaning of the total shown in the Model Statement supplied by each State and each of its tables or sub-heads. It is understood that the Conference will itself decide to what extent the States shall be entitled to have recourse to such derogations.

#### XIX. PUBLICITY OF CREDITS AND EVIDENCE OF LIMITATION.

86. In order to diminish the inconvenience arising from the necessary delay in producing the Model Statement based upon actual payments, the Technical Committee considers that the States might be asked to forward to the Permanent Disarmament Commission—at least during the earlier years of application of the Convention—a Model Statement based upon the budgets as voted. In cases in which the budgets are voted after the beginning of the financial year, the Committee proposes that special arrangements should be made. The early submission of the Model Statement based upon budgets voted will enable the Permanent Disarmament Commission to form some idea of the extent to which these credits are consistent with the limitation undertakings.

87. The Committee has also enquired into the possibility of asking States to notify to the Permanent Disarmament Commission, shortly after the conclusion of the budgetary year of twelve months, the total actual payments made during these twelve months irrespective of the origin of such liabilities. This account of disbursements, which could not be submitted in the form of the Model Statement and cannot be employed as evidence of compliance with the limitation obligations, would nevertheless afford valuable information regarding the total payments actually made by the various States in the course of each financial year. The submission of this annual account of disbursements would be easier in the case of countries whose accounts show the total payments made during the financial year, and more difficult in the case of those countries which enter in their accounts the payments made, not merely in the twelve months of the financial year, but during an additional period also. In regard to all countries, however, further study will be required to ascertain whether the production of such accounts is really feasible. It would also be desirable to consider whether certain States having brief additional periods could not rapidly furnish accounts of disbursements during the twelve-monthly period in respect of the financial year, with the addition of disbursements made on that account during the additional period.

Moreover, with a view to the rapid production of the closed accounts, the Committee recommends that the additional periods should be shortened.

88. The Committee also recommends that the Permanent Commission should be supplied with draft budgets, budgets as voted, certain laws and regulations to which the Commission might find it useful to refer, and also various information regarding changes in administrative and financial methods.

89. The Model Statement based upon the budgets voted, the accounts of annual disbursements, the Model Statement based upon payments actually made and constituting evidence of compliance with the limitation obligations, are all links of a single chain. They will furnish the Permanent Disarmament Commission with sufficient data to enable it to satisfy itself that the expenditure of the States remains below the fixed limits.

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<sup>1</sup> For models, see Part VI of the Report, Appendix II.

90. In the Committee's opinion, this supplementary publicity, which could be produced in a shorter space of time, would to some extent permit in a preliminary supervision over the obligations of the contracting parties. It would go a long way towards overcoming the drawbacks of the lengthy period which must necessarily elapse before the audited payment figures taken from the closed accounts can be published. If the Permanent Commission received in succession the Model Statement of budgetary credits a few months after the beginning of the financial year, the account of annual disbursements immediately after the close of that year and, lastly, the Model Statement of payments made, it would, with the help of the other documents which are also to be communicated, be progressively enlightened as to the importance of the financial effort devoted by each country to national defence, the true object of the expenditure and therefore the fulfilment by the various States of their contractual obligations. The feeling of security of the contracting States would thus be strengthened.

#### XX. TECHNICAL OBSERVATIONS CONCERNING THE SUPERVISION BY THE PERMANENT DISARMAMENT COMMISSION OF THE PROVISIONS RELATING TO THE LIMITATION AND PUBLICITY OF EXPENDITURE.

91. Taking as a basis the report by the Bureau of the Conference (document Conf.D./Bureau 39<sup>1</sup>) concerning supervision, the Technical Committee has endeavoured to define the part which should be played by the Permanent Disarmament Commission as regards the supervision of the provisions of the Convention relating to the limitation and publicity of expenditure.

92. In the first place, this supervision will involve the verification of the regularity—*i.e.*, the accuracy—of the payment figures inserted in the Statements. This verification will be effected on the basis of the closed accounts and other official documents, with the help of the reconciliation tables drawn up by each contracting party.

93. The Permanent Disarmament Commission will also be entitled to ask for "any additional particulars and explanations it may consider necessary", as laid down in paragraph 7 of document Conf.D./Bureau 39.

94. The Committee endeavoured to define the exact scope of this last-named provision as regards the limitation and publicity of expenditure.

In view of the authenticity of the figures entered in the closed accounts, the Committee considers that, as a general rule, it will not be necessary to ask for additional particulars in regard to them.

In view of the paramount importance of the accuracy of the amount of the total national defence expenditure of each State, the Committee considers it necessary to provide that the Permanent Commission will be entitled to ask the State concerned for any further particulars and explanations, should the Commission have reason to believe that certain national defence expenditure has been excluded from the Model Statement.

This would also apply to the total expenditure on the three forces and expenditure on land and naval material, should these totals be limited separately. On the other hand, in the case of items in the Model Statement which are not specially limited, the Committee desires to point out that the publicity figures seem to it less important than the figures subject to limitation, and that, on that account, the verification may be less strict in the case of the various items of the Model Statement drawn up with a view to publicity.

95. The Committee examined whether the exercise of strict supervision for the limitation of expenditure might require the presentation of documents usually regarded as secret. In this connection, the Committee wishes to observe that, for the purpose of

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<sup>1</sup> The above mentioned documents of the Bureau have not yet been approved by the Conference. It is therefore understood that the observations made in the present chapter with reference to the views set forth in the said documents must necessarily be of a provisional character and that, if the Conference's decisions are not in accordance with the Bureau's proposals, they will have to be taken into account as regards verification of the limitation and publicity of expenditure.

checking the accuracy of the total national defence expenditure, it will, in its opinion, be sufficient to refer, by means of the reconciliation table, to the closed accounts and, if necessary, to ask for certain additional particulars which are not of a secret nature.

96. The Committee, considering separately the initiation of the procedures for readjustment of limits in the case of fluctuations in the purchasing power of currency and for the deduction of unforeseen and exceptional expenditure, wondered whether the strict verification of proofs and evidence supplied by States would not mean that they must produce certain information, such as contracts or statistics, which States themselves do not generally make public.

Although this is a general problem relating to the exercise by the Permanent Disarmament Commission of supervision over all contractual obligations arising out of the Convention, the final settlement of which rests with the Conference itself, the Technical Committee feels that it is not exceeding its powers in expressing the opinion that, in such cases, the Permanent Disarmament Commission might, for practical purposes, rest content with the explanations given by the Governments and that the latter should not be required to produce unpublished documents.<sup>1</sup>

97. The supervision exercised by the Permanent Commission should not, in the Committee's opinion, simply be confined to the verification of the figures in the Model Statements. The Committee considers that, with the help of supplementary Model Statements based on estimates of expenditure and the various particulars which it proposes should be communicated to the Permanent Commission, the latter will be in a position to observe the trend of the financial effort devoted by States to their national defence. It considers that this will enable the supervision to be improved during the application of the Convention.

98. The task which will have to be assumed by the Permanent Commission in connection with the supervision of a Convention for the limitation and publicity of expenditure will be of great importance and will doubtless involve a considerable amount of work. The Committee accordingly considered it expedient to propose that a sub-committee of the Permanent Disarmament Commission should be specially responsible for all problems relating to the publicity and limitation of expenditure. This sub-committee should consist of persons with an expert knowledge of public accounting and general and military administration. It should possess a secretariat which should include officials with expert qualifications.

#### **XXI. THE EXPENDITURE ON ARMAMENTS OF THE VARIOUS COUNTRIES DOES NOT PROVIDE A CRITERION FOR COMPARING THEIR ARMAMENTS.**

99. The uniform presentation of expenditure in the framework of the Model Statement does away with the differences of form which exist in the accounting systems of the various States, but it cannot remove the deep divergencies resulting from the very nature of things and from the character of the various national institutions.

100. The Committee found that there was no common measure of comparison for expenditure on armaments. The conversion of the expenditure figures of the various States into a currency selected as a standard cannot furnish any precise elements of comparison. If currencies fluctuate, whereas internal prices remain comparatively stable, the conversion on the same date of the expenditure figures of the various States into a standard currency will lead to absurd results.

101. The rate of remuneration of personnel and the cost of maintenance of effectives vary very widely. These differences are due to the different methods of organisation of the armed forces and to the varying standards of living in the several countries.

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<sup>1</sup> Colonel KISSLING (Switzerland) and Mr. LYON (United Kingdom) express the opinion that, although, as a general rule, the production of unpublished documents would not be necessary, they might need to be produced in exceptional cases.

102. The differences are less pronounced in the case of the cost of production of material. While the cost of production of certain material in the various countries sometimes differs appreciably, there are cases in which these discrepancies cannot, quality being equal and conditions of production similar, be very great. In such cases the relation between the cost prices at a given moment cannot vary considerably from one year to another.

103. Moreover, it is always difficult, when attempting to compare the expenditure of the various countries on armaments, to draw a parallel between comparable elements.

104. For these reasons, the Committee *considers that, taking countries or regional groups as a whole, a comparison of expenditure on armaments cannot furnish any precise information as to the relative size of the actual armaments.*<sup>1</sup>

105. The Committee nevertheless considers that, if the facts are correctly interpreted, and above all if variations in the purchasing power of the currencies are taken into account, the comparison of the expenditure returns of the same State from year to year will enable the evolution of its expenditure on armaments to be followed and will provide very useful information as to the variations of its armaments themselves.

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106. *The Technical Committee, in strict conformity with its terms of reference, considers that the present report embodies reasoned replies to all the questions referred to it and that these replies will enable the Expenditure Commission to come to the necessary decisions on the subject of the limitation and publicity of expenditure.*

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The Committee wishes to place on record its deep appreciation of the services of the members of the Secretariat associated with it in its work, and of their invaluable co-operation in the production of this report.

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GENERAL RESERVATION SUBMITTED BY M. ANDO, MAJOR-GENERAL BARBERIS  
AND M. WORBS.

Noting that in certain countries there are technical difficulties which stand in the way of the successful operation of the system of budgetary limitation recommended by this report;

Considering it indispensable that the said countries, in order to surmount these difficulties, should make vigorous efforts to adjust or modify their budgetary and financial systems and the method and time-limits of submission of budgets and closed accounts;

Being unable to anticipate in the present economic state of the world that fluctuations in the purchasing power of currencies in the near future will not render inoperative the system of limitation of expenditure or will not stand in the way of its successful working.

M. ANDO, Major-General BARBERIS and M. WORBS believe that, from the technical point of view, a period of from four to five years must be provided during which the system of publicity alone can be applied and after which the situation should be re-examined in order to ascertain whether at that moment it is possible to apply the system of budgetary limitation recommended in this report—*i.e.*, to frame a convention on the legal basis of the payments effected.

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<sup>1</sup> See reservation on page 210 of volume I of the Report.

**RESERVATION BY LIEUT.-COLONEL G. V. STRONG (United States of America).**

In the opinion of the American expert, the report of the Technical Committee constitutes a thorough, painstaking and valuable contribution to the work of the Conference. The report evidences the impracticability of measures of budgetary limitation at this time. However, it does indicate, not only the value, but also the practicability of application in so far as budgetary publicity is concerned. Budgetary publicity may give valuable indications in showing the trend of national defence expenditure on the part of the nations which are parties to such publicity.

In signing the report of the Technical Committee, the American expert limits his concurrence therein to measures of budgetary publicity and makes full reservation on all subjects which deal with budgetary limitation.

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Geneva, April 8th, 1933.

**LEAGUE OF NATIONS**

**CONFERENCE FOR THE REDUCTION AND LIMITATION  
OF ARMAMENTS**

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**NATIONAL DEFENCE EXPENDITURE  
COMMISSION**

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**REPORT  
OF THE  
TECHNICAL COMMITTEE**

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**Volume II**

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**SUMMARY OF THE INFORMATION**

supplied to the Technical Committee on the Subject of the Defence Expenditure of the Several States.

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**RECAPITULATORY TABLES OF THE MODEL STATEMENT.**

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Table for Conversion of Currencies.

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Series of League of Nations Publications

IX. DISARMAMENT

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<sup>1</sup> In order to facilitate simultaneous reference to the French and the English texts, the States have been listed, in the two editions of this volume, in the alphabetical order of the French text.

<sup>2</sup> The summary concerning the Union of Soviet Socialist Republics, which has not yet been finally revised by the Soviet delegation, will be published as an addendum to this volume.



## INTRODUCTION

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### I.

The Technical Committee of the National Defence Expenditure Commission set up by the Conference for the Reduction and Limitation of Armaments considered that it would be valuable to append to the text of its report a *Summary* in which the reader would find an account of the characteristic features of the budgetary system in force in each of the countries whose documents have been examined by the Committee, together with the most important facts relating to the national defence expenditure of these States.

This Summary forms Volume II of the Technical Committee's Report.

### 2. COMPILATION OF THE SUMMARY OF INFORMATION.

As has already been stated in paragraph 6 of the Introduction to the Technical Committee's Report (Volume I, pages 5 to 6), which includes a description of the procedure adopted by the Committee for the examination of the documents submitted by the various States, a summary of budgetary information relating to national defence expenditure and also to the methods employed in filling up the Model Statement was drawn up by a sub-committee of rapporteurs in respect of each of the States examined. These summaries were based upon the written information communicated by the delegations concerned, together with the oral explanations which their representatives were good enough to give before the Committee itself.

A drafting sub-committee was entrusted with the task of revising the various summaries, with a view to ensuring the necessary uniformity of presentation.

To facilitate reference, an effort has been made to present the various particulars in a form and according to a plan as nearly identical as possible in the case of all countries, to each of which a separate section has been devoted. At the same time, it was essential that this process of compilation and classification should not lead to the slightest distortion of either the meaning or implications of the material supplied by the delegations. The Committee has more especially refrained from comment and the enunciation of conclusions in matters of principle; instead, it has confined itself as strictly as possible to the facts and figures obtained from the documentation submitted for its examination.

*The text of this Summary of Information is published under the responsibility of the Technical Committee; all the particulars which it contains have been approved by the representatives of the delegations concerned.*

### 3. SUBDIVISIONS OF THE SUMMARY.

The sections of the Summary dealing with the respective countries are divided into five parts, which in turn are subdivided as follows:

#### A. *Budgetary System.*

1. Preparation of the draft budget.
2. Discussion and voting of the budget.
3. Publication of the draft budget, budget and accounts.
4. Conditions governing the expenditure of credits.
5. Division of expenditure in budget and accounts.
6. Unity of the budget.
7. Supervision during the execution of the budget.
8. Final audit.

Under this heading will be found the fullest possible information regarding the budgetary system in force in each country. It has been compiled in the light of the Governments' replies to the questionnaire specially drawn up by the Technical Committee (document Conf.D./C.D./C.T.6), supplemented by written and verbal particulars furnished by the delegations in the course of the Committee's enquiries.

B. *Identification of National Defence Expenditure.*

1. Budgetary year.
2. Budgets and accounts.
3. The Model Statement.
4. Execution of the budget.
5. The accounts.
6. Audit and publication of the accounts.

C. *Expenditure included in the Model Statement.*

1. General remarks.
2. Military Departments.
3. Civil Departments.
4. Special questions.

D. *Distribution of National Defence Expenditure among the Tables, Heads and Sub-heads of the Model Statement.*

1. Separation of expenditure on the three forces.
2. Coast defence.
3. Optional columns.
4. Division of expenditure between the sub-heads of the Model Statement.
5. Head IV—Separation from other heads.
6. Head IV—Division between sub-heads.
7. Special questions.

E. *Tables annexed to the Model Statement.*

Tables A to F.

4. ANNEXES TO THE SUMMARY.

*List of Documents.*<sup>1</sup>

To each of the sections devoted to the respective countries has been appended a list of the documents supplied by the delegations of the countries concerned. This list includes the documents containing the Technical Committee's observations, the Governments' replies to such observations, and the Minutes of the meetings at which the Committee examined the documentation in the presence of the representatives of the various States.

*Recapitulatory Tables of the Model Statements.*

In order to assist readers of the Summary of Information, which makes frequent references to the Model Statements, tables have been included at the end of the present volume showing in a summarised form the figures entered in the last column of the Model Statements as presented by the various States. But these tables do not include figures furnished by the States in the Tables annexed to the Model Statement.

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<sup>1</sup> *Notes.* — These documents have not all been reproduced by the Secretariat of the Conference. The whole of the documentation used by the Technical Committee was deposited in Room M in the Committee Building for consultation by the delegations taking part in the Conference.

**SUMMARY OF THE INFORMATION**

**supplied to the Technical Committee  
on the Subject of the Defence Expenditure  
of the Several States.**

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## GERMANY.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The budget is prepared by the Departments. The Minister of Finance centralises all the estimates of expenditure of the various Ministries. He may, in principle, reduce those estimates. If there is any disagreement between the Minister concerned and the Minister of Finance upon a specially important question, the draft budget is drawn up by the Council of Ministers. If, however, the Council of Ministers approves the expenditure contrary to the advice of the Minister of Finance, the latter may maintain his objection and require a second vote to be taken. The expenditure can then only be approved by a majority vote of all the Ministers and provided that the Chancellor of the Reich has voted with the majority.

#### 2. *Discussion and voting of the Budget.*

(a) The draft budget, drawn up as explained in paragraph 1, is first submitted to the Reichsrat. If this Assembly's resolutions differ from the Government's draft budget, the latter can either insert the resolution of the Reichsrat in its draft or submit its own proposal to the Reichstag, stating to what extent it differs from the resolutions of the Reichsrat.

The Reichstag cannot increase the total expenditure inserted in the draft budget, or insert new expenditure without the approval of the Reichsrat. The Reichstag may, however, increase the total expenditure or insert new expenditure without the approval of the Reichsrat by a second vote with a two-thirds majority. In practice, any increase decided upon in this manner must be covered by new funds.

Both in the Reichsrat and in the Reichstag, the draft budget is examined by commissions (*Haushalt-Ausschuss*). The discussions of the commissions are not public. Those of the Reichstag Commission are incorporated in reports which are printed but not published.

The budget is debated in public at plenary sessions of both the Reichsrat and the Reichstag. The debates of the plenary meetings are recorded in a report. The verbatim report of the Reichstag debates is published.

(b) National defence expenditure is voted, *each year*.

(c) Expenditure is, in principle, authorised by law.

In very exceptional circumstances, however, the President of the Republic may introduce a provisional budget by decree (Article 48 of the Constitution).

During the execution of the budget, unforeseen expenditure or expenditure not sufficiently covered by budget credits may be effected as an exception with the consent of the Minister of Finance in urgent cases. If considerable expenditure is necessary outside the budget, the Government must submit a supplementary budget to Parliament.

Expenditure not authorised by the law must be specially mentioned in the accounts with a, explanation of its necessity and must be subsequently approved by the Reichsrat and the Reichstag. Authorisations for expenditure of this kind, in excess of 10,000 marks, must be communicated quarterly to the Reichstag.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget, the adopted budget and the final accounts form the subject of an official publication.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The credits voted represent actual financial provision.

The regularisation of expenditure in excess of credits takes place when the final account is laid before Parliament. The practice of authorising commitments in anticipation of the credits of a succeeding year is not practised in Germany.

Payments in respect of a given financial year can be made after the end of the budgetary year during a supplementary period fixed by the Finance Minister (in practice, one month and a half after the end of the budgetary year).

On the expiry of this period, no further payments can be made out of the funds allocated for the budgetary year which has just ended.

(b) In principle, the rule of *annuité* is observed—that is to say, that such credits as have not been utilised by the end of the year are automatically cancelled.

There exist, nevertheless, numerous credits which can be carried forward, and these relate almost exclusively to material. In the case of these credits, sums remaining at the end of the year can be utilised during a limited number of subsequent years without any fresh authorisation from Parliament; the assent of the Finance Minister has, however, to be obtained in advance in respect of each credit and each year. This period of extension is three years for non-recurrent expenditure in respect of extraordinary credits. It should be noted that the amount of credits carried forward appears in the closed accounts.

### 5. *Division of Expenditure in Budget and Accounts.*

(a) The expenditure of the Reichswehr is voted by main divisions (heads) and subdivisions (subheads). The divisions and subdivisions, of which there are a large number, clearly show the object of the expenditure.

(b) The closed accounts are drawn up in the same form as the budget.

(c) Transfers are possible between the heads and subheads of the budget, but only in respect of items specially so designated in the budget.

### 6. *Unity of the Budget.*

(a) All national defence expenditure is included in the budget of the Reich. In view of the possibility of the limitation of formations organised on a military basis, it should, however, be pointed out that a large part of the expenditure on police forces and gendarmerie figures in the budgets of the individual States.

There are no special accounts and funds relating to national defence.

Certain national defence expenditure figures in the budgets of the civil ministries; the proportion of this expenditure to the total national defence expenditure may be estimated at approximately 2.7 per cent.

Certain national defence expenditure which is not of a specifically military character but nevertheless concerns national defence is charged to the block credits included in the civil budgets.

Expenditure on the army (*Reichswehr*) and navy is shown separately.

As there is only one Ministry of National Defence, certain expenditure is common to the land and sea armed forces.

(b) With a few exceptions, the budgets and accounts show the gross expenditure.

### 7. *Supervision during the Execution of the Budget.*

During the execution of the budget, supervision is effected:

(a) Through the scrutiny of the responsible administrative authorities; each authority is responsible for the payments which it has made;

(b) Through the supervision of commitments by a special budget official in each Ministry who is known as the Budget Rapporteur.

This official is under the orders of the Minister to whom he is attached. He has the right to challenge any commitment and also payment warrants. This right may, however, be overridden by the Minister or Secretary of State in office under orders whose the Budget Rapporteur is placed.

The Budget Rapporteur acts on behalf of the Minister to whom he is responsible and, at the same time, on behalf of the Finance Minister. The Finance Minister may also temporarily delegate a representative to the various Ministries for the purpose of obtaining any information which he may require. Such representative can insist upon all financial measures being submitted to him for his approval.

### 8. *Final audit.*

Final audit is provided for as follows:

(a) By the *Court of Audit*.

The Court of Audit is one of the highest authorities in the Reich and is independent of the Government and of Parliament. Its members are irremovable. They cannot, without their own consent, be deprived, permanently or temporarily, of their posts, except in consequence of a judicial decision and for the reasons and in the manner prescribed by law.

The Court of Audit checks the State accounts and draws up a report summarising its most important findings. It transmits this document to the Finance Minister of the Reich, who lays it before Parliament and invites that body to discharge the Government of the Reich from all

further responsibility. If the audit reveals deficits arising out of illegal or irregular measures, the Court of Audit must take such steps as are necessary to have the deficits covered.

The accounts drawn up by the Ministerial Departments and the Reich General Fund are used by the Court of Audit as a means of checking the whole of the Reich's revenues and expenditure. The Court of Audit can carry out local inspections. Its members have the right to call for accounts to be submitted to them. It is the court's right and duty to ascertain whether the administrative authorities have acted according to law and the administrative regulations, whether they have not exceeded the limits of the budget, and whether the necessary vouchers are available for all expenditure. The Court of Audit is the highest authority in matters relating to the auditing of the accounts.

(b) By *Parliament*, which discharges the Government of the Reich from all further responsibility on the basis of the Court of Audit's report.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year extends from April 1st to March 31st. A few weeks after the close of the budgetary year are allowed for payments in respect of commitments entered into before April 1st. This additional period is fixed each year by decree of the Minister of Finance. The books of the Reich Central Exchequer are, in practice, closed by May 15th at the latest.

### 2. *Budgets and Accounts.*

Although there is only one Ministry of National Defence, separate budgets and accounts are prepared for the military and the naval forces. There are no air forces.

### 3. *The Model Statement.*

The Model Statement has been drawn up on the basis of the last closed accounts available, which refer to the budgetary year which began on April 1st, 1930, and ended on March 31st, 1931. The tables relating to the two forces have been filled in.

The figures represent disbursements on the basis of gross expenditure.

The Model Statement is based upon the closed accounts of the Ministry of National Defence and of the civil Ministries in so far as the latter make provision in their budgets for expenditure on National Defence. There are no extra-budgetary funds available for national defence.

In drawing up the Model Statement, the figures in the closed accounts had to be subdivided to a large extent on the basis of the internal documents of the authorities or by estimated percentages.

The accounts have been audited and published.

### 4. *Execution of the Budget.*

The competent Minister gives to various subordinate authorities the right to issue orders for payment. Under the Regulations the pay offices of the Reich are prohibited from making any payments except on the written order of the competent authority or in compliance with the Statutory provisions. Orders for payment, to which must be attached the supporting vouchers, are regarded as accountability documents.

In addition to the heads of the departments concerned, the rapporteur attached to each Minister and the Court of Audit are also responsible for the supervision of the execution of the budget.

### 5. *The Accounts.*

The accounting system is based upon disbursements. The accounts show the commitments and disbursements during the budgetary year. The closed account usually gives gross figures. In cases where receipts under a certain budgetary head are intended to cover part of the expenditure under that head, the amount of the receipts (*Rückerinnahmen*) is inserted, both in the budget and in the account, in such a way that the gross figures can be found by adding together the amount of the expenditure and the corresponding receipts.

The closed account is prepared in the same form as the budget.

It includes all expenditure for national defence. There are no special accounts outside the general budget.

There is no autonomous State establishment for the manufacture of war material.

The accounts are closed on May 15th.

### 6. *Audit and Publication of the Accounts.*

The Reich closed account (*Reichshaushaltsrechnung*) summarises all the cash accounts of the various departments. The Minister of Finance certifies that they are in agreement with the

accounts of the Central Exchequer (*Reichshauptkasse*). As a rule, this account is printed and published during the six months following the close of the budgetary year before it is submitted to Parliament. The *exercice* account is then compared with the cash accounts by the Court of Audit, which certifies the correctness of the *exercice* account in its report, which is submitted to Parliament.

The Court of Audit is required to complete the audit of the accounts as soon as possible after the close of the *exercice*; there is no definite time-limit. Efforts are made, however, to complete the examination before the expiry of the following budgetary year.

## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. General Remarks.

(a) The relation between the accounts and the Model Statement has been established with the help of a reconciliation table.

(b) The Model Statement contains only expenditure in respect of the *armed forces*.

(c) The budgetary system has been found to oppose no obstacle to the inclusion in the Model Statement of all national defence expenditure.

(d) Departures from the instructions regarding universality of expenditure have been found in certain cases mentioned below.

### 2. Military Departments.

(a) The Model Statement show the total amount (gross) of *pay*, salaries and wages.

(b) Certain *advances* made in exceptional cases are not included in the Statement.

(c) *Exchange* differences are charged to the budgetary accounts of the Ministry of National Defence.

### 3. Civil Departments.

(a) The German Delegation has stated that no expenditure relating to aviation, in the sense of the draft Convention, is included in the budget of the Reich for national defence. Expenditure on the instruction and training of personnel authorised to receive instruction as air pilots or observers is not included in the Model Statement; the German delegation has stated that this expenditure is only for sporting and not for military purposes.

(b) The German Delegation states that the expenditure on the promotion of *physical training* and *sport* does not concern national defence.

(c) The expenses of the *Landesarbeitsämter* (provincial labour exchanges), are not included in the Model Statement. These are intended to help discharged soldiers to find civil employment. In the opinion of the delegation, these expenses could only be included in annexed Table F, if anywhere.

(d) Since the economic encouragement of the *automobile industry* is not intended to serve military purposes, the German delegation has not thought it necessary to include any part of this expenditure in the Model Statement.

(e) The value of the *exemptions from taxes and dues* in respect of supplies delivered to warships outside home waters and the value of other purchases abroad are not inserted in the Statement.

(f) The value of the *tariff reductions* allowed by the railways, estimated at 3,000,000 RM., is not included in the Statement. The delegation states that the rates granted to the military administration are not lower than is appropriate in the case of so important a user as the State.

(g) The share of the army in the *postal charges* inserted in the Statement was estimated with the help of a census of mails taken some years ago.

(i) The *cost of the auditing* of the military accounts by the Court of Audit is not included. The delegation considers that any allocation or estimation of this expenditure would be a purely arbitrary one.

(j) As the military authorities make no demand on the services of the *Red Cross* either in peace time or in war time, the German delegation thinks that none of the expenditure of the Red Cross should be entered in the Model Statement.

(k) Expenditure in respect of the *dismantling of fortifications* under the Treaty of Versailles is included in the Model Statement.

### 4. Special Questions.

(a) As regards *formations organised on a military basis*, no expenditure has been entered in the Model Statement. The question of principle as to what kinds of associations have a military character must remain open for all countries until a decision has been reached by the competent body.

(b) Expenditure in respect of the *police* is not included in the Model Statement, as the delegation considers that this is not a formation organised on a military basis.

(c) The work of the *Reichsamt für Landesaufnahme* for national defence is paid for out of credits for national defence without any reduction of price. This also applies to the *Chemisch-Technische Reichsanstalt*.

*Technische Reichsanstalt.*

(d) The German delegation states that the *Reicharchiv* does not work for national defence purposes.

(e) The Model Statement contains sums paid to the *autonomous funds* out of budgetary credits and not payments actually made from the said funds; the expenditure of those funds, however, corresponds almost exactly to the budgetary credits.

(f) The increase in the working capital fund for *stocks of supplies* has not been entered in the Model Statement, as the corresponding sum has been charged against the credit for expenditure on provisions for the troops.

(g) The expenditure entered in the Model Statement includes grants made to soldiers by way of *assistance*.

(h) The Minister of Finance informs the other Ministers by *separate* orders of the extent to which they benefit from the credits entered in the budget of another Department.

(i) Nothing has been spent on railway construction for *anti-aircraft defence* purposes, as there is no special organisation of this kind.

(k) Certain communes have built *barracks* to accommodate troops. These communes are paid by the Reich a rent corresponding to the interest and sinking fund on the capital outlay and this figure is shown in the Model Statement. The German delegation cannot give the amount of the capital thus invested.

(l) There are no *special funds and accounts* apart from the closed account of the Reich.

(m) There is no *autonomous State establishment* for the manufacture of armaments material.

(n) Neither the Reich nor the States nor the communes, nor any public organisation have any financial share in the *private* armament undertakings defined in Chapter 8 of the budgetary experts' report other than the subsidy granted to the Deutsche Werke. As regards this subsidy of 2½ million RM. to the Deutsche Werke, for the purpose of preventing the discharge of workmen, the German delegation agrees that this amount might be inserted in the Model Statement.

(o) There are no *extra-budgetary resources*.

(p) The Reichswehr has not received any *gifts or bequests*.

(q) *Deductions.* — Generally speaking, the Model Statement shows gross expenditure. As soldiers are not given free subsistence, an approximately equivalent amount is deducted from their pay. These deductions amount to about 5.4 million RM. in the navy.

The total expenditure of the Reich on subsistence of sailors appears in the closed accounts and is shown in the Model Statement. It is reduced by an amount of 272,379.04 RM., which corresponds to the increase in the working capital of provision stocks as well as to the value of the provisions taken from these stocks.

(r) *Pensions.* — Pensions and allowances in respect of loss of employment are omitted from the Model Statement and entered in Table F. The pensions include the *Wartegelder* and *Uebergangsgelder* paid only to persons no longer on the active list.

*Wartegelder* are paid to officials no longer employed owing to a reduction in the establishment, but who cannot be finally retired either because they are not invalids or are not yet 65 years of age.

(s) No expenditure effected by the Ministry of National Defence was covered from the *proceeds of a loan*.

(t) Nothing has been paid on account of *claims outstanding*.

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#### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUBHEADS OF THE MODEL STATEMENT.

##### I. Separation of Expenditure on the Three Forces.

There is no air force.

Expenditure on the army and navy is shown separately. This is possible because, though there is only a single Ministry of Defence, the expenditure of each service is shown under separate budget heads and in separate accounts. There are no services common to both army and navy.



The cost of the Ministry of National Defence itself is divided between the army and navy, the appropriate amounts being included under the corresponding budgetary heads.

2. *Coast Defence.*

This is included in the naval Model Statement. No expenditure in respect of coast defence is included in the Model Statement of the Army.

3. *Optional Columns.*

There are no oversea forces. Under the column "Formations organised on a military basis", the word "none" is entered. The German delegation states that there is no State expenditure on such organisations.

4. *Division between Subheads of the Model Statement.*

As regards expenditure by the Ministry of the Reichswehr, the figures in the Model Statement are based on the audited and published accounts of the two services. The difference between the form of the closed accounts and that of the Model Statement has caused considerable difficulties in distributing the figures of expenditure between the various subheads of the latter. Generally speaking, where an account figure had to be split over a number of subheads this has been done on the basis of internal but unpublished accounts and, in particular in the case of head IV, by means of estimates.

For the most part, the amount of defence expenditure incurred by civil departments and its allocation to the appropriate subheads of the Model Statement have been calculated on an estimated basis.

5. *Head IV: Separation from the other Heads.*

No special difficulties were experienced in isolating the expenditure under head IV for the army or navy, other than those experienced in connection with the other heads and subheads. All overhead charges are included in head IV. In the case of the navy, they are included in the price of material purchased from the Deutsche Werke, a private firm which does not publish its accounts. There is a State depot at Kiel where material is repaired and a Government naval dockyard at Wilhelmshafen. The overhead charges in respect of these establishments which are shown in the Model Statement are based on estimates. The accounts of the establishments at Kiel and Wilhelmshafen are included in the general accounts.

The expense of conveyance of war material, other than that relating to delivery in the first instance, has been charged to subhead M(a) and not to subhead G.

6. *Head IV: Division between Subheads.*

In subhead L have been included, besides expenditure on new construction as directed by the budgetary experts' report, expenditure on armament, torpedoes and ammunition. Expenditure on these items cannot be separated and shown under M.

Owing to the nature and form of the German accounts, the pay of soldiers and officials connected with the head IV establishments is not included in subheads M and M(a), but in subheads A, B, and C.

It would be possible to divide this expenditure between subheads M and M(a).

7. *Special Questions.*

(a) *Civilian Employes.* — Salaries of civilian personnel other than non-permanent personnel employed on ship-building are entered under subhead C. It would be very difficult to distribute the total sum over the various subheads in accordance with the budgetary experts' report.

(b) *Cash Allowances.* — All cash allowances are included in the pay subheads.

(c) *Nurses.* — The salaries of nurses are included under subhead E, and not under C or A.

(d) *Telegraphic and Telephonic Instalations in Fortifications.* — These are regarded as war material and expenditure thereon is included in subhead M(a), and not K.

(e) *Targets.* — Expenditure on targets is included under head IV, as the German delegation considers them as war material.

(f) *Cartographical Services.* — This expenditure is regarded as expenditure on war material and is shown in subhead M(a), and not E.

(g) *Meteorological Services.* — Expenditure on these services is shown under subhead E.

## E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Preliminary Remark.* — Germany has given a single set of annexed tables for the two armed forces.

*Table A.* — No observation regarding the entry "nil".

*Table B.* — (a) The total figure in this table is the same as the total in subhead L of model statement C.

(b) This includes expenditure on the upkeep of vessels when at sea.

(c) In Germany, the expenditure on naval construction includes the following: Auxiliary engines, armour, gun-mountings, boats and sloops, navigating instruments, hydrographic charts, fittings, electrical equipment and wireless, torpedo-tubes and equipment, fire control apparatus with electric distribution system, searchlights, optical and sound apparatus of all kinds, all other equipment, accessories, spare parts, etc., for vessels.

The same applies to expenditure on the armament of vessels, torpedoes and ammunition.

(d) The German delegation has submitted a reconciliation table to explain the figures in Table B.

*Table C.* — The German delegation has entered "nil" in this table, but there are, in Germany, credits which can be carried forward and used for the period of three *exercices*.

*Table D.* — No observation regarding the entry "nil".

*Table E.* — The only *subsidy* to be noted is that to the Deutsche Werke.

*Table F.* — (a) The totals shown in the table cannot be split up as recommended in the report of the Committee of Experts.

(b) A reconciliation table has been supplied.

(c) The *Zuwendungen* are included in the pensions. The same applies to the *Wartegelder*

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### List of Documents.

Budgetary System: Reply of the German Delegation to the Questionnaire of the Technical Committee (document Conf. D./C.D./C.T.16).

Model Statement and Annexed Tables (document C.524.M.219.1931.IX, Annex [Conf.D.9]).

Explanations in regard to the Method followed in filling up the Model Statement and the Reconciliation Tables. Reconciliation Tables (document Conf.D./C.D./C.T.59).

Budget for the Year 1930 (*Reichshaushaltsplan. Entwurf für das Rechnungsjahr 1930 nebst Einzelplänen*), 2 volumes,

Account for the Year 1930 (*Reichshaushaltsrechnung. 1930*), 2 volumes.

(The Army (*Reichswehr*) and the Navy (*Reichsmarine*) are included in Part VIII (*Einzelplan VIII*) of the budget and the accounts, which can be obtained separately.)

Observations of the Technical Committee (document Conf.D./C.D./C.T.86).

Replies of the German Delegation (document Conf.D./C.D./C.T.98 and *erratum*).

Minutes of the Audition Meetings (documents Conf.D./C.D./C.T./, P.V. Audition 9 (and two *corrigenda*), 9 (a) (and *corrigendum*)).

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## BELGIUM.

### A. BUDGETARY SYSTEM.

#### 1. Preparation of the Draft Budget.

The budget is prepared by the different departments. The estimates of the various Ministries are passed to the Finance Minister, who submits them to the Budget Committee (*Comité du budget*). The latter, of which the Finance Minister is the Chairman, consists of high officials of the Finance Ministry, and is empowered to summon before it the chief officials of the different administrative departments who are concerned with the preparation of the budget. Its task is to examine and co-ordinate the proposals submitted to the Finance Minister by the different departments, and to bring them into accordance with the revenue estimates.

After the Finance Minister has balanced his budget in accordance with the recommendations of the Budget Committee, he forwards it to the Treasury Committee (*Comité du trésor*), a Committee of the Council of Ministers charged with the preparation of the decisions of the Council of Ministers, which is the body ultimately responsible for drawing up the budget.

#### 2. Discussion and Voting of the Budget.

(a) The draft budget, on being drawn up as explained under No. 1 above, is laid before either the Chamber or the Senate.

In both Houses it is examined by budget commissions. The proceedings of these commissions, which are not public, are the subject of reports that are printed and published.

The budget is debated publicly in plenary meetings both of the Chamber and of the Senate. The debates of these plenary meetings of the two Houses are public and are recorded in a report which forms the subject of a special official publication.

(b) National defence expenditure is voted each year. But the regular practice in Belgium is that the vote should only be taken during the current financial year, provision being made for the expenditure of the initial months by a parliamentary vote giving provisional credits on the basis of the previous year's budget.

(c) Expenditure is approved by law.

#### 3. Publication of the Draft Budget, Budget and Accounts.

(a) The draft budget is published with an explanatory statement.

(b) The budget as voted is published as an official document.

(c) In principle, the final accounts are published. They are enacted by vote of the Legislature.

#### 4. Conditions governing the Expenditure of Credits.

(a) The voting of a credit by Parliament defines the total expenditure in respect of which orders for payment can be issued during the year and during the supplementary period of ten months, provided that the date of the commitment falls within the year.

Payments in respect of orders for payment must be effected before the end of the additional period, if they are to be included in the closed accounts of the *exercice*. After that date, they may be made up to the end of the fourth year following the relevant budgetary year, being charged to a special audit account which forms part of the closed accounts each year.

The closed accounts thus show all the payments made during the twelve months of the budgetary year and during the supplementary period; further, payments in respect of previous years effected during a given year appear in the above-mentioned audit account, which is inserted in the closed accounts immediately after the budget accounts properly so called. It is thus possible to ascertain the total payments effected during the year.

(b) The rule regarding annual budgets (*annualité*) is observed—that is to say, that any portion of the credits voted which has not been expended by the issue of orders for payment at the close of the supplementary period is automatically cancelled.

Exceptions to this rule occur in the case of the following credits which may be carried forward to the succeeding *exercice*:

(1) Credit balances which, at the end of the supplementary period, have not been expended under orders for payment, but in respect of which commitments exist in favour of creditors of the State, for work forming the subject of contracts and in process of execution.

(2) As an exceptional measure, and by virtue of a decision of the Legislature, certain credit

balances which, at the end of the additional period, had not been expended under orders for payment—as, for example, the credits allocated in 1931 for frontier defence organisation.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The budget estimates of the National Defence Ministry and the estimates of the military expenditure of the colonies are shown by sections, chapters, articles and paragraphs (*litteras*). The credits are voted by articles.

The chapters, articles and paragraphs are very numerous. These subdivisions, which are very detailed, show clearly the object of the expenditure.

(b) The final accounts are drawn up in the same form as the budget.

(c) Transfers between sections, chapters and articles are forbidden, unless a special provision authorising transfers is made in the finance bill. Such authority is altogether exceptional, and the national defence budget for 1930-31 has no provision of this kind.

Transfers between subdivisions of articles (paragraphs) are, in principle, allowed.

#### 6. *Unity of the Budget.*

(a) All national defence expenditure is provided for in the general budget of the State or in the budget for the colonies. The latter covers the whole of the military expenditure of the colonies.

A certain amount of national defence expenditure appears in the civil budgets. The proportion of this expenditure to the total national defence expenditure may be put at less than 1 per cent.

There is only one national defence budget; it does not show provision for the Air Force separately; but expenditure on material for the Air Force is shown under separate items.

(b) The budgets and accounts show gross expenditure.

#### 7. *Supervision during the Execution of the Budget.*

Supervision of the budget in course of execution is exercised in the following manner:

(a) By the responsible administrative authorities;

(b) By means of the control of commitments by representatives of the Finance Minister.

The representatives of the Finance Minister are empowered to call for all documents, information and explanations in regard to all commitments, irrespective of the nature of the credits under which they are incurred.

They communicate their observations both to the Finance Minister and to the Court of Audit. Their independence in relation to the Ministries whose expenditure they supervise is completely ensured by special statutory provisions. No penalties can be imposed on them without a previous expression of opinion by the Court of Audit. They are bound to refuse to endorse any expenditure irregularly incurred. The Council of Ministers may in such case compel them to endorse it; but, in that event, a copy of the discussions of the Council of Ministers on the subject must be forwarded to the Court of Audit.

(c) By the Court of Audit, which endorses the orders for payment after ascertaining that the expenditure is regular and that credits for the purpose are available. Where the Court refuses its endorsement, it must inform the Council of Ministers of the reasons for its refusal. If the latter considers that it should be overruled and the payment made, the Court endorses the payment subject to reserve, and reports immediately to both Houses of Parliament.

#### 8. *Final Audit.*

Expenditure is checked *ex post facto*:

(a) By the Court of Audit.

The Court of Audit is a creation of the legislature. It is appointed by the Chamber for six years, and the Chamber can at any time cancel the appointments of its members. The members of the Court are, however, completely independent of the executive.

At the close of the period covered by the budget, the Court of Audit draws up a report, in which it summarises the results of its observations. It draws up in their final form and audits the public accounts of the State, and communicates all its observations and suggestions thereon to the Government and Parliament. The Court of Audit is the highest auditing authority.

The Court of Audit also has supervisory powers of a judicial character. It can pass legally enforceable judgments on the accountants, the effect of which is to establish their pecuniary liability.

(b) By Parliament which, in the light of the Court of Audit's report on the State accounts, enacts the accounts for each budgetary year as a law.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from January 1st to December 31st. There is an additional period of ten months (up to October 31st of the following financial year) during which payments may be made relating to commitments of the budgetary year. The Belgian delegation stated that there would be difficulty in attempting to shorten this additional period.

No commitment in respect of a budgetary year can be entered into after December 31st.

### 2. *Budgets and Accounts.*

There is only one Defence Ministry. There is no navy, and expenditure on the Air Force is combined in the accounts with expenditure on the Army. This creates certain difficulties in the preparation of the Model Statement for the two forces.

### 3. *The Model Statement.*

The Model Statement relates to the budgetary year 1930. The tables relating to the land and air forces have been filled in.

The expenditure shown in the Model Statement covers all orders for payment issued between January 1st, 1930, and October 31st, 1931, relating to 1930, including orders for payment relating to credits transferred from previous years to 1930. The figures show gross expenditure.

As the closed accounts for the 1930 *exercice* have not yet been published by the Finance Minister, the Model Statement is based on the last available accounts for that year as prepared by the administrative departments concerned. These comprise the orders for payment issued in respect of the army budget, the gendarmerie budget, the budgets of certain civil departments which perform services on behalf of the Ministry of National Defence, the colonial budget. The accounts of the army, the gendarmerie and the civil departments mentioned above represent expenditure at home. The colonial accounts represent expenditure in the Belgian Congo and the mandated territory of Ruanda-Urundi.

The orders for payment of 1930, which form the basis of the Model Statement, have not been submitted to Parliament, but, as regards home expenditure, they have been certified by the Court of Audit. They will be published probably in 1935 by the Finance Minister in the closed accounts, which will also show payments. As regards expenditure in the colony, the orders for payment, owing to the length of time involved in transmission of documents, have not yet received the certificate of the Court of Audit; few changes in the figures are anticipated, however.

### 4. *Execution of the Budget.*

All orders for payment are issued by the Ministers or their representatives at the Central Administration; in the case of transactions effected in Europe, no order for payment can be issued without prior sanction of the Court of Audit.

As regards expenditure in Africa, it is impossible to adopt the system of prior countersignature of orders for payment by the Court of Audit; the limitation of expenditure to the amount of the relevant credits can and must be ensured by the supervision exercised by the Administration itself. Documents in support of orders for payment of expenditure in Europe on behalf of the colonies are forwarded to the Court of Audit within three months. In the case of expenditure in Africa, the transmission of documents to the Court of Audit takes from six to eight months.

Payments made by the competent officials are subject to an internal administrative audit by higher officials directly responsible to the Minister of National Defence.

### 5. *The Account.*

While the financial statements prepared by the Ministerial departments for the Finance Minister and the Court of Audit only represent orders for payment issued, the closed accounts drawn up and published by the Finance Minister show both these orders for payment and also cash disbursements. If a cheque drawn during an *exercice* is not cashed during the *exercice*, it may be cashed within a period of five years from the beginning of the *exercice*. The result is that there is a difference between the expenditure as shown in the accounts of an *exercice* and the actual cash disbursed during that *exercice*. The difference is about 1 per cent. The value of cheques outstanding in the fifth year is naturally very small.

The figures show gross expenditure. The accounts are submitted in a form corresponding to that of the budget.

There are no special funds relating to national defence, nor are there any establishments for the manufacture of arms which possess budgetary autonomy.

The accounts of the financial year are closed on October 31st of the following year.

It is to be noted that, in addition to the closed accounts for the *exercice* which are incorporated in the final State accounts presented to Parliament, provisional accounts are also kept. These accounts are embodied in a parliamentary document; they show the disbursements made during the twelve months (January to December) of an *exercice*—i.e., the payments made in respect of the current open *exercice*, and do not include payments made during the additional period (January to October) of the previous *exercice*. They could not serve as a basis for a statement of total disbursements made within the twelve months in question.

In fact, the Belgian system of accounts does not directly lend itself to the computation of actual disbursements during a given year if it is desired to include arrears paid in respect of previous *exercices*. The Belgian delegation agreed that it would be necessary to arrange for a special statement to be drawn up for the purpose of the Convention, and that enquiries would be made to ascertain whether, in case a Convention was concluded, it would be possible to supply a statement of payments for twelve months.

#### 6. Auditing and Publication of Account.

The final statements of the orders for payment of the Ministry of National Defence for a given *exercice* are submitted by the Minister of Defence to the Finance Minister and to the Court of Audit, twenty-four months after the beginning of the *exercice*. After certification by the Court of Audit, which is the highest audit authority and is independent of the Minister but responsible to Parliament, these statements are entered in the closed budget account which the Finance Minister theoretically draws up at the end of the first quarter of each year and which also indicates payments. In practice, however, there have been serious delays in submitting this closed account. The Belgian Government is endeavouring to rectify this and to present the accounts of the previous year, closed as on October 31st, to Parliament in September.

The Belgian delegation will further request its Government to make an effort to publish them henceforward six months earlier—i.e., in the course of the first quarter, which would correspond exactly to the period of twenty-six months laid down for the Convention. The Belgian delegation stated that, in any case, after the closing date (October 31st), it was possible to obtain from the Court of Audit a certificate that the orders for payment of the *exercice* were in order, as was done in support of the Reconciliation Table produced.

Approval of the closed accounts is given by Parliament in the form of a Law. The last closed accounts prepared relate to the year 1925. They were submitted to the Court of Audit on October 18th, 1932.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. General Remarks.

(a) As regards the expenditure of the home country, the relation between the accounts and the Model Statement has been established by means of a Reconciliation Table.

(b) The Belgian Model Statement contains expenditure relating to the land forces and the air forces.

(c) No difficulties resulting from the budgetary system have been encountered, which would prevent the inclusion of all national defence expenditure in the Model Statement.

(d) Derogations or doubts were found to exist regarding the interpretation of the instructions concerning universality in certain cases mentioned below.

#### 2. Military Departments.

(a) The Model Statement includes the total amount of *pay* without deduction.

(b) As regards the proceeds of the sale of *manure* and the receipts from military *bands*, estimates have been given in the Model Statement instead of the exact amount, which makes a difference of 375,260 francs.

(c) *Advances* granted to officers, etc., are not included in expenditure.

(d) As regards *expenditure* for goods and services obtained abroad, the figures of the Model Statement indicate the amount actually paid in Belgian currency.

#### 3. Civil Departments.

(a) No expenditure on *civil aviation* appears in the Model Statement. The Ministry of National Defence provides no free services for civil aviation.

No expenditure is entered in the Model Statement for the *meteorological service*. The Air Force has its own meteorological stations at the aerodromes. The military authorities also have other services which make the meteorological observations necessary for national defence. The expenditure on these services figures in the Model Statement.

(b) Soldiers, goods, baggage and horses are carried as a rule at a 20 per cent reduction on the normal railway rates.

(c) The cost of the services rendered by the Posts and Telegraphs is calculated on the proportion of correspondence carried and of communications provided by that department for the Ministry of National Defence. Expenditure of this nature concerning national defence is entered in the Model Statement.

(d) The expenditure relating to the *Red Cross* and indirectly connected with military purposes amounts to about 300,000 francs per annum. This sum is not entered in the Model Statement.

(e) The cost of *audit and supervision* of the accounts by the Court of Audit is not entered in the Model Statement.

(f) Expenditure on the liquidation of charges outstanding from the last war has not been entered in the Model Statement.

#### 4. *Special Questions.*

(a) As regards *formations organised on a military basis*, expenditure on the gendarmerie has been entered in the Model Statement. The gendarmerie is considered as the only formation organised on a military basis at home. The Public Forces of the Congo and of Ruanda-Urundi are armed troops responsible for maintaining order within the country and for defending it against aggression. It is not possible to give an approximate estimate of expenditure on barracks.

(b) There are no *special funds* assigned to national defence.

(c) *Autonomous establishments*. — There are Government factories and workshops for the manufacture and repair of arms and implements of war, but these establishments are not run on an industrial basis.

(d) *Deductions*. — The Model Statement contains gross expenditure, but the annual budgetary law usually authorises certain departures from this principle. A sum of 16,387,083 francs, representing payment to the Treasury of the proceeds of sale of material, etc., has been deducted from the Model Statement. This sum represents the value of the material sold. It is not placed to the credit of the national defence services which manufactured the material. This deduction, as stated in the explanatory note of document Conf.D.4, page 2, III, 2, was based on the interpretation given by the Belgian delegation to the last sub-paragraph of paragraph 4 of the general provisions contained on page 28 of the report of the Committee of Experts.

(e) No expenditure has been met out of the *proceeds of a loan* since, when a credit is voted, no mention is made of the origin of the funds. The country's resources can be regarded as a whole, whether derived from taxation or from loans.

(f) The Model Statement excludes *pensions*. The annual income, capital and allowances referred to in Article 52 of the budget are granted under the Law of December 24th, 1903, relating to compensation for accidents in course of employment. This expenditure may be regarded as relating to pensions and excluded from the Model Statement.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE AMONG THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure on the Three Forces.*

There is only one budget for national defence, and separate accounts are not kept for the expenditure of the Air Force, which is included in the accounts of the land forces. It was therefore found difficult to isolate completely the air expenditure, both as regards total and as regards its division between the sub-heads in the Model Statement. Certain air expenditure can, however, be completely isolated, as it is shown separately in the Army account; out of a total of 142.2 million francs shown as expended on the Air Force, 135.4 million francs are thus distinguished.

In the absence of such account figures, recourse has been had to internal administrative records (241,000 francs), and where no other data were available, expenditure has been allotted to the Air Force by estimates based generally on the proportion of the number of Air Force effectives (6.7 million francs). The latter method has been applied, in particular, to expenditure on administration, medical services, provisions, equipment, armament, upkeep of barracks, etc.

A small proportion of the expenditure by civil departments on behalf of the Air Force is omitted from the Model Statement of the latter owing to the impossibility of isolating the exact figures.

2. *Coast Defence.*

No expenditure is specially provided for coast and harbour defence. All expenditure falling within this description is covered by the general expenditure of the Ministry of Defence and is included in the Model Statement under the appropriate sub-heads.

3. *Optional Columns.*

(a) *Land Forces.* — Two of the optional columns have been filled in:

- (i) Armed forces stationed overseas;
- (ii) Formations organised on a military basis stationed in the home country.

The former of these columns gives two figures only—viz., the totals of Heads I to III and the total for Head IV, the manner in which the colonial accounts are arranged not permitting of a more detailed subdivision. The latter column is filled in in detail. Nothing is shown under "Formations organised on a military basis stationed overseas".

(b) *Air Forces.* — The optional columns are not filled in. There is no Air Force stationed overseas and there are no Air Force formations organised on a military basis.

4. *Division between the Sub-heads of the Model Statement.*

The closed accounts show only the totals of the sub-heads of the budget. Apart from the difficulties of isolating air expenditure referred to above, where the totals of the accounts sub-heads required to be split between a number of sub-heads of the Model Statement, recourse has been had to internal accounts, to administrative documents and to estimates.

5. *Head IV: Separation from Other Heads.*

No general difficulty was experienced in isolating Head IV expenditure as a whole except in the case of Head IV expenditure for the forces stationed overseas. In that case, owing to the structure of the accounts, certain expenditure has been included under Heads I to III which should have been shown under Head IV. The Belgian delegation has not been able to supply further information on this latter point.

Expenditure on manufacture and repair of material includes all overhead charges which are shown separately in the accounts. There are no State autonomous manufacturing establishments.

Approximate estimates based on the number of effectives have had to be made to determine the respective expenditures on armament and ammunition of the Land Forces and of the Air Force. Certain material is used in common by both services and cannot be split between them.

6. *Head IV: Division between Sub-heads.*

Expenditure in the Colony properly falling under M and M (a) cannot be so shown owing to the structure of the accounts.

Expenditure relating to depots and parks in the home country has been grouped under N, because, owing to the great diversity of material stored together in the same establishments, it has not been possible to split the expenditure between M and M (a).

7. *Special Questions.*

(a) *Civil Personnel.* — This expenditure has been charged to the appropriate sub-heads almost entirely on the basis of audited internal accounts. In future the accounts will be shown in greater detail and will enable an even more accurate split to be made.

(b) *Allowances.* — These are included under pay items.

(c) *Interpretation.* — Certain minor difficulties of interpretation have led to the allocation of expenditure to wrong sub-heads.

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## E. ANNEXED TABLES TO THE MODEL STATEMENT.

### Table A.

- (a) The total given corresponds to sub-head D of the Model Statement.
- (b) Article 1 includes payments to officers who, on a reduction being made in effectives, were granted leave on full pay, followed ultimately by a period of leave, on reduced pay, of varying length.
- (c) Article 2 includes pay only (not maintenance) for officers, non-commissioned officers and men who, on being called up again, have completed a period of service with the forces. The allowance entered under this head comprises the total amounts due to officers and men who have been called up again, including the sum ordinarily payable to the families.

### Table C.

This includes the budgetary credits carried over to the 1931 *exercice* for contracts for works and supplies in course of execution; the amount entered in Table C represents the difference between the total commitments entered into before and during 1930 for specific works and the claims acknowledged in respect of these same commitments before and during the 1930 *exercice*.

Such sums carried forward are placed at the disposal of the Minister by the Court of Audit, no further vote of credit being required.

### Table D.

The system of purchases on credit or by deferred payments does not exist in Belgium.

### Table E.

No observations.

### Table F.

(a) No difficulty was experienced in filling in Table F except for the subdivision into (a), (b) and (c) of Articles I (1), and I (2).

(b) The expenditure under Article 50 (Allowance in lieu of pension), which is included in the Model Statement (sub-heads B and C), has not been entered in Table F.

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## List of Documents.

Budgetary system: Reply from the Belgian delegation to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.62).

Model Statement and Annexed Tables: Note explaining the method followed in filling in the Model Statement and explaining the departures from the recommendations of the Committee of Experts on Budgetary Questions. Reconciliation tables (documents annexed to C.436.M.183.1931.IX (Conf.D.4) and Conf.D./C.D./C.T.65).

Budgets voted for the *exercice* 1930:

Ordinary national defence budget completed, taking the additional credits into account and based on the full draft budget;

Extract from the extraordinary budget (chapter on national defence) completed, taking the additional credits into account and based on the full draft budget;

Budget of the *gendarmerie*, accompanied by the full draft budget;

Full draft ordinary budget of the Belgian Congo and the Vice-Government General of Ruanda-Urundi;

Collection of budgets voted for the year 1930, including certain extracts from the following budgets:

Budget of the Ministry of Justice;

Budget of the Ministry of Public Works;

Budget of the Ministry of the Interior and Public Health.

Collection of budgets voted for the *exercice* 1931:

Additional credit covered by the new Article 59bis of the national defence budget for 1930.

Position at the closing of accounts for the *exercice* 1930:

Closed accounts of the ordinary budget of the Ministry of National Defence;

Extract from the closed account of the extraordinary budget (chapter on national defence);

Closed account of the *gendarmerie* budget;

Extracts from the closed account of the following budgets:

Ministry of Justice, Ministry of the Interior and Public Health, Ministry of Public Works.

Summaries of military expenditure in the Belgian Congo and Ruanda-Urundi, accompanied by a letter from the Minister of the Colonies.

Observations by the Technical Committee (document Conf.D./C.D./C.T.83).

Replies of the Belgian delegation (document Conf.D./C.D./C.T.121).

Minutes of the meeting at which the hearing took place (document Conf.D./C.D./C.T./P.V. Audition.14).

Additional information (document Conf.D./C.D./C.T.141).

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## UNITED KINGDOM.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*<sup>1</sup>

The estimates are drawn up by the departments. The estimates of expenditure of the various Ministries are centralised by the Chancellor of the Exchequer. The latter has a right of supervision over the estimates of the Ministerial departments, which, if necessary, are determined by the Cabinet.

#### 2. *Discussion and Voting of the Budget.*

(a) The estimates are debated publicly in the House of Commons. In practice, the Government alone can propose expenditure. Parliament relies on the Government for preparing estimates of expenditure. If the Finance Bill is rejected, the Government must, normally, resign.

(b) The national defence expenditure is voted each year, part before the beginning of the financial year and the remainder during the year.

(c) Expenditure is authorised by law.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The estimates and the Appropriation Act are officially published and widely circulated. The appropriation accounts are also published.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) All appropriations voted represent actual financial provision. Excess votes may be passed after the end of the financial year.

As regards the carrying into effect of the estimates, the system of *gestion* is followed.

(b) The rule of *annuité* is strictly observed. All appropriations not expended at the end of the financial year of twelve months are cancelled.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) Expenditure is voted under a small number of "votes", but each has very detailed subdivisions clearly showing the purpose of the expenditure. The estimates are presented very clearly.

(b) The final accounts are less detailed than the estimates.

(c) Transfers may be made within the votes of the military estimates with Treasury authority. Transfers from one vote to another are possible within each of these estimates, but require the sanction of the Treasury, which must report to Parliament. Transfers from one estimate to another are forbidden.

#### 6. *Unity of the Budget.*

(a) All the national defence expenditure of the State is shown in the estimates. For this class of expenditure there are no special funds or accounts. Nearly all the national defence expenditure appears in the estimates of the defence Ministries. The United Kingdom has separate estimates for the land, naval and air forces.

(b) The estimates show net expenditure, but also gross expenditure.

#### 7. *Supervision during the Execution of the Budget.*

The administrative control of the execution of the estimates is ensured:

(a) By the supervision of the responsible accounting officers over their subordinates;

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<sup>1</sup> In the United Kingdom, the programmes of expenditure for the financial year, submitted by Departments to Parliament, are called "Estimates" never "Budgets".

(b) By permanent administrative heads (accounting officers) in the national defence Ministries, who are appointed with the approval of the Prime Minister, and cannot be removed without his consent. They are responsible both to their Ministers and to the Public Accounts Committee, which consists of members of the House of Commons;

(c) By a Treasury control of commitments for certain expenditure.

#### 8. *Final Audit.*

Final audit is carried out:

(a) By an independent high official (Comptroller and Auditor-General), who may be described as the guardian of the exchequer, and can only be dismissed by the Crown after presentation of an address by both Houses of Parliament.

This high official, who has extensive powers of investigation in the departments, examines the accounts of the accounting officers, to which the documents relating to expenditure are attached. A report on this examination is addressed to the Treasury, which submits it to Parliament. This official is the highest authority for the auditing of accounts.

(b) By the Public Accounts Committee of the House of Commons, to which the reports of the Comptroller and Auditor-General referred to in (a) above are submitted.

The Public Accounts Committee may call upon the accounting officers to justify their administration.

The proceedings and reports of the Public Accounts Committee, the reports of the Comptroller and Auditor-General responsible for auditing the accounts, and the replies of the accounting officers are published.

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## B. IDENTIFICATION OF DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

In the home country, the budgetary year runs from April 1st to March 31st. There is no additional period. In the colonies, protectorates and mandated territories, the budgetary year begins and ends on different dates, but in every case it covers twelve months without any additional period.

### 2. *Budgets and Accounts.*

There are separate Ministries, estimates and accounts for the three armed forces.

### 3. *The Model Statement.*

Two Model Statements have been supplied, one representing expenditure by the Home Government during the budgetary year 1929-30, and the other expenditure by Governments of the colonies, protectorates and mandated territories on the local oversea forces during their respective budgetary years. For the most part these ended either on March 31st or on December 31st, 1930.

In the Model Statement submitted by the United Kingdom delegation, the tables relating to the three armed forces have been filled in. There are no naval or air forces whose expenditure is borne on the budgets of the colonies, etc.

The expenditure figures in the Model Statement for the home country represent actual expenditure (cash disbursements). They indicate the gross amounts. Exceptionally, the receipts figuring as expenditure in the Model Statements of other members of the British Commonwealth have been deducted from the Model Statement of the Admiralty.

The Model Statement of the home country has been based on the data furnished by the following documents:

(1) The last audited and published accounts of the three national defence Ministries for the period April 1st, 1929, to March 31st, 1930.

(2) The statements of expenditure made by other Ministries. These statements are contained in the official publication "Public Departments, Gross and Net Cost 1929". This publication indicates *approximately* the gross and net expenditure for national defence authorised by each civil vote. The division of the figures between military and civil expenditure is not verified by the Comptroller and Auditor-General.

(3) The statements of expenditure of the territorial army, which are audited locally.

As regards the expenditure shown in the Model Statement for the colonies, etc., it was not possible to employ the closed accounts, as these had not been made out at the time when that statement was drawn up. Consequently, all the expenditure included therein is estimated.

It will be possible in the future to supply information for the colonies, etc., on the same basis as for the home country.

#### 4. *Execution of the Budget.*

Headquarter payments are made by means of orders drawn on the Paymaster-General by officials under the authority of the accounting officer. Local military departments discharge their debts either by means of cheques drawn by the responsible paymaster on a bank, or in cash, according to the nature of the expenditure.

Each national defence Ministry possesses a corps of accountants, who are responsible for supervising the financial administration of that Ministry during the execution of the budget.

#### 5. *The Accounts.*

The appropriation accounts of the United Kingdom Government indicate all the military expenses effected by that Government for the armed forces under its direct authority.

The expenditure on the native troops in the colonies, protectorates and mandated territories is indicated in the closed accounts of those collective entities.

The figures in the accounts correspond to payments effected; they represent both gross and net expenditure.

The accounts are made out in the same form as the estimates, but are less detailed.

There are no special accounts.

There is only one State establishment for the manufacture of war material which possesses budgetary autonomy—*i.e.*, the Royal Ordnance Factories.

#### 6. *Audit and Publication of Accounts.*

According to an Act of Parliament, the accounts of the home country signed by the accounting officers must be transmitted to the Treasury and to the Comptroller and Auditor-General not later than December 31st following the close of the budgetary year. After auditing the accounts, the majority of which have already been checked by his accountants during the budgetary year, the Comptroller and Auditor-General certifies the correctness of the figures and submits his observations on the financial administration of each Ministry in a special report. The accounts, including the report of the Comptroller and Auditor-General, are published in February—*i.e.*, ten months after the close of the budgetary year, and submitted to Parliament.

The accounts of the colonies are audited by local supervisory authorities in much the same way as in the home country.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

(a) The relation between the accounts and the Model Statement has been established by means of reconciliation tables.

(b) The United Kingdom has submitted two Model Statements with annexes, one representing the expenditure of the home Government (document C.476.M.203.1931.IX [Conf.D.6]) and the other the expenditure of the colonial Governments (document C.45.M.26.1932.IX [Conf.D.49]), but not of the Governments of the Dominions which are themselves Members of the League. Document Conf.D.49 includes both expenditure on the armed forces of the colonies, protectorates and territories under British mandate and that of the Governments of Newfoundland and Southern Rhodesia.

(c) The budgetary system has been found to present no obstacle to the inclusion of all the national defence expenditure of the home country in the Model Statement. On the other hand, as regards colonial expenditure, certain difficulties were encountered due to the budgetary system of the colonies.

(d) Deviations from the instructions regarding the universality of expenditure were noted in certain cases referred to below.

#### 2. *Military Departments.*

- (a) The Model Statement includes the total amount of *pay* without any deduction.
- (b) No advances on *pay* are granted.

(c) Expenditure on purchases abroad borne by the Ministries of national defence has been shown at the rate of exchange ruling at the time of purchase.

### 3. *Civil Departments.*

(a) Expenditure on military aviation and expenditure on *civil aviation* has been shown under separate heads in the closed accounts, with the exception of certain headquarters expenditure. Expenditure on civil aviation has been excluded from the Model Statement.

(b) Expenditure on the *municipal and licensed aerodromes and landing-grounds* does not figure in the Model Statement. The United Kingdom delegation considers that this expenditure is of a civil nature and does not concern national defence except to a very slight extent.

(c) All expenditure on the *meteorological service* has been included in the Model Statement.

(d) Special rates are granted by the railway companies under an Act of Parliament for the *transport* of naval personnel. Certain shipping companies also grant concessions.

(e) Expenditure on the *Imperial War Museum* has been excluded from the Model Statement.

(f) No *rates* are paid on the buildings occupied by the territorial army. An estimate of £200,000 has been included in the Model Statement, to represent the amount that would have been paid if rates had been levied on those buildings as they are on other property belonging to the national defence Ministries. This sum of £200,000 is, of course, an estimate.

### 4. *Special Questions.*

(a) The Model Statement for the home country includes the total expenditure on the home armed forces. There are no formations organised on a military basis.

The Model Statement for the colonies includes the total expenditure on the armed forces of those territories and on their formations organised on a military basis. Certain police forces have however, been excluded.

(b) The two Model Statements mentioned above do not include:

- (1) The grant made to Iraq for her army;
- (2) Expenditure connected with the local forces of the Sudan;
- (3) Expenditure connected with the Shanghai volunteers.

(c) The examination of the expenditure of the whole of the British Commonwealth shows:

(1) That certain expenditure connected with the land and air forces is included both in the Model Statement for the United Kingdom and in the Model Statement for India.

(2) That certain expenditure connected with the naval forces has been deducted from the Model Statement for the United Kingdom because it corresponds to expenditure which should be included in the Model Statements of other members of the British Commonwealth.

(d) There are no *special funds* bearing on national defence.

(e) The only *autonomous establishment* is the Royal Ordnance Factories, whose accounts are published.

(f) The amount spent out of the *proceeds of loans* from the Public Works Loan Board is inserted in the Model Statement, but not the annual repayments of such loans. In the case of the Admiralty, however, the annual repayment in respect of the loan made under the Naval Works Act of 1893 is included in the Model Statement.

(g) *Pensions* are excluded from the Model Statement. The half-pay of Air Force officers was omitted by mistake from the Model Statement for air forces.

(h) There is no special stipulation relating to *fluctuations in the purchasing power* of the currency. The actual cost of supplies and services is always shown in the accounts.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### I. *Separation of Expenditure on the Three Forces.*

There are separate Ministries and accounts for the land, naval and air forces.

The great bulk of the separate totals for expenditure on the land, naval and air forces relate to gross expenditure of the particular Ministry concerned which has been duly audited.

The expenditure by the Air Ministry is further divided into expenditure on:

- (1) The fleet air arm; this is an integral part of naval expenditure, but it appears in the accounts of the Air Ministry;
- (2) Civilian aviation; this is not included in the Model Statement;
- (3) Other services, which are included in the Model Statement of the Air Ministry.

## 2. *Coast Defence.*

The expenditure on coast defence is included in the Model Statement of expenditure on the land forces.

## 3. *Optional Columns.*

The expenditure included in the Model Statement is not subdivided into that on "armed forces" and "formations organised on a military basis"; neither is it subdivided between "expenditure on forces stationed at home" and "expenditure on forces stationed overseas".

A separate Model Statement has been supplied for expenditure on the armed forces stationed overseas which is borne on the budgets of the colonies, protectorates and mandated territories.

## 4. *Division of Expenditure between the Sub-heads of the Model Statement.*

The figures under the various sub-heads of the Model Statement for air forces are in almost every case audited, but their classification is not always strictly correct. Owing to the structure of the United Kingdom accounts, the sums audited have had in many cases to be divided among the various sub-heads of the Model Statement, in the case of the Army and Navy. This has been done either by the use of internal accounts or by estimating that portion of the audited figure relating to the Model Statement sub-head concerned.

These estimates have been made:

- (1) By making a distribution of the audited figures in the accounts proportionate to those shown in the estimates (which are more detailed than the accounts);
- (2) By recourse to cost accounts; or
- (3) By pure estimate based on administrative information.

The expenditure by other Government departments has been classified according to internal accounts or administrative information.

In certain cases, expenditure properly relating to one sub-head has had to be inserted in another because of the impossibility of isolating elements of an account figure. This applies particularly to the expenditure shown by the Navy and Air Force in head IV.

## 5. *Head IV: Separation from Other Heads.*

Though, with certain important exceptions noted below, the *classification* of expenditure corresponds to the instructions in the experts' report, the correctness of the figures shown in those sub-heads cannot be guaranteed.

The inclusion in head IV of the land forces of the expenditure on the relevant military and civil personnel, transport, buildings and maintenance has been possible only by making calculated transfers of expenditure from heads I, II and III, based in some cases on cost accounts. The amounts transferred are not audited.

The expenditure on the upkeep of depots of naval war material cannot be separated from the expenditure on adjoining establishments for the manufacture of war material, notwithstanding the budgetary experts' instructions. Consequently, the expenditure in head IV of the naval forces is larger than it should be.

As regards the air forces, the cost of war material purchased from private firms and of repairs carried out by contract has been included in head IV. In the case of war material *repaired* in air force depots and workshops, only the cost of the materials used for such repairs is included in the accounts. It has been found impossible to isolate the expenditure on personnel (military and civil) engaged on the repair and maintenance of war material, and also of the overhead charges (buildings, etc.). Consequently, as regards air expenditure the sum shown under head IV is smaller than it should be.

## 6. *Head IV: Division between Sub-heads.*

As regards the distribution of naval expenditure between sub-heads L and M, the expenditure on new construction under sub-head L includes the cost of construction of the ship—*i.e.*, main and auxiliary machinery, hulls and boats, armour, gun-mountings and air-compressing machinery. It excludes the cost of guns, projectiles and ammunition, torpedoes and mines, which are included in sub-head M.

The United Kingdom delegation regards sub-head L (ships, new construction and maintenance) as intended to include more expenditure than Table B (expenditure on shipbuilding for the year).

It has therefore included under sub-head L many services other than shipbuilding and ship-repairing. It includes, for example, expenditure on stores used by ships in commission (on service), and expenditure on the dockyards in their capacity as naval bases as distinct from their capacity as shipbuilding and ship-repairing establishments.

#### 7. *Special Questions.*

(a) *Separation and Distribution of Pay and Allowances between Officers and Men.* — This can be done only by estimate in the case of all three forces.

(b) *Civilian Employees.* — In most cases the distribution of pay of civilian employees can be effected only by estimate, particularly in the case of head IV.

(c) *Allowances.* — The Admiralty has included under *pay* all allowances granted to personnel "in virtue of office".

The War Office has differentiated between cash allowances in the nature of pay (e.g., colonial allowance) and cash allowances given in substitute for issues in kind; the latter have been charged to the sub-head relating to issue in kind—e.g., lodging.

(d) *Cadet Allowances.* — Included in sub-head D by the Air Ministry and in sub-head E by the War Office. The Navy have none.

(e) *Nurses.* — These have been included by the Admiralty and Air Ministry under sub-head C, and by the War Office under sub-head E.

(f) *Police at Naval Dockyards.* — These are charged to sub-head C and not to sub-head L.

(g) *Maps and Charts.* — These are charged by the Admiralty to sub-head L, and by the War Office to sub-head E.

(h) *Grants to Civil Aircraft Companies for training Reserve Pilots (£178,967).* — This sum could not be divided among the relevant sub-heads of the Model Statement, and, as it relates largely to cost of material (aeroplanes), the item is included in sub-head M.

(i) *Differentiation between Effective and Non-Effective Expenditure.* — (1) Rewards for meritorious service have been excluded by the War Office and Air Ministry from their respective Model Statements, but included by the Admiralty in its statement. The sums are not important.

(2) Certain contributions to pension funds for civilian experts employed by the national defence Ministries have been included by the War Office and Air Ministry with pay. The Admiralty has not included this expenditure in its Model Statement or in Table F.

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### E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Preliminary Remark.* — The United Kingdom has submitted three annexed tables, one for each of the three armed forces.

#### *Table A.*

(a) The United Kingdom has regarded as "reserves", within the meaning of the report of the Committee of Experts, only the "Army Reserve" and the "Supplementary Reserve", and not all the forces which in time of war might be utilised as reserves—e.g., the *Territorial Army*, the expenditure on which is, nevertheless, included in the Model Statement, sub-head D. Consequently, there is a rather noticeable difference between the ambit of sub-head D of the Model Statement and that of annexed Table A.

(b) In the Model Statement concerning colonies, protectorates, etc., the only amount shown in annexed Table A as expenditure connected with reserves is £1,040, for Rhodesia; whereas the amount in sub-head D of the Model Statement is £4,406. For the other colonies, there is no annexed Table A. From one point of view, all the expenditure included in the Model Statement for the colonies might be regarded as expenditure connected with reserves.

(c) Annexed Table A for the Air Force includes only expenditure in connection with the *Air Force Reserve* proper, and not expenditure on the *Auxiliary Air Force*, the *University Air Squadrons*, or the *Voluntary Air Detachments*.



*Table B.*

The United Kingdom delegation has given detailed explanations to account for the differences between the data in annexed Table B and those under head IV of the naval forces.

*Table C.*

The interest payable on, or the amortisation of, *Public Works Loans* for the *Territorial County Associations* and the expenditure resulting from the *Naval Works Act* of 1895 might be included in this table.

*Table D.*

No remarks as regards the " Nil " entry.

*Table E.*

The £60,000 for the " maintenance of idle plant for armour plate " are included in the Model Statement.

*Table F.*

- (a) It was not possible to obtain all the data which should be included in this table.
- (b) The amount shown in this table does not include:
- (1) Expenditure on rewards for meritorious service;
  - (2) Gratuities in lieu of pensions to officers whose period of service does not attain a certain number of years;
  - (3) Pensions paid by the Governments of colonies, protectorates, etc., to the military personnel under their authority.

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**List of Documents.**

Budgetary system: Reply by the delegation of the United Kingdom to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.18); see also below " Various information concerning the British colonies, etc. "

Explanations concerning the method of fulfilment of the Model Statement (document Conf.D./C.D./C.T.19).

Model Statement, annexed tables and reconciliation tables (document C.476.M.203.1931.IX (Conf.D.6)).

Model Statement and annexed tables concerning the armed forces under the control of the Governments of British colonies, protectorates and mandated territories, of His British Majesty's Government in Newfoundland and of the Government of Southern Rhodesia (document C.45.M.26.1932.IX (Conf.D.49)).

Various information concerning the British colonies, protectorates and mandated territories:

Memorandum by the delegation of the United Kingdom (document Conf.D./C.D./C.T.34);

Regulations for His Majesty's Colonial Services, October 1928;

Notes on the land and air forces of the British overseas dominions, colonies, protectorates and mandated territories (exclusive of India and Iraq) (War Office, 26. Publications, 1691).

Estimates :

Army estimates of effective and non-effective services and supplementary estimate, 1929;

Army (ordnance factories): Estimate of charge for the year 1929;

Navy estimates for the year 1929;

Air estimates for the year 1929.

Accounts:

Army appropriation account, 1929, with the report of the Comptroller and Auditor-General thereon, and upon other army accounts;

Army (ordnance factories). Accounts, 1929;

Navy appropriation account, 1929;

Air service appropriation account, 1929;

Public Departments: Gross and net cost, 1929.

Observations of Technical Committee (document Conf.D./C.D./C.T.47).

Replies of the delegation of the United Kingdom (documents Conf.D./C.D./C.T.57 and 57(a)).

Minutes of audition meeting (document Conf.D./C.D./C.T./P.V. Audition 1 and *corrigendum*).

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## DENMARK.

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### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The budget is prepared by the departments of State. The Minister of Finance centralises the estimates of all the departments and himself draws up the revenue estimates. After discussing the proposals for expenditure of the other Ministers, he draws up the draft general budget. If there is any disagreement between the Minister of Finance and the other Ministers, the question is discussed at a meeting of Ministers. The draft budget is drawn up in its final form by the State Council, consisting of the King and the Ministers.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget is first submitted to the Chamber of Deputies. After a preliminary general discussion, it is referred to the Financial Commission, which draws up a special report for each Ministry and a general report on the budget as a whole. These reports are published. The draft budget is then debated in public in the Chamber of Deputies. The deputies have the right of initiative in the matter of expenditure.

When the draft budget has been adopted by the Chamber of Deputies, it is sent to the Senate. The procedure of discussion in the Senate is the same as in the Chamber of Deputies. The reports of the Financial Commission are published. Debates in the Senate are public. The members of the Senate have the right of initiative in the matter of expenditure, but any amendment voted by the Senate must be referred to the Chamber of Deputies, as the final text of the budget must be voted by the two Chambers.

Verbatim reports of the public debates in the Chamber of Deputies and the Senate are published in the *Official Parliamentary Journal*.

(b) National defence expenditure is voted each year. Even if a special law provides a certain sum to cover expenditure on supplies or works or manufacturing contracts during several years, the amount actually to be expended in the course of each year must be entered in the annual budget.

(c) The expenditure is authorised by law.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget and the budget as finally voted form the subject of an official publication. The final accounts are published.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The credits voted represent actual financial provision. Parliament may, however, grant to the Executive authority to enter into commitments for several years. The work undertaken or carried out under such authority may, nevertheless, only be paid for out of the provision granted during the successive years.

Claims passed for payment before the end of the budgetary year may be paid during an additional period, usually one month. After this period, no payment can be charged against the Credits for the year which has expired.

(b) The rule of "annuité" is strictly observed; *i.e.*, credit balances not expended at the end of the year are cancelled.

The carrying forward of credits from one year to another is allowed, but must be authorised by the amending budget (*Budget rectificatif*).

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) National defence expenditure is submitted and voted in main divisions (paragraphs) and subdivisions (chapters). The main divisions are few in number; the subdivisions are detailed.

(b) The closed accounts are drawn up in the same form as the budget.

(c) Transfers can be made from budget to budget and between the different heads of each budget. These transfers are sanctioned in the amending budget drawn up at the end of the year.

6. *Unity of the Budget.*

(a) All national defence expenditure appears in the State budget. Towards the end of the year an amending budget is drawn up which is prepared, discussed and voted under the same conditions as the original budget.

There are special funds; these are included in the budgets and accounts, but none of them relate to national defence (with the exception of a billeting fund (*fonds de cantonnement*)).

Certain national defence expenditure is included in the civil budgets. Expenditure in respect of the Army and the Navy is shown separately. Certain expenditure, however, is common to these two forces. Expenditure on aviation is combined with expenditure on the Navy and the Army.

(b) In the budgets and accounts, expenditure is accounted for on a net basis.

7. *Supervision during the Execution of the Budget.*

Supervision over the execution of the budget is provided for in each Ministry by an auditor-general appointed by the King on the proposal of the Minister of Finance.

The auditor-general acts both for the Minister of the Department to which he is attached and for the Minister of Finance to whom he is responsible. He supervises all transactions connected with the execution of the budget.

Administrators and accountants may be called to account by each of the Ministers on the strength of the auditor-general's observations.

The auditor-general may be instructed to carry out administrative enquiries. He is also responsible for supervising the accounting system of the Ministry to which he is attached.

8. *Final Audit.*

Final audit is exercised:

(a) By *Government auditors* appointed by Parliament, who check the accounts drawn up by the auditors-general and submit their reports to Parliament.

The Government auditors, with the auditors-general and the chief accountant of the Ministry of Finance, form the Council of State Accounts, a high administrative council, which is required to advise the Minister of Finance as to the method of rendering accounts and the instructions to be given to the auditors-general. This Council examines and suggests reforms designed to secure uniformity in methods of audit.

(b) By *Parliament* itself. In the last resort Parliament approves the accounts drawn up by the auditors-general and is thus the highest authority for the verification of accounts.

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B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. *Budgetary Year.*

The budgetary year extends from April 1st to March 31st. There is an additional period of one month, during which payments relating to commitments entered into before April 1st may be effected. In exceptional cases payments made after the additional period may still be charged to the accounts of the past year.

2. *Budgets and Accounts.*

There are separate Ministries for the Army and Navy; Air Force expenditure is included in that of the Army and Navy, without any separate budget or account.

3. *Model Statement.*

The Model Statement has been drawn up on the basis of the latest closed accounts, which relate to the budgetary year beginning on April 1st, 1930, and ending on March 31st, 1931. It refers to payments.

The tables relating to the three armed forces have been filled in.

The expenditure shown in the Model Statement is "net" expenditure. The Danish delegation has pointed out that the total receipts which have been deducted from the Model Statement, and which should have appeared therein, amount to Kr.311,098.49.

For the preparation of the Model Statement it has been necessary to some extent to divide the figures in the closed account, this division being based upon internal documents or upon estimates. The figures shown under the heading "Aviation" have thus been determined approximately, as the aviation expenditure is shown in both the Army and Navy accounts.

The accounts have been published.

#### 4. *Execution of the Budget.*

Supervision during the execution of the budget is exercised by an auditor-general attached to each Ministry and responsible to the Minister of Finance.

#### 5. *The Accounts.*

The closed accounts include payments effected up to April 30th of the following budgetary year.

The budget and the closed accounts show gross and net expenditure.

The accounts are prepared in the same form as the budget. They include all expenditure on national defence. There are no special accounts apart from the State account. The following establishments prepare a special budget:

The Army Gunpowder Works;  
The Military Equipment Factory;  
The Naval Arsenal.

#### 6. *Audit and Publication of the Accounts.*

According to the law, the Minister of Finance assumes responsibility for the preparation of the Government accounts by collecting and collating the various accounts compiled by the other Ministries. The Government accounts are published and laid before Parliament at its ordinary session which, under the Constitution, must take place not later than the first Tuesday in October—*i.e.*, in the seventh month after the end of the budgetary year.

When the closed accounts are laid before Parliament, the special accounts of the various departments have not yet been completely audited by the Central Audit Services. At about the date mentioned above, the accounts have to be submitted to the Government auditors, who proceed to audit them simultaneously with the Central Audit Services, relying very largely on the work of these services. The Government auditors report to Parliament at the next session. The accounts are normally approved approximately twenty-four months after the expiry of the budgetary year in question.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

(a) The Model Statement was based upon figures appearing in the closed account or on the budget figures.

The relation between the accounts, the budget and the Model Statement has been established with the help of a reconciliation table. Some mistakes were, however, detected.

(b) The Danish Model Statement contains expenditure for *armed forces* and, in the column for *formations organised on a military basis*, expenditure for frontier guards.

(c) The budgetary system has been found to present no obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) Deviations from the instructions regarding universality of expenditure are mentioned below.

#### 2. *Military Departments.*

(a) The Model Statement includes the total amount of *pay*, salaries and wages without any deduction.

(b) The settlement of accounts between the Ministries of national defence and foreign countries is effected and recorded in the accounts at the current rate of exchange.

(c) The Danish Model Statement does not include certain expenditure shown in the closed account as incurred for "*various institutions under the Ministry of War*" and for "*Civil Affairs Section of the Ministry of Marine*". Thus, expenditure for the *Military Hospital*, the *Geodesic Institute*, the *Arsenal Museum*, the *Lighthouse Service*, the *Sea-Charts Depot*, the *Meteorological Institute*, the sums spent on *hydrographic work* and the subsidy to the State *wireless* stations, etc., are not included in the Model Statement.

As regards expenditure for the *Lighthouse Service*, the Danish delegation has pointed out that military expenditure of this kind has been entered under heading 11, L.9 of the military accounts section, which relates to expenditure on the tactical and strategical work of the naval staff.

In the case of expenditure on the *Arsenal Museum*, the Danish delegation has stated that the collections in question are of a purely historical interest. The delegation does not think it necessary to include this expenditure in national defence expenditure.

With regard to expenditure on the preparation of maps supplied to the Military Administration, the delegation has pointed out that the sum paid to the *Geodesic Institute* exceeds the value of the maps supplied, and thus constitutes a subsidy to the Institute.

As regards ordinary *hydrographic work*, the delegation considers that such work is of interest to shipping in general. The delegation has expressed the opinion that a portion of the subsidy to State wireless stations should be included in the Model Statement.

(d) Although sums allocated for the payment of *interest* and *amortisation* of the capital invested in the various national defence establishments are included in the closed accounts of the Ministries of national defence, this expenditure has not been inserted in the Model Statement.

It should be noted, however, that expenditure in respect of payment of interest and amortisation of the capital invested in the Copenhagen Military Hospital has been taken into consideration in determining hospital charges.

### 3. *Civil Departments.*

(a) The temporary arrangement with the *Kastrup civil airport* is due to the fact that the military aviation centre is to be moved and that it has provisionally the part use of the airport in question. At Kastrup there are from ten to twelve military aeroplanes. No estimate has been made of the value of the services thus rendered to the national defence organisation.

(b) Under the heading "*Erhvervelse af Aktiver vedrørende faste Ejendomme og Anlaeg*" we find the following items, which partly relate to national defence but are not included in the Model Statement:

Army Gunpowder Works;  
Military Clothing Workshops;  
Ministry of War;  
Ministry of Marine.

The last item also includes a sum of Kr.60,997.43, representing a "Balance due in respect of a loan granted previously to the Ministry of Marine by the Finance Ministry for the purpose of building and equipping a Marine Hospital".

A certain sum in respect of the demolition of part of the guards' barracks was not entered in the Model Statement.

(c) The Model Statement includes no expenditure in respect of the *audit* activities of the auditors-general. The delegation is nevertheless willing to prepare an estimate of auditing costs if such should be required.

(d) No expenditure in respect of the *Red Cross* is entered in the Model Statement.

### 4. *Special Questions.*

(a) The extent to which expenditure for *frontier guards* should be included in the Model Statement can only be settled after the general question as to what formations are to be regarded as formations organised on a military basis has been decided.

(b) In the event of military premises being damaged by *fire*, the cost of repair does not appear in the closed accounts of the War Ministry, unless the amount of insurance paid exceeds the total cost of the repairs. Moreover, it is the State which covers the risk of fire through the medium of a State fire insurance fund.

(c) *Special Funds.* — All the accounts of the Ministries and State institutions must appear in the Government accounts. Apart from these accounts, there are therefore no special funds.

(d) *Autonomous Enterprises.* — There are three establishments manufacturing armaments which enjoy budgetary autonomy—viz., the Army Gunpowder Works, the Military Equipment Factory and the Naval Arsenal. The separate accounts of these establishments appear in the general accounts. Part of the revenue of these establishments corresponds to the amount of the payments made by the Defence Ministries.

*Supplies* delivered to State factories are paid for exclusively out of the budgets of these factories. The Danish delegation has given detailed information regarding direct allocations and fiscal privileges granted to these establishments.

(e) There are no *extra-budgetary resources* and no *private organisations* connected with national defence.

*Deductions.* — In several cases the sums shown represent net expenditure instead of gross. The Danish delegation has supplied all the explanations necessary for the reconstitution of the figures of gross expenditure.

(f) The *proceeds of State loans* are never allocated to any special purpose, whether military or other.

(g) Expenditure for *temporary assistance* has been shown in error in the Model Statement. This expenditure should have been shown in Table F.

## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUBHEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure on the Three Forces.*

There are separate Ministries for the Army and the Navy. Where the necessary closed accounts are available, expenditure on each of the three forces has been divided according to those accounts, but it has in many cases been necessary to make the separation on an estimated basis. The division between the war material of the three forces has been made by assessment. Some difficulty has been experienced in dividing navy and aviation expenditure, and in general the division has been made by estimate, but costs of upkeep of existing vessels, new construction and exploitation have been exactly recorded in the account. Expenditure on recruiting has all been assigned to the army.

### 2. *Coast Defence.*

The cost of coast artillery appears, in accordance with the rules, in Table C, but as the estimates are not made in an independent budget, and as certain expenditure cannot be separated with exactness, the division of the sum allocated to coast artillery is not based upon the closed accounts.

### 3. *Optional Columns.*

In Table B only the column regarding formations organised on a military basis stationed in the home country has been filled up. The question was raised whether expenditure on certain frontier guards (Customs police) should be shown in the Model Statement, and this point will be dealt with when the competent authorities have come to a decision regarding formations organised on a military basis.

### 4. *Division of Expenditure between the Subheads of the Model Statement.*

The division of expenditure between the various subheads of the Model Statement has been effected as far as possible on the basis of the figures in the closed accounts. Where the closed accounts did not give the necessary information, an estimate has been prepared, based upon a careful study of the character of the expenditure in question.

The accounts of the Navy in particular were prepared at a time when the division of expenditure had not been entirely ascertained, and in certain points the reconciliation table is defective.

A portion of the expenditure for lighting and heating and certain expenditure in connection with barracks should have appeared in Subhead K.

### 5. *Head IV: Separation from Other Heads.*

Generally speaking, no great difficulty has been experienced in separating expenditure coming under this head. Certain expenditure on staff which should have appeared under this head, as being part of the overhead expenses connected therewith, has been specified by the Danish delegation.

Expenditure in connection with motor-cars has been shown in Subhead G instead of in Subheads M and Mbis, as prescribed by the experts.

### 6. *Head IV: Division between Subheads.*

Certain expenditure relating to artillery material, ammunition and guns for the infantry, and generally to the purchase and upkeep of war material, has been allocated to Subhead N, and not to Subheads M and Mbis. The Danish delegation has furnished the necessary explanations to enable the sums appearing in these subheads to be corrected.

Subhead L includes expenditure on the construction of new vessels, including their armament and maintenance, but not including the maintenance of the armament, as this latter item appears in Subhead M of the Model Statement.

### 7. *Special Questions.*

*Civilian Employees.* — In certain respects the Danish Government has not followed the instructions relating to the distribution of expenditure on civilian personnel. The delegation agrees that a more accurate distribution could be made.

*Allowances.* — Allowances paid in cash to personnel have been shown under Subheads A and B, with the exception of entertainment allowances, which have been shown under Subhead E, and removal expenses, which have been divided between Subheads A and G.

## E. TABLES ANNEXED TO THE MODEL STATEMENT.

### 1. Preliminary Observations.

Denmark has supplied a single set of annexed tables for the three armed forces.

#### Table A.

(a) The Danish delegation has furnished a reconciliation table to explain the two figures in annexed Table A. It is a moot point whether it would not, in one sense, have been better to enter in Subhead D of the Land Forces and in annexed Table A the amounts of Kr.381,806 and Kr.53,075 of Chapter II A (2 and 4) inserted in Subhead B of the Model Statement. It has been observed that the expression "Men called up" given in several subheads has caused a certain amount of confusion, as in some armies the term is applied to reservists called up for service with the colours.

(b) The Danish delegation has given an estimate of expenditure in connection with remuneration, maintenance of the reserve, etc., and also for expenditure incurred in respect of special schools for reservists (officers, n.c.o.s and men).

(c) Reserve officers, whether with the colours or at home, receive an annual remuneration; this, however, does not apply to naval reserve officers, who receive no pay or allowances except during the periods when they are called up.

(d) Table A includes, in the case of the War Ministry, expenditure relating to the remuneration and allowances for calling up paid to officers and n.c.o.s in the reserve (see Law No. 126 of June 27th, 1927, regarding State employees, Sections 823 and 893), and also pay for officers, n.c.o.s. and men liable for military service during the periods of additional training.

In the case of the Navy, annexed Table A shows the pay of reserve personnel, but not board and maintenance allowance paid to such personnel, as such sums can only with great difficulty be separated from the corresponding allowances paid to the personnel of other categories.

In the case of naval aviation, however, it has been found possible to make this separation; the pay and allowances of reserve aviation personnel is therefore shown in annexed Table A.

#### Table B.

(a) There is a discrepancy, though a small one, between the figures of annexed Table B and those of Subhead L of the Model Statement, as internal accounts had to be used.

(b) Expenditure on the material shown below has been treated as expenditure on "naval construction":

Auxiliary engines,  
Armour,  
Gun mountings,  
Boats and launches,  
Navigating instruments,  
Hydrographical charts,  
Furniture,  
Electrical and radio equipment,  
Torpedo tubes and equipment,  
Fire control apparatus with electrical wiring,  
Searchlights,  
Optical and sound apparatus of every kind,  
All other equipment, accessories, spare parts, etc., for vessels.

On the other hand, expenditure in connection with "hydrographical charts" has not been regarded as expenditure on "naval construction".

#### Table C.

The "nil" entry calls for no remark, as it is doubtful whether:

(a) The credits carried forward should be included in annexed Table C;

(b) The balance of the credit for Kr.30,000,000 entered in the 1923 budget should be included in Table C. In any case, no further balance of this amount is available.

*Table D.*

No remarks on the "nil" entry.

*Table E.*

No remarks on the "nil" entry.

*Table F.*

No remarks on the figures in annexed Table F, as their origin is very clearly indicated in the documents submitted.

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**List of Documents.**

Budgetary system: reply of Danish delegation to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.42).

Model Statement (document C.555.M.226.1931.IX [Conf.D.12]).

Explanations in regard to the Model Statement. Annexed tables. Reconciliation table (document Conf.D./C.D./C.T.55).

**Budget:**

Finance Act, 1930-31 ("Finanslov for Finansaaret fra 1. April 1930 til 31. Marts 1931").

Excess Votes Act, 1930-31 ("Lov om Tillaegsbevilling for Finansaaret fra 1. April 1930 til 31. Marts 1931").

**Closed accounts:**

Closed accounts for 1930-31 ("Statsregnskab for Finansaaret 1930-31").

Translation of parts of closed accounts relating to national defence expenditure.

Observations of Technical Committee (document Conf.D./C.D./C.T.71(1)).

Replies of Danish delegation (document Conf.D./C.D./C.T.97).

Minutes of audition meeting (document Conf.D./C.D./C.T./P.V.8, audition, and *corrigendum*).

Additional information (document Conf.D./C.D./C.T.151).

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## UNITED STATES OF AMERICA

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### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The estimates of expenditure are drawn up in each administrative department and in autonomous institutions by a special official in charge of the budget. After approval by the head of the department, these estimates are sent to the Bureau of the Budget before September 15th.

The Bureau of the Budget is one of the services of the Treasury Department; it is placed under the authority of a director appointed by and directly responsible to the President.

The director of the Bureau of the Budget collects and revises the various estimates, and submits the result of his work to the President in the form of a summarised statement.

The President is empowered to revise all estimates with the exception of those relating to congressional services and the Supreme Court.

#### 2. *Discussion and Voting of the Budget.*

(a) After being thus given its final form, the draft budget is transmitted by the President to Congress seven months before the beginning of the fiscal year, accompanied by an explanatory message from the President and a budgetary statement prepared by the Secretary of the Treasury.

The President's message shows the total credits (appropriations) required and gives an estimate of the disbursements which it will be necessary to make during the fiscal year.

The credits alone have to be voted by Congress.

The draft budget is examined in the first instance by the House of Representatives. The sub-committees of the House Committee on Appropriations discuss the President's proposals in detail and introduce such changes as they think fit. Their discussions are recorded in public documents entitled "Hearings" of the House of Representatives. The draft law is then discussed in plenary session and the debates are recorded in an official document (*Congressional Record*).

As soon as the budget of a department is adopted by the House of Representatives, it is sent to the Senate, by which it is examined and voted in accordance with the procedure described above in regard to the House of Representatives.

If the draft law, as finally adopted by the Senate, differs from that voted by the House, the drafts voted by the two chambers respectively are referred to a conference composed of managers representing the House and Senate, which reconciles the two texts. The report of this conference, when duly approved by each of the two Houses, becomes law on receiving the President's assent.

The President is empowered to veto a draft budgetary law adopted by Congress and to refuse to enact it. Congress may, however, override the President's veto by a two-thirds majority. If a two-thirds majority is not available, a new draft budget is prepared with a view to examination and discussion in accordance with the procedure described above.

The Congress enjoys an unrestricted right of initiative in budgetary matters.

(b) The greater part of national defence expenditure must be voted by Congress each year. In the case of certain items, however, there are permanent appropriations or appropriations covering a period of years.

The national defence budgets (army and navy) are voted separately and, like the estimates of all other departments, are, in practice, adopted before the beginning of the fiscal year.

When the budget has not been voted before the beginning of the fiscal year, Congress ordinarily enacts a concurrent resolution of both Houses appropriating funds for the fiscal year on the same basis as the appropriations for the previous fiscal year, authorising expenditure during each month at the rate of one-twelfth of the total appropriation for the preceding fiscal year.

(c) Expenditure for national defence purposes can in no case be effected without the previous authorisation of Congress.

All expenditure in excess of credits and all expenditure not provided for in the budget must be previously authorised by Congress while the budget is still in course of execution. To this end,

the President may from time to time lay before Congress supplementary or deficiency estimates of expenditure with a view to the voting of:

- (1) Credits which have become necessary through the application of laws voted after the submission of the budget, or of credits required in the public interest;
- (2) Credits to cover excess expenditure on national defence, due to unforeseen emergencies.

Such estimates are accompanied by explanatory statements and, in most instances, by proposals as to the manner in which the expenditure may be covered.

### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget and the budget as finally voted are reproduced in official publications, which are distributed to all administrative departments, autonomous State establishments, libraries and research services. Copies may also be purchased from the Government printers by anyone who so desires.

The final accounts (Combined Statements) are published.

### 4. *Conditions governing the Expenditure of Credits.*

(a) The vote of an appropriation by Congress limits the total commitments which may be entered into either during the course of one year or in the course of several successive years, according to the nature of the appropriation.

There is no time-limit on the expenditure relating to the various continuing or permanent appropriations; it is shown in the accounts of the year during which it was effected.

Payments are charged to the budgetary credits or the balances of the budgetary credits during a period which varies according to the nature of the credits (three years for annual credits). On the expiry of such periods, the balances of annual credits are cancelled and covered into the Surplus Fund of the Treasury. As regards credits for a longer term, whenever it is found that no payments have been made over a period of two years, the balance outstanding may also be covered into the Surplus Fund of the Treasury.

Payments relating to national defence are therefore shown in the budgetary accounts of the defence departments and may also appear, to an insignificant extent, in the budgetary accounts of the Treasury.

(b) A large part of national defence expenditure is voted annually.

The period of validity of budgetary credits, indeed, differs according to their character. In this connection, credits may be divided into three distinct categories:

(i) Annual appropriations. These credits are voted for one year and can only be employed during the fiscal period to which they apply.

(ii) Continuing appropriations (not specifically connected with any year) which remain available until exhausted or until the activities for which they were provided are terminated (e.g., public works).

(iii) Permanent appropriations of unspecified or specified amount. These are credits provided for a given period under laws having a permanent character, which do not require a fresh decision by Congress each year.

In 1930, the proportion of national defence expenditure covered by annual appropriations, as compared with permanent and continuing appropriations, was 99.58 per cent in the case of the Army and 80 per cent in the case of the Navy.

The rule that unused credits are automatically cancelled at the end of each year only applies to category (i) above. The difference between the amount of such credits and commitments entered into may not be used after the end of the fiscal year for which the credits were voted.

In the case of continuing and permanent appropriations, commitments may be entered into, both in the fiscal year in respect of which the credits were voted and also in subsequent years.

### 5. *Division of Expenditure in Budget and Accounts.*

(a) National defence expenditure is shown under numerous divisions and sub-divisions. The budget is highly specialised. The titles of the divisions and sub-divisions specify clearly the purpose of the expenditure.

(b) The Combined Statement shows the expenditure under the same headings as the budget, but with less detail.

(c) Transfers between budgets, as also transfers between the divisions and between the sub-divisions of any one budget, are not permitted unless specially authorised by law.

### 6. *Unity of the Budget.*

(a) All Federal expenditure anticipated in respect of a given fiscal year is included in the general budget. The Presidential message referred to in point 2 includes a statement of the credits granted for a single fiscal year, and also the balance as of July 1st of continuing and permanent appropriations determined on November 1st.

There are special funds (earmarked revenues) and trust funds; but all such funds are shown in the President's message to Congress, in the budget and in the accounts.

With rare exceptions, there is no national defence expenditure in the budgets of the civil departments.

Certain State budgets include expenditure on the naval militias of the State concerned, which in the majority of cases form at the same time part of the Naval Reserve.

No national defence expenditure is included in the separate budgets of the colonies, but they may include expenditures on militia forces comparable to the National Guards of the several States.

Army and navy expenditure is shown separately.

The air force expenditure, which is combined with that of the army and navy, is not separately shown.

(b) The budgets and accounts show gross expenditure; revenue paid into the Treasury cannot be drawn out except under an appropriation Act by Congress. In this case, expenditure out of such revenues is shown in the accounts as an addition to similar expenditure out of budgetary credits.

### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is carried out:

(a) By the administrative superiors of the responsible agencies (supervision of the monthly, quarterly or other accounts, vouchers, schedules of payments, etc.). The high officials responsible decide upon such measures as are suitable for the supervision of their own services;

(b) By the Secretary of the Treasury, whose accountancy service checks the expenditure of public funds by all administrative departments in the light of the accounts which he periodically receives from the departments in question;

(c) By the Comptroller-General, who is appointed for fifteen years by the President with the approval of the Senate. This appointment is not renewable. The Comptroller-General can only be removed by a joint resolution of Congress on grounds of permanent incapacity, inefficiency, neglect of duty, malfeasance in office or felony.

All papers having to do with the withdrawal of funds from the Treasury, after signature by the Secretary of the Treasury or by the officials appointed by him, must be counter-signed by the Comptroller-General. All warrants drawn on the Secretary of the Treasury for advances to a disbursing officer are sent to the General Accounting Office (which is under the immediate authority of the Comptroller-General) for approval before being acted on by the Secretary of the Treasury. After such warrants are issued by the Secretary of the Treasury, they are counter-signed by the Comptroller-General.

Cheques issued under such payment orders and warrants are charged to the corresponding credits in the books of the General Accounting Office. This service, as well as the Comptroller-General, is thus able to ensure that credits are not exceeded.

### 8. *Final Audit.*

Final audit is carried out by the Comptroller-General and by Congress.

(a) The Comptroller-General has the right to make enquiries at the seat of Government or elsewhere into all matters connected with the receipt, disbursement or allocation of public funds. He reports in writing to the President, if so required by the latter, and to Congress on the work of the General Accounting Office, and makes recommendations with regard to such legislation as he considers necessary to ensure the prompt and regular submission and settlement of accounts. He further draws the attention of Congress to all expenditure or contracts concluded by a department or establishment in any year which involve infringement of the law. He shall make such investigations and reports as shall be ordered by either House of Congress or by any committee of either House having jurisdiction over revenue, appropriations or expenditure.

He lays down the procedure to be followed in connection with the submission of accounts by the various departments and establishments and for the examination of fiscal officers' (disbursing officers) accounts and claims against the United States.

The Comptroller-General is the highest authority in the matter of the audit of the accounts.

(b) Congress does not audit the accounts, nor is it responsible for approving them. On the basis of the Comptroller-General's report, however, it has full powers to set up special committees for the purpose of enquiries into the management of public funds.

The final accounts (Combined Statement of Receipts and Expenditures) show in respect of each expropriation account appearing in the books of the Treasury the balances available in the Treasury and disbursing officers at the beginning of the fiscal year, the expenditure of the year, whether effected by warrants or cheques, and the balances of appropriations carried over from previous financial years, which by operation of law were returned to surplus funds of the Treasury, and the unexpended balances remaining in the Treasury and in the hands of disbursing officers at the end of the fiscal year.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from July 1st to June 30th. The accounts of the expenditure in a fiscal year are closed as from the last day of the fiscal year—*i.e.*, June 30th—and any payment made after that date cannot be included in the accounts of the prior year.

### 2. *Budgets and Accounts.*

There are two Departments charged with national defence, the War Department and the Navy Department. There is no separate Department of Air and no separate account for the expenditure on the air forces, which is included in the accounts of the army and navy.

### 3. *The Model Statement.*

(i) The Model Statement relates to expenditure in the fiscal year 1929-30.

(ii) The tables for the three components of the armed forces have been completed. But all the expenditure on the air forces appearing in Table D is also shown either in Table B or in Table C.

(iii) (a) The expenditure shown in the Model Statement for the *army* refers to the cash disbursements made out of the money appropriated for the particular year, plus the liabilities incurred but not paid during that year. The figures arrived at on this basis are taken from the Budget Statement of the second year after the year to which they relate.

The expenditure of the War Department is divided between "military" and "non-military" activities. The total expenditure for the former is published in several documents, the figures of which do not exactly tally—*viz.*,

The Message of the President, page A.87 of budget 1932;

The Combined Statement (page 388);

The Report of the Secretary of War (page 284);

The figure in the Model Statement taken from the column "Actual and Obligated Expenditure for 1930" in the estimated appropriations for 1932.

The figures in the first three documents represent cash disbursements and exclude commitments made during the year. They are made up from the same figures—*viz.*, those given in the Combined Statement—the differences being due to intelligible rearrangements of the actual figures. The figures for the last, as explained above, show actual expenditure plus commitments in respect of appropriations voted for 1930; they exclude expenditures from appropriations available from other years, which are included in the first three figures.

For the purposes of the Model Statement, the American Government selected the figures shown under the "1930 actual" column in the budget for 1932 in preference to the cash disbursements shown in the Combined Statement, because, "under the rules and regulations promulgated in accordance with the law by the President, expenditure for these departments (*i.e.*, army and navy) for any fiscal year is defined to be commitments entered into during that fiscal year". The American delegation states that it would be possible to base the Model Statement on the accounts of cheques issued, if the President of the United States so authorised. As regards the War Department, the delegation says that the Model Statement can be compiled either from the budget or from the Combined Statement.

(b) The expenditure on the *navy* as given in the Model Statement represents "payments and accruals" relating to 1930. It includes audited cash expenditure and the sums due to civil and military personnel up to the end of the fiscal year, together with certain other miscellaneous expenditure (accruals). The naval figure is taken from the report of the Paymaster-General of the navy; it is dated September 24th, 1930—*i.e.*, within three months of the end of the fiscal year and over two months before the publication of the final audited accounts (*i.e.*, the Combined Statement) on December 1st, 1930. The figures in the statement of the Paymaster-General of the Navy are not vouched for by the Comptroller-General, though some 60 per cent of the individual figures from which the statement is made up have been audited by him in the ordinary course of business.

The total expenditure of the navy is published in several places, and the figures are not always the same:

The Message of the President, pages A.8 and A.67 of the budget for 1932;

The Combined Statement, page 378;

The report of the Paymaster-General, page 510.

The differences between the various figures are due to the fact that each of these reports has a different object, with the result that particular items are omitted in one and included in

another. But the annual report of the Paymaster-General and the Combined Statement for any given period contain the whole of the expenditure on the navy, however the headings may vary. For the purposes of the Model Statement, the annual report of the Paymaster-General has been used, in consideration of the form of the recapitulatory tables and the detailed additional particulars which it contains.

The United States delegation states that, in the case of the Navy Department, there are no specialised accounts, outside the Paymaster-General's report, from which the Model Statement could be compiled in the event of the figures of the Combined Statement not showing sufficient detail.

(c) All *air* expenditure is included in the army and navy accounts. These accounts contain a certain number of heads that relate to *air* only. The air expenditure in the Model Statement is composed of two parts:

- (1) That relating to army aviation;
- (2) That relating to navy aviation.

The former total is extracted from the figures given in the army Model Statement; where special air items do not exist in the budget, recourse was had to estimation. The latter total is taken from the "Hearings on the Naval Appropriation Bill for 1932", pages 475 *et seq.* It is there described as "estimated cost of the air service", and the figures are taken from departmental sources (note 2 on page 477 of the "Hearings"). This document gives in some detail the "estimated cost of the air service". The total, however, does not agree with the total given in the Model Statement, because, though as regards naval aviation the figures used are the same in both cases, as regards army aviation the bases of the two sets of figures are different. The figures given in the "Hearings", so far as expenditure by the War Department is concerned, are not official.

(d) There is no expenditure from civil budgets in respect of defence; but cost of postage is not charged by the Post Office to the defence departments. Consequently, no figures from civil budgets are used in the compilation of the Model Statement.

#### 4. Execution of the Budget.

Payments in respect of the defence budgets are made by disbursing officers of the departments concerned out of credits issued to them by the Treasury and countersigned by the Comptroller-General. In certain cases, however, the Treasury may make payments direct. Payments made by the disbursing officers are subject to administrative analysis and examination by the Chief Finance Officer concerned.

#### 5. The Accounts.

(i) The expenditure of the year is given in the document known as the "Combined Statement of Receipts and Expenditures, Balances, etc., of the United States", submitted by the Secretary of the Treasury to Congress. It shows the expenditure of each department for the twelve months under the headings of the budget.

Statements are also published by the Paymaster-General of the Navy and the Secretary of War. The bases of the expenditure figures shown in these statements differ: their nature is explained below.

(ii) The Combined Statement. — In this document expenditure for the year is shown as incurred on the basis of (a) warrants issued, (b) cheques issued. The former represents the amounts of money issued by the Treasury to disbursing officers to enable them to meet Federal expenditure. The latter represents all payments actually made during the fiscal year in respect of debts. It is the latter which is important from the point of view of the Disarmament Conference. The expenditure on the basis of cheques as given in the Combined Statement represents cash disbursements made during the twelve months in payment of Government obligations, without regard to the fiscal year in which the funds may have been placed to the credit of the disbursing officers by warrant. They include, not only payments in respect of money voted by Congress for the year in question, but payments made out of certain unexpended balances of moneys voted in previous years. These payments are shown separately from the payments made in respect of the appropriations voted for the year in question.

The Combined Statement shows the expenditure under the same headings as the budget, but with less detail.

(iii) The Report of the Secretary of War. — The Secretary of War, in his report, publishes an account of expenditure on the army, shown under the same headings as the budget, but with less detail in regard to particular items.

His report contains, amongst other figures, the same figures for cash disbursements made within the twelve months as the Combined Statement, but they are differently arranged.

(iv) The Report of the Paymaster-General for the Navy. — The appropriation headings in the report of the Paymaster-General for the Navy are the same as those of the Combined Statement and the budget. The report also shows the expenditure under each appropriation in great detail, in accordance with a classification which does not appear in the Combined Statement and is quite different from that of the budget.

All expenditure effected directly or indirectly by the Treasury is included in the report of the Paymaster-General for the Navy, if it is shown in the Combined Statement as appertaining to the navy account.

(v) Special and Trust Funds. — Any payments out of these that might relate to defence expenditure are subject to the same audit as that of the defence accounts and are included in the combined statement. There is no defence expenditure from special accounts or from trust funds that is not included in the army and navy budgets.

(vi) Unexpended Balances. — The fact that, after three years, payments from annual credits are not included in the budgetary accounts, but placed to a special allocation shown in the Treasury accounts, makes it possible that certain payments relating to national defence might be included in the Treasury accounts. The amount payable direct by the Treasury, however, must be very small.

#### 6. *Auditing and Publication of Accounts.*

After the administrative scrutiny, all accounts are passed to the General Accounting Office for final audit. The General Accounting Office is under the independent control of the Comptroller-General.

The report issued by the Comptroller-General does not contain the detailed accounts of the various services but the general result of his investigations. His report is submitted to Congress at the beginning of each session. It is published about five months after the close of the fiscal year.

The receipts and expenditure which have been audited during the year by the General Accounting Office are published by the Treasury in the Combined Statement which is submitted to Congress five months after the close of the financial year. The approval by Congress of the final accounts (Combined Statement) does not take the form of a law. The last closed and published accounts relate to the year 1930-31.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

(a) The relation between the figures of the column "Expenditures and Obligations for 1930", of the army estimates for 1932 and of the report of the Paymaster-General for the Navy on the one hand, and of the Model Statement on the other hand, is shown by means of reconciliation tables.

(b) The American Model Statement comprises expenditure in respect of the *armed forces* only.

(c) The following difficulty has been experienced on account of the budgetary system. The figures included in the Model Statement for the air forces are based upon a rough estimate only, as the War Department and the Navy Department are each responsible for their own section of the air forces. This remark applies more especially to the allocation of expenditure in respect of supplies furnished to the army air service during the 1930 fiscal period.

(d) Derogations from the instructions relating to universality of expenditure have been noted in certain cases mentioned below.

#### 2. *Military Departments.*

(a) The Model Statement shows the total amount (gross) of the *pay*, salaries and wages without deductions.

(b) As regards *air service* expenditure during the fiscal year 1930, it should be observed that the expenditure in respect of certain deliveries of stores relates to purchases made prior to 1930, the cost of which would have been entered in the Model Statement for the year during which payment was made; they are not included in the Model Statement for 1930. The United States delegation contends that the inclusion of the cost of stocks purchased in a previous year is a mistake, on the ground that it is likely to lead to duplication.

(c) Payments are made at the daily *rate of exchange* on the date of payment or on the date on which the foreign currency is purchased.

### 3. Civil Departments.

(a) No expenditure in respect of the *National Advisory Commission of Aeronautics* has been included in the Model Statement. Indirectly, this Commission may be of service to the national defence organisations; but it was not set up for this purpose, and its primary object remains the development of civil aviation. It is impossible to make any estimate in regard to cases where civil aerodromes have been used for military purposes. During the Committee's discussions it was suggested that the military authorities might perhaps render services free of charge to the National Advisory Commission of Aeronautics or to other organisations concerned with civil aviation. Similarly, it was suggested that such organisations might perhaps be required to place their personnel and equipment at the disposal of the national defence authorities in time of war.

(b) The United States delegation considers that none of the expenditure incurred for the *civil navigation signal service* or for the construction of roads and "marine navigation facilities" should appear in the Model Statement. Such expenditure is incurred primarily for commercial purposes.

(c) It is not considered that any part of the expenditure on the *meteorological service* relates to national defence.

(d) No expenditure in respect of the Federal *geographical* and *cartographical* services has been included in the Model Statement. The price paid for maps by the military authorities is the same as that paid by all other purchasers. It appears, however, that only a part of the total expenditure of the military survey has been included in the Model Statement. It would be interesting to know the reasons for this procedure.

(e) No expenditure relating to national defence services is effected by the *civil departments*. The *telegraphic* service is in the hands of private companies. The expenditure in respect of the telegraphic service has been included in the Model Statement. The *postal* service is a Federal service, but there are no exact accounts of the expenditure incurred for the different Government departments.

(f) None of the expenditure in respect of *roads, ports and canals* is connected with military purposes. For historical reasons, expenditure of this kind effected by the War Department is entered in its own budget under the heading "Non-military activities under War Department". There are also other items under this heading which have no connection with national defence. This expenditure has not been included in the Model Statement. The Model Statement nevertheless comprises certain items of non-military expenditure—for example, expenditure in respect of "care of lepers", "State marine schools", "temporary Government West Indian islands". Such expenditure must be regarded as having a non-military character.

There is also expenditure on the administrations of the overseas possessions, which is not military in character but has been included in the Model Statement owing to the impracticability of separating it from the other appropriations and accounts. The United States delegation stated, however, that it would be possible to make an evaluation.

(g) As regards expenditure on *rivers and harbours*, the only items included in the Model Statement are the pay and allowances of the military personnel. Work in connection with rivers and harbours is regarded as purely civilian in character.

(h) The allocation of *Shipping Board* loans enables the military authorities to prescribe certain modifications in design for ships, with a view to adapting them to war-time requirements. It is, however, impossible to calculate what proportion of the expenditure of the Shipping Board can be regarded as having been effected with this object. The American delegation was, moreover, of opinion that such sums could not be regarded as naval expenditure within the meaning of the Convention, as the contracts contain no stipulation regarding the naval value of the vessel. It must nevertheless be emphasised that the vessels have been constructed with a view to possible employment as auxiliary vessels. The vessels belonging to the Shipping Board, on the other hand, have been built for commercial purposes only.

(i) No expenditure in respect of *audit and examination* of the accounts is shown in the Model Statement.

(j) Expenditure on the American *Red Cross* has not been entered in the Model Statement, because, in the opinion of the United States delegation, this organisation has no connection with national defence purposes in time of peace.

### 4. Special Questions.

(a) In the United States there are *no formations organised on a military basis* under Federal control within the terms of the draft Convention.

There are, however, training camps for reserve officers which are held in the summer and military training camps in which military training is given to young men of from 16 to 20 years of age. All the expenditure relating to such camps appears in the Model Statement, because they are military activities administered by the War Department.

Expenditure in respect of the *National Guard* is to be considered as national defence expenditure. The total expenditure of the Federal Government in respect of the National Guard is included in the Model Statement. The expenditure of the various States is not so included. The United States delegation stated that, though it is possible to show the Federal Government's expenditure on the National Guard, no means exist of ascertaining the expenditure of the various

States. There is, indeed, no legal means of requiring the States to submit such figures, and there would be no legal basis for their limitation. The constitutional difficulties in the way of a prohibition of the carrying of arms are serious, as it would be necessary to obtain the assent of forty-eight States. The Federal Government is not empowered to employ the National Guard, unless mobilisation has been ordered.

The United States also possess *coast guards*. They cannot, however, be employed unless mobilisation has been ordered. Pending the settlement of the question of formations organised on a military basis, it is not possible to decide whether expenditure on coast guards should be included in the Model Statement or not. Such expenditure has not been entered in the Model Statement for 1930.

(b) Expenditure relating to the *Panama Canal* is to be regarded as commercial expenditure, with the exception of sums expended for strategic purposes such as railways, roads, etc. All expenditure connected with military purposes of this kind has been entered in the Model Statement.

(c) Apart from the credits included in the normal budget, there are no *budgets, funds or special accounts* from which sums might be drawn to cover national defence expenditure.

The special funds of the War and Navy Departments are intended either for the maintenance of stocks or to facilitate accountancy operations; in certain cases, the funds are derived from deposits made by enlisted men which the Government administers on their behalf, without their being Federal property.

A list of these funds has been submitted.

(d) In the Paymaster-General's annual report there is an entry of \$7,987,910 under the heading "Material taken up on stock records in advance of public voucher abstracts". The material in question, if used in the course of the fiscal year, would be shown under the navy appropriations at the moment of issue, and so would appear in the Model Statement.

(e) Moneys derived from the sale of Government stocks are paid into the United States Treasury.

(f) There are measures for *industrial mobilisation*, and the expenditure relating thereto is shown in the Model Statement. No measure of this kind has been taken in connection with aviation material.

(g) The expenditure for troops stationed in *China* and *Panama* has been distributed between the appropriate heads of the Model Statement.

(h) No expenditure has been effected out of the *proceeds of loans* raised exclusively for national defence purposes.

(i) Liabilities in arrears have been included in the Model Statement.

(j) *Deductions*. — The Model Statement, generally speaking, shows gross expenditure. When, however, a service supplies material to the army or navy with a consequent loss of its own right to use it, the value of the material is in certain cases refunded to that service. In cases where material has been supplied to the army or navy without payment, the corresponding value has not been entered in the Model Statement.

All Government property is tax-free. Local authorities do not supply troops with lodging, water, light or similar services free of charge.

(k) *Pensions*. — Pensions have been left out of the Model Statement and entered in Table F. Retired pay is only paid to retired officers and men of the regular service who may be called to the colours at any moment. As the result of an error, such expenditure has been included both in the Model Statement and in annexed Table F.

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#### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

##### I. Separation of Expenditure on the Three Forces.

In the Model Statement submitted, the whole of the defence expenditure is divided between the army and navy, for each of which a Model Statement has been prepared. Expenditure on the air force is included partly in the former and partly in the latter. A separate Model Statement for air expenditure has, however, been submitted by the United States delegation for the use of the Committee.

For the army, the figures taken are those given in the column "Actual Expenditure and Obligations for 1930" published with the 1932 Budget.

For the navy, the figures taken are those given in the Paymaster-General's report of the navy.

For the air force, estimated figures based on the army figures and on the navy expenditure for 1930 given in the "Hearings on the Naval Appropriation Bill, 1932," have been used.

These basic figures have different significations, which are explained in Chapter B.



As no separate audited account is published for air expenditure, special steps had to be taken to show it in the Model Statement. The air expenditure comprises: (a) military aviation; (b) naval aviation.

As regards military aviation, the proportion of expenditure in respect of general service and supplies allocated to the air force under heads I, II and III has been calculated on the basis of the comparative strength of effectives between the air arm and the other arms of the land force. The strength of the air corps for 1930 was 12½ per cent of the total army strength. Expenditure figures for military aviation war material, however, are not calculated on this basis, but are taken from the separate sub-heads for the air force which exist in the army budget.

The American delegation maintains that the calculation of expenditure on the basis of the proportion of effectives is not accurate, and for this reason has refused to separate expenditure on the air corps from the expenditure on the land and sea forces. In applying this proportion of 12½ per cent, error has crept in, because the calculation has been made on the basis of all army expenditure, both military and non-military.

The cost of aircraft-carriers is included in the cost of new construction of the navy, as well as in the air Model Statement. The result is that the figures for the air force may be considerably greater in the case of the United States than for those countries where costs of ship operation and construction are excluded from air expenditure.

The grand total for naval aviation is taken from the statement entitled "Estimated Cost of the Air Service" printed with the "Hearings on the Naval Appropriation Bill for 1932". Where separate items in respect of air services are not shown, the expenditures were calculated as closely as possible according to the judgment of the heads of departments.

Broadly, the expenditure deducted from naval expenditure and included in air expenditure represents:

- (a) The initial and maintenance cost, including pay of personnel, of all naval vessels and naval stations operated primarily for purposes of naval aviation;
- (b) The pay of all personnel, wherever stationed, whose duties are primarily connected with naval aviation;
- (c) The initial and maintenance costs of all material, wherever situated, used primarily in connection with naval aviation;
- (d) An administrative percentage charge for material and personnel employed exceptionally for naval aviation.

## 2. *Coast Defence.*

Expenditure on coast defence is included in the navy Model Statement, with the exception of expenditure on the Coast Artillery Corps. The latter forms an integral part of the army, and its expenditure is included in the Model Statement of the army. As a matter of principle, the American delegation objects to the inclusion of coast artillery expenditure in the naval Model Statement.

## 3. *Optional Columns.*

These have not been filled in. The National Guard is not regarded as a formation organised on a military basis. Expenditure from the defence budget in respect of this force is included in the Model Statement of the army. No expenditure by the States on this force is included.

## 4. *Division of Expenditure between the Various Sub-heads of the Model Statement.*

(i) The individual figures of the sub-heads of the *army* Model Statement are made up from the detailed items of "Actual Expenditure and Obligations" for 1930 shown with the corresponding chapters of the 1932 budget. Where these items relate to air as well as army expenditure, a deduction of 12½ per cent has been made. The figures published with the 1932 budget have been used rather than those given in the combined statement, because the figures published with the budget furnish a more detailed account of expenditure than the combined statement. It should be remembered that the army figures are commitments and not cash figures.

Expenditure on marines employed on garrison duties is not included in the army statement but in the navy statement.

(ii) The form in which the *naval* accounts are shown does not correspond in any way with the form of the Model Statement, and the figures in the various sub-heads of the Model Statement cannot be readily identified in any published document. The details are taken from (a) the report of the Paymaster-General of the Navy, (b) the "Hearings on the Naval Appropriation Bill, 1932," which give certain information regarding 1930 expenditure, and (c) certain data specially prepared for the Naval Appropriation Sub-Committee; these latter are not published. The difficulty of arriving at accurate figures for the various sub-heads is illustrated by the inclusion of a round figure of \$4,000,000 in respect of transportation of personnel, and again by the fact that for sub-head K it has been necessary to include a credit item of \$226,000 as an adjustment entry covering all items not specifically set forth.

(iii) As regards *military aviation*, the split of expenditure over heads I, II and III represents 12½ per cent of the army expenditure.

As regards *naval aviation*, the split of these figures is made from the details given in the "Estimated Cost of the Air Force" contained in the "Hearings on the Naval Appropriation Bill for 1932".

(iv) As the air arm forms an integral part of the army and navy, the figures in the various sub-heads of the Model Statement are mostly estimates based on administrative information, whereas the total expenditure on defence is correctly shown.

The difficulties encountered are due, in the opinion of the United States delegation, not so much to lack of clarity in the instructions drawn up by the experts, as to the fact that the American military organisation both on land and sea and the method of accounting make it difficult to carry out the instructions. Much had to be left to the interpretation of the authorities who drew up the Model Statement, and the result is that there are wide differences of method in classification as between the army and navy expenditure.

#### 5. *Head IV: Separation from Other Heads.*

Difficulties were experienced in separating head IV from other expenditure, especially as regards the isolation of overhead charges, charges for civil personnel and expenditure on depots from the totals of the Ordnance Department. For example, whereas in the case of the army the cost of war material (in the strict sense of the word) and chemical war material includes the cost of personnel employed on its manufacture, in the case of the air force the cost of the same material includes no expenditure for personnel, this expenditure being included under sub-head C.

The whole of the military personnel of the navy has been included in "Effectives", although the personnel in question may from time to time be detached for shore services of a military or non-military character. The accounts of the navy do not make it possible readily to determine the allocation of this personnel between the different sub-heads of head IV.

Special difficulty was encountered in isolating the expenditure on air war material from that on naval war material. The difficulty is due partly to the absence of audited figures and partly to the absence of air accounts.

The total for "Naval Construction" under L, which includes construction for the naval air arm, is given in the naval Model Statement as \$36.6 million. This figure corresponds to the figure given in the Paymaster-General's report and in the "Hearings, 1932". In order to fill in head IV of the air Model Statement, it has been necessary to isolate the amount expended for "rigid airships". The amount in respect of this is given in the Paymaster-General's report (page 14) as \$1.5 million, but in the "Naval Hearings" (page 479) as \$1 million. It is the latter figure which is included in the air Model Statement. The former is not "a purely round figure", but is the exact payment made during 1930 on the rigid airship contract.

The figure for "New construction and carriers" ("Saratoga" and "Lexington") as given in the air Model Statement (\$630,000) is taken from the "Naval Hearings" (page 479), whereas the expenditure given in the Paymaster-General's report (page 12) is \$531,682.

The United States delegation states that the latter figure relates only to hulls and engines, whereas the figure shown in the air Model Statement includes all expenditure on behalf of the naval air force, whether figuring in the construction estimates for 1930 or not. The major part of the difference between the two figures has probably been included in sub-head M of the Model Statement for the total expenditure of the navy.

As regards the cost of ship construction generally, the American delegation thinks it should all be shown in the naval Model Statement; but an endeavour has been made to separate the part relating to the air service.

The figures given in head IV include some element representing overhead charges. They do not in every case (particularly that of the air force) include all the expenditure on the relevant civilian personnel or on the relevant naval personnel.

#### 6. *Head IV. Separation between Sub-heads.*

Certain items not readily assignable to other sub-heads are included in M. Expenditure on mine-layers and cable ships is treated as land force expenditure and included in H.

#### 7. *Special Questions.*

(a) *Civilian Employees.* — In the case of the army, this expenditure has been shown under the appropriate sub-head. In the case of the navy, no civilians are shown under C, on the ground that there are no permanent civilian employees in the navy. All naval civilians are shown under sub-heads other than C. This is due to the nature of the naval accounts, in which the cost of civilians is classified according to the nature of their several activities. In the air Model Statement, the expenditure on civilians shown under C relates only to the civilians of the military air force, civilians of the naval air force being all included in other sub-heads.

(b) *Military Personnel.* — The pay of midshipmen and prisoners is included in sub-heads D and E, not A and B.

Nurses are regarded as officers, and their pay is included in sub-head A.

Where expenditure on retired pay of retired officers or men is included in the pay sub-heads, this is because personnel on retired pay are liable to be recalled to service.

Allowances are included in the pay sub-heads.

(c) *Vehicles.* — Expenditure on repairs to vehicles has been charged to sub-head G and not M.

(d) *Maps.* — The costs of military survey and maps used by the land forces are included under sub-head M (a) as being appropriate to engineer stores.

(e) *Fuel.* — Expenditure on fuel in the army is charged wholly to sub-head G, though it includes fuel used for cooking, lighting, heating, etc.

## E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Preliminary Remark.* — With the assistance of the information given, it is possible to draw up series of the annexed tables, A, B, C, D and E, for the land forces and the naval forces, but not for the air forces. Table F cannot be divided up between land forces and naval forces.

### Table A.

(a) *Item 1.* — The \$9,088,005 for remuneration outside periods of training of personnel not employed, which figure under the navy expenditure in this table, is for retainer salaries for men of extended periods of service.

The following may generally be considered to form the reserves of the regular army:

- (a) The National Guard;
- (b) The organised reserves;
- (c) The Reserve Officers' Training Corps;
- (d) Citizens forming part of the citizens' military training camps;
- (e) Retired officers, petty officers and men.

It follows that: (1) no officer, non-commissioned officer or soldier in the National Guard receives remuneration so long as he is not called to the colours; (2) the same applies to the organised reserves, the reserve officers and the citizens forming part of the citizens' military training camps.

The position in the case of retired officers, etc., is somewhat more complicated, because the expenditure of \$20,113,145 is given under Article 2 (remuneration of reservists called up), whereas not all these officers are always called up. In any case, if the American theory is accepted according to which these retired officers can be called to the colours at any moment, and consequently the \$20,113,145 are not pensions but pay, this \$20,113,145 ought to be entered under Item 1 of annexed Table A, because it refers to officers who correspond to the reserve officers of other Powers.

(b) The \$9,088,005 of Item 1 forms part of the sum of \$14,933,170 in sub-head D of the Model Statement for the naval forces.

The expenditure relating to the Marine Corps Reserve and to the appropriation for "Organising the Naval Reserve" have all been included in this item. The detailed statement on the navy has been drawn up in such a way as to make it possible to check the allocation of the several items. It will be observed that the total of Items 1 and 2 of annexed Table A agrees with the total of the various detailed items in sub-head D of the Model Statement.

(c) To make it possible to check the sum of \$9,088,005, the American delegation has submitted a multigraph document entitled "Data for the Sub-Committee on Naval Appropriations, etc.", and states that the particulars furnished by the Appropriation Committee of the House are sometimes published in the "Hearings". Some of the details with regard to the personnel, whose pay appears under the appropriation for "Pay, Subsistence and Transportation", are sometimes not published; and, in that event, the particulars in question can only be derived from approximate figures, such as those submitted to the Conference. Whether printed or not, the figures represent official estimates of the allocation of the appropriations.

(d) *Item 2.* — The figure \$26,347,457 shown under this item does not tally with the figure given under the same item in the United States delegation's first communication. The difference

is due to the fact that \$2,398,265, representing the expenditure incurred by the States and municipalities for the National Guard, has been deducted from the \$28,745,719 given in the first communication.

This \$2,398,265 is included in sub-head D of the Model Statement.

(e) Item 2. — The \$20,302,289 expenditure on reservists called to the colours does not include the cost of maintenance, but merely remuneration.

(f) The United States delegation states that there are no subsidies to the families of reservists called to the colours.

#### Table B.

(a) The amount shown is equal to the sum in sub-head L. The reliability of this figure is doubtful, because sub-head L is in this case very much less than sub-head M, whereas the opposite is true for other navies.

The United States delegation states that the fire-control apparatus, armament, ammunition and other items were included in sub-head M rather than L for the reason that it is not possible to determine the proportion of the expenditure on these items which can be assigned to ships.

(b) The figure \$36,615,942 to be found on page 11 of the annual report of the Paymaster-General for 1930 has been given for new construction (hulls and engines).

This figure includes a part of the appropriation "Increase of the Navy, Armour, Armament and Ammunition". This expenditure, according to the United States delegation, was for armour-plating, and should, according to the Budgetary Experts' report, appear under L and not M. The figure \$1,507,080.03 includes a disbursement of \$1,500,000 under a contract for the construction of a rigid airship, and that part of the expenditure on permanent naval construction which went to aircraft under the appropriation for "Increase of the Navy". These items also figure under sub-head L.

(c) The \$31,876,566 shown for upkeep in Table B includes heads B, D, K and P on page 8 of the Paymaster-General's report, the detailed index of which has been submitted to the Conference for purposes of reference.

(d) The United States delegation has included in Table B \$1,125,385 as expenditure on certain ships which are attached to the army.

It may be noted that the armies of nearly all the important Powers own certain water-craft (tugs for towing targets for coast artillery, cargo-boats for transport, etc.). The American delegation has been the only one to bring out this fact.

#### Table C.

(a) The United States delegation gave three different figures on three different occasions:

Document C.413.M.169.1931.IX [Conf.D.1]: \$94,688,569 (all for the naval forces);  
Document Conf. D./C.D./C.T.12: \$86,398,108 (of which \$3,000,000 were for the land forces);

Document Conf.D./C.D./C.T.126: \$29,873,590 (of which \$19,373,722 were for the armed forces).

The first time it was thought that Table C should include "the value of outstanding contracts made by virtue of contract authorisations".

The second time it was thought necessary to give the "outstanding obligations recorded against all naval appropriations as on June 30th, 1930".

The third time it was proposed to show "the unobligated balance of appropriations on June 30th, 1930, which were available for obligations after that date".

It may be noted here that, according to the instructions of the Budgetary Experts, Table C ought to contain, not the *unobligated balances* of appropriations on June 30th, 1930, but the total *unpaid balances* of appropriations and authorisations for commitments on June 30th, 1930. The fact that the Model Statement for the land forces shows the commitments and not the payments ought to mean that annexed Table C for the land forces, contrary to that for the naval forces, shows the unobligated balances.

#### Table D.

The American delegation experienced the same difficulties in the case of Table D as in that of Table C.

In document C.413.M.169.1931.IX [Conf.D.1], the delegation entered \$94,688,569 ("Obligations entered into, for which no appropriations were available but no goods were delivered and no services were rendered, and therefore no payments were made").

The figure was confirmed in document Conf.D./C.D./C.T.12.

In document Conf.D./C.D./C.T.126, the figure was struck out and "nil" was written instead, because "the navy has no instances of actual deferred payments for material delivered".

Table F.

(a) According to the message of the President, 1932, pages A.27 to A.29, the gross expenditure on the Veterans' Bureau was the following:

	\$
General Fund . . . . .	773,990,330
Trust Funds . . . . .	292,551,171
	<hr/>
	1,066,541,501

In order to eliminate double entries between funds, the following transfers from the General to the Trust Funds should be deducted:

	\$
Adjusted Service Certificate Fund . . . . .	112,000,000
Civil Service Retirement Fund . . . . .	20,500,000
	<hr/>
	132,500,000
Leaving a total of . . . . .	934,041,501

As the Civil Service Retirement Fund does not concern military pensions (the portion due to former civil servants in the War and Naval Departments is not known), its expenditure should also be deducted—i.e.

58,977,243
<hr/>
875,064,258

The expenditure of the Government Life Insurance Fund and of the Adjusted Service Certificate Fund include investments in Government and other securities to the following amounts:

	\$
Government Life Insurance Fund . . . . .	41,269,278
Adjusted Service Certificate Fund . . . . .	137,800,000
	<hr/>
	179,069,278

These deducted from the above amount would give a total of \$695,994,980.

It should be mentioned that the remaining expenditure of the Government Life Insurance Fund consists of the following two items, of which it is questionable whether they can be regarded as pensions payments:

	\$
Losses on converted insurance . . . . .	16,442,631
Loans to policy-holders . . . . .	21,269,983
	<hr/>
	37,712,614

The deduction of these two items would therefore leave a total of 658,282,366 distributed as follows:

*General Fund:*

	\$
Military and naval compensation . . . . .	199,402,096
Army and navy pensions . . . . .	218,956,342
Military and naval insurance . . . . .	122,840,120
Grants to homes for disabled soldiers and sailors . . . . .	575,206
Adjusted service and dependants' pay . . . . .	3,129,514
Administration, medical, hospital and domiciliary services, etc. . . . .	96,587,052
	<hr/>
Total General Fund . . . . .	641,490,330

*Trust Fund.*

Adjusted Service Certificate Fund payment on account of adjusted service certificates . . . . .	16,612,902
Deposit accounts . . . . .	179,134
	<hr/>
Grand Total . . . . .	658,282,366

The document Conf.D./C.D./C.T.12 indicates in Table F, under 1, 2 and 3, an amount of . . . . .

685,517,361
<hr/>
27,234,995

It would seem from the above that . . . . .

658,282,366
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is a more correct figure for the real expenditure on pensions and their administration than the figure \$818,799,040 shown in document Conf.D./C.D./C.T.126.

(b) The expenditure for retired officers, if these are not considered as reserve officers, should be included in Table F.

The sum of \$8,374,580 in document Conf.D.1 for navy pensioners does not agree with the figures given in the "Data for the Sub-Committee on naval appropriations, etc."

(c) If it is decided to include all the expenditure of the Veterans' Administration, etc., as "Pensions", the following expenditure would also be included:

- (i) Veterans' administration;
- (ii) Hospital and domiciliary facilities;
- (iii) Appliances for disabled soldiers;
- (iv) Artificial limbs, etc.;
- (v) Military and naval insurance;
- (vi) Vocational rehabilitation;
- (vii) Investigation of pensions cases;
- (viii) National homes; hospital construction;
- (ix) Sanatoriums.

It will be noted that the expenditure for honorary distinctions, paid by certain Powers, together with pensions, is not specifically mentioned among the expenditure of the Veterans' Administration.

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### List of Documents.

#### Budgetary System:

Reply by the United States delegation to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.6).

Note on Financial Control in the United States of America (document Conf.D./C.D./C.T.127).

Notes on the Budget System of the United States of America (document Conf.D./C.D./C.T.128).

Budget and Accounting Act of 1921 (Public No. 13. Sixty-seventh Congress (S.1084)).

The United States delegation has also sent texts of financial rules and forms of various documents, a list of which will be found in document Conf.D./C.D./C.T.126.

Model Statement (Tables B, C, D and annexed tables) with explanations (document Conf.D./C.D./C.T.12).

Model Statement (Table A) with supplementary explanations. Reconciliation tables (document Conf.D./C.D./C.T.66).

#### Budgets:

Message of the President of the United States, transmitting the budget for the service of the fiscal year ending June 30th, 1930, and budget statements.

Message of the President of the United States, transmitting the budget for the service of the fiscal year ending June 30th, 1932, and budget statements.

#### Accounts:

Annual report, Finance Department, for the fiscal year ending June 30th, 1930. United States Army. Annual report of the Secretary of War, 1930.

Statements of expenses for 1930 and unexpended balances.

Annual report of the Paymaster-General of the Navy 1930.

Navy Department Appropriation Bill for 1932. Hearing before Sub-Committee of House Committee on Appropriations (seventy-first Congress, third session).

Excerpts of data prepared for 1932 Hearings.

Digest of appropriations for the support of the Government of the United States of America for the service of the fiscal year ending June 30th, 1932, and on account of deficiencies for prior years, made by the third session of the seventy-first Congress, 1932.

Observations of Technical Committee (document Conf.D./C.D./C.T.90).

Replies of the United States delegation (document Conf.D./C.D./C.T.99).

Minutes of audition meetings (document Conf.D./C.D./C.T./P.V., audition, 10, 10(a) (and corrigendum): 10(b) and 10(c)).

Additional information (document Conf.D./C.D./C.T.126).

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## FRANCE

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### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The budget is drawn up by the administrative authorities. The Minister of Finance (or of the Budget) collates all the expenditure estimates of the ministerial departments. As he is responsible for ensuring the balance between revenue and expenditure, he may invite the other Ministers to make reductions in their estimates. If no direct agreement is arrived at between the Minister of Finance (or of the Budget) and the other Ministers, the draft budget is settled by the Council of Ministers.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget, after being laid by the Government on the table of the Chamber of Deputies, is referred for examination to the Finance Commission. A separate report is drawn up in respect of each of the ministerial departments and also a general report. These reports are published. The budget is subsequently discussed publicly in plenary meetings by the Chamber of Deputies. Deputies have the same right of proposing expenditure as the Government.

When the budget has been voted by the Chamber of Deputies, it is sent to the Senate and subjected to examination by the Finance Commission, which also draws up separate reports and a general report. The budget is discussed publicly in the Senate.

The public debates in the Chamber of Deputies and the Senate are reported in full in the *Journal Officiel*.

(b) The national defence expenditure is voted each year.

(c) The items of expenditure are authorised by law.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budgets, the voted budgets and the accounts are published. The debates on the law sanctioning the accounts are reported in the *Journal Officiel*.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The credits voted represent actual financial provision. Supplementary credits intended to cover excesses and cancellations of credits may be voted by Parliament after the close of the budgetary year.

Parliament may grant by means of the Finance Law to the Executive Power authorisations to enter into commitments. But the work carried out in execution of these authorisations may only be paid for out of financial provision granted during the following year. Authorisations to enter into commitments not utilised at the end of the year are automatically cancelled and cannot be carried over to the following year.

The credits required to defray the expenditure of the State are voted for each exercise. Commitments entered into during the budgetary year may be paid for during a supplementary period. Expenditure may be passed for payment during the three months following the close of the budgetary year. Actual payments may be made up to the end of the fourth month. Operations of regularisation (book-keeping adjustments) can be effected up to the end of the seventh month.

(b) Except as regards the credits and special accounts mentioned under 6, credits are voted for one year only.

Credits relating to the execution of programmes for the supply of material and for constructional work may be carried over to the following year subject in principal to a further authorisation by Parliament.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The national defence expenditure is submitted in five distinct budgets (War, Defence of Oversea Territories, Marine, Air and Colonies). These budgets are divided into sections, chapters, articles and paragraphs. Authorisations of expenditure are voted in chapters. The chapters,

articles and paragraphs are very numerous and show clearly the object of the expenditure. The method of presentation of the budget is very clear.

(b) The final accounts are drawn up in the same form as the budgets.

(c) Transfer between the respective budgets of the Ministries of National Defence is forbidden. Within those budgets, transfer from one section to another and from one chapter to another is forbidden. Transfer is authorised only between the articles and paragraphs of the same chapter. No exception can be made to these rules.

Certain credits of the Air Ministry are transferred by Decree to the Ministries for War, Marine and the Colonies, to be administered by these Ministries.

#### 6. *Unity of the Budget.*

(a) All national defence expenditure is included, in principle, in the general budget of the State. There exist, however, at present in respect of this category of expenditure two special accounts—a special account relating to the defensive organisation of the country and a special account relating to national equipment. Certain items of military expenditure of a temporary character are charged to this latter account.

A certain number of items of national defence expenditure are included in the budgets of the civil Ministries. The proportion of this expenditure in relation to the total national defence expenditure may be estimated at 7 per cent.

There are also certain items of national defence expenditure in the general or local budgets of the colonies or protectorates and in the budget of the City of Paris (contribution of the City of Paris towards the expenses of the *garde républicaine*).

Separate budgets are drawn up for the War Ministry (expenses in the home country and expenses in oversea territories), the Ministry of Marine, the Air Ministry and the Ministry for the Colonies.

(b) The budgets and accounts show gross expenditure.

#### 7. *Supervision during the Execution of the Budget.*

The administrative supervision over the execution of the budget is ensured:

(a) By means of the supervision exercised over their subordinates by the responsible heads of the departments;

(b) By the financial staff (*corps de contrôle*) which exists in each of the Ministries of National Defence and whose members are responsible only to their respective ministers and are completely independent of the executive spending departments;

(c) By means of the supervision over commitments exercised by officials of the Ministry of Finance attached to each of the Ministries of National Defence.

(d) By means of the permanent supervision exercised by the public accountants over the *ordonnateurs* through the examination of the orders for payment and vouchers issued by the latter before any payment is made.

#### 8. *Final Audit.*

Final audit is carried out:

(a) By the *Cour des Comptes*. This supreme body, whose task it is to scrutinise the accounts of the public accountants mentioned in paragraph 14 and to pass judgment upon their pecuniary responsibility, compares, by means of the general account of the Finance Department, the final accounts of the Ministers with those of the public accountants, and certifies the correctness of the former by declaring their conformity with the latter. The declarations of conformity made by the *Cour des Comptes* are published. The *Cour des Comptes* is the highest organ of verification of the accounts.

(b) By parliament, which, on the basis of the final accounts, the general account of the Finance Department and the declaration of conformity made by the *Cour des Comptes*, votes the law which sanctions the accounts. In connection with the voting of this law, Parliament can call upon the responsible Ministers to answer for their acts.

### B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

#### I. *Budgetary Year.*

In the French system of public accounts, the closed accounts refer to a budgetary year which, up to 1929, regularly extended from January 1st to December 31st. The budgetary year 1930 ran from April 1st to March 31st. The following budgetary year similarly began on April 1st, 1931, and ended on March 31st, 1932. The budgetary year 1932 began on April 1st,



1932, and ended on December 31st, 1932 (exceptionally, it covered a period of only nine months). Henceforth, the budgetary year will correspond with the calendar year, as formerly.

There is an additional period of four months during which expenditure incurred in the course of the twelve months of the budgetary year is paid. This is followed by a three-month period of regularisation of accounts. No payment on account of the past year can be made during this last period. Thus the total additional period includes seven months and ends on July 31st. Exceptionally, the additional period for the 1930 *exercice* lasted nine months; the period of regularisation was extended by two months, so that the additional period ended on December 31st, 1931.

## 2. *Budgets and Accounts.*

There are separate Ministries, budgets and accounts for each of the three arms.

## 3. *The Model Statement.*

The Model Statement refers to the budgetary year 1930. The tables for the three arms have been filled up. The figures in the Model Statement represent gross expenditure.

When the Model Statement was drawn up, the closed accounts for the 1930 *exercice* had not been completed. The last closed accounts published go back to the year 1924. The French Government has drawn up statements of expenditure, including the expenditure effected, on account of the 1930-31 *exercice*, during the period April 1st, 1930, to March 31st, 1931, and also the expenditure effected during the additional period April 1st to July 31st, 1931. The figures contained in these statements were established as the result of checking (*pointage*), at the Ministry of Finance, the accounts of the *ordonnateurs* against those of the accountants as on December 31st, 1931—i.e., at the close of the additional (extended) period of nine months.

The statements of expenditure have not been published. Their correctness rests upon the Minute on the Accounts of the Ministers of National Defence and of Finance, executed (*ne varietur*) by the Audit Commission for Ministerial Accounts, and upon the checking (*pointage*) of the accounts of the Ministers of National Defence against those of the public accountants, the said checking being carried out under the direction of the Minister of Finance. Before checking, the accountants' figures are submitted for examination and consequently for approval, by the *Cour des Comptes*. The result is a document which may perhaps not be so detailed as the final account (this latter follows the budget in form), but which is stated by the French delegation to be as authentic both in respect of the totals shown under each sub-head and of the general totals as the final account published and submitted to Parliament. The statement of expenditure has been drawn up solely in order to provide a basis for the Model Statement. The French delegation states that the figures given in this document are reliable and that the totals of expenses under each sub-head are the same as those which will appear in the closed accounts later.

The statements of expenditure show, in certain exceptional cases, instead of expenditure taken from the accounts, figures ascertained by internal accounting methods, or merely estimates. This remark applies particularly to the determination of the share due to the *Défense Nationale* in respect of a few items of expenditure which appear in the local budgets, such, for instance, as expenses for housing the *gendarmerie départementale*, of Algeria and Morocco, and military expenses met from the local budgets of the colonies. The military expenses borne upon the budgets of civil Ministries generally represent figures taken direct from the statement of payments actually made. The proportion of the total amount calculated to the total amount ascertainable without recourse to estimate or approximate analysis of figures is stated by the French delegation to be 2 per cent.

In the case of the Air Ministry, there appears in the statement of expenditure the amount of credits transferred to other Ministries of National Defence instead of payments actually made from these credits. This method was unavoidable, as only the Ministries in whose favour credits were transferred could give particulars of the actual payments, and to wait until these figures were known by the Air Ministry would have made it impossible to complete in time the Model Statement for Air Forces. The Model Statement for Air Forces has now been drawn up on the basis of expenditure actually made. This will not involve any alteration in the Model Statements of the other forces.

## 4. *Execution of the Budget.*

Payments authorised by the Minister or subordinate officials are made by the public accountants after the documents justifying the expenditure have been checked.

Supervision during the execution of the budget is exercised by the inspectors of finance, who supervise the work of the public accountants, by a supervisory organisation in each Ministry of National Defence, whose duty it is to see that the budget is carried out in a regular manner, and by the Comptroller of expenditure incurred, attached to each Minister but under the authority of the Minister of Finance.

## 5. *Accounts.*

The closed accounts include payments made during the twelve months of the budget year and the additional period. The expenditure shown is as a general rule gross.

The closed accounts are prepared in the same form as the budget. Since 1922, there have no longer been any extraordinary budgets deriving their revenue from loans, but expenditure necessitated by the execution of certain programmes of work on a large scale—in particular, the “national equipment” programme and the programme “for the defensive organisation of the country” is at present included in special accounts. These special accounts are, in the matter of auditing and publication, subject to the same rules as the general accounts of the State.

There is only one State autonomous establishment for the manufacture of war material.

The French delegation has declared that the French Government has taken into consideration the recommendations of the Budgetary Experts to the effect that separate accounts should be prepared for the purposes of the Convention showing only payments actually effected during the twelve months of the budgetary year.

#### 6. *Auditing and Publication of Accounts.*

Two sets of accounts are kept for the expenditure on national defence, those of the *ordonnateurs* and those of the accountants (*comptables*). These accounts are compared after the close of the *exercice*, in order to ascertain whether they tally.

The closed accounts are verified, either by the competent Minister or by the Under-Secretary of State or the Secretary-General empowered to sign for him.

At the close of the *exercice*, the Audit Commission for ministerial accounts (consisting of nine members selected annually from the Senate, the Chamber of Deputies, the Council of State and the *Cour des Comptes*) establishes *ne varietur* the central accounts of the Ministry of Finance and the other Ministries. This is an auditing operation which constitutes an act of joint supervision (administrative and legislative), but to which no publicity is given. This audit is intended to establish an authentic and invariable basis for the later audits of the ministerial accounts carried out by the *Cour des Comptes*.

The *Cour des Comptes*, which examines the accounts of the public accountants, exercises supervision over the administrative acts of the Ministers, by comparing their accounts with those of the accountants (by means of the general accounts of the Finance Administration). The result of this audit does not take the form of a direct certification of the ministerial accounts, but of a declaration that the accountants' accounts, examined by the *Cour des Comptes*, tally with those of the Ministers who were the *ordonnateurs*.

This procedure is based on Article 7 of the Law of January 25th, 1899, concerning the financial *exercice*, which reads as follows:

“Before May 1st following the close of the *exercice* which has expired, the *Cour des Comptes* shall transmit to the Minister of Finance the general declaration of conformity concerning the said *exercice*.”

Article 6 of the same law provides that the ministerial accounts must be submitted to Parliament at latest by the opening of the ordinary session of the Chambers following the close of the *exercice*. The final accounts are printed and submitted to Parliament. It follows that the publication of the closed accounts calls for a period of about five months after the end of the *exercice* (twelve months plus the additional period of seven months) to which they refer. This means that the final accounts should be published and submitted to Parliament about twenty-four months after the beginning of the financial year and that, consequently, the Model Statement can be filled up by means of these accounts within the period of twenty-six months contemplated in the experts' report. The official result of the audit, already carried out in fact by the *Cour des Comptes* at the time that the final accounts are produced, is published, in principle, twenty-eight months after the beginning of the financial year.

The legal time-limit for auditing and submitting the accounts could not be observed during recent years.

The French delegation states that the Government of the Republic has taken the necessary steps to provide for the auditing in the shortest possible time of the accounts of past *exercices*. The exact date on which the 1930 accounts will be closed and submitted to the *Cour des Comptes* cannot, it is true, be stated at the present time. But, should a Convention for the limitation of expenditure come into force in 1933, the final accounts for that *exercice* could be drawn up and audited within the legal time-limits mentioned above.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### I. *General Remarks.*

(a) The relation between the statement of expenditure and the Model Statement has been established with the help of the reconciliation tables.

(b) The Model Statement includes expenditure on the *armed forces and formations organised on a military basis*, although a definition of these formations has not yet been formulated.

Expenditure in respect of mandated territories is not included in the Model Statement.

(c) The budgetary system has not been found to present any obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) Departures have been made from the instructions concerning universality in certain cases mentioned below.

## 2. *Military Departments.*

(a) The Model Statement includes *pay* without any deduction either for contributions to superannuation funds or for taxation.

(b) Certain *advances* on pay, which can only be granted in exceptional cases, are not included in the statement. They are not shown in the actual expenditure as they have to be refunded within a short period.

(c) The foreign exchange needed by the Ministries of National Defence is purchased by the Treasury and supplied to the military departments *at the rate* at which the exchange was purchased by the Treasury.

## 3. *Civil Departments.*

(a) Military expenditure on *aviation* and civil expenditure shown separately as such in the separate sub-heads of the accounts of the Air Ministry amounts to 67.8 per cent and 10.1 per cent respectively of the total expenditure of the Air Ministry.

No difficulty has been experienced in checking the transfer to the Model Statement of national defence expenditure and the exclusion therefrom of expenditure of a purely civilian nature. There is, however, certain mixed expenditure amounting to 22.1 per cent of the total account. The split between national defence expenditure and civilian expenditure as regards this percentage can only be effected by means of internal documents and with a practical knowledge of the actual institutions.

(b) Certain expenditure in respect of the following items: Meteorological service, hydrographical service, semaphore service, supervision of fisheries, certain welfare work, officers' quarters, schools for which the navy and the army still have the financial responsibility, may be of both military and civil importance. The French delegation has stated the criteria on which the whole or part of the above-mentioned expenditure has been included or excluded.

(c) Part of the revenue of the Ministry of Posts and Telegraphs for the *postal services* rendered in respect of correspondence relating to national defence should be included in the Model Statement. The proportion cannot be stated exactly, but has to be estimated.

(d) *No municipal taxes are paid in respect of property* belonging to the Government.

(e) Part of the expenditure incurred for the *maritime registration service* may be regarded as expenditure on national defence.

(f) The French delegation has admitted the existence in Chapter 58 of the 1930 budget of the Ministry of Agriculture of certain expenditure relating to national defence.

(g) Only the daily allowances to nurses serving in the military hospitals have been entered in the Model Statement as expenditure on the *Red Cross*.

## 4. *Special Questions.*

(a) *Formations organised on a military basis* whose expenditure is shown in the Model Statement either under the home country or under oversea territories are as follows:

(1) As regards the War Department:

In the home country: the Departmental Gendarmerie, the mobile Republican Guard, the Paris Republican Guard.

In oversea territories, the Gendarmerie of Algeria, Tunisia, Morocco and the Levant.

(2) As regards the Naval Department:

The naval fire brigade,

The naval personnel of the directorates of ports.

The Model Statement does not include expenditure on formations organised on a military basis relating to the Ministerial Departments for the Air and the Colonies.

The following is excluded from the Model Statement:

Expenditure on the Sherifian forces.

»    »    » Paris fire brigade.

»    »    » Semaphore personnel.

The question as to what formations are to be included in the Model Statement depends on the decision of the competent organs of the Conference on the general question of formations organised on a military basis.

(b) As regards *physical training*, the interdependence which exists between the work of the Technical Committee and that of the Committee on Effectives should be noted, as the deliberations of the last-named Committee may result in the inclusion of certain expenditure on the military training of youths, that expenditure not being shown in the present Model Statement.

(c) *Payments in kind* which Germany made for the maintenance of the Army of Occupation are not shown in the Model Statement.

(d) The expenses of the *occupying troops* (stationed in North China and Shanghai) are shown in the Model Statement.

(e) Very detailed explanations have been furnished by the French delegation concerning the two existing *special accounts* (for national equipment and for the defence organisation of the country). Defence expenditure relating thereto is accounted for and audited according to the same rules as budgetary expenditure properly so called. Expenditure on the defence organisation of the country may be regarded as a whole as expenditure on national defence, while expenditure on national equipment only partially concerns national defence. No military expenditure was effected from special funds during the budget year 1930.

(f) The only *autonomous undertaking* working for national defence is the *Explosives Service (Service des Poudres)*. This is an industrial service with an annexed budget which is discussed by Parliament at the same time as the general budget of the State.

(g) *The only expenditure on national defence not included in the general budget of the State* is: (1) a share in the expenditure of the *Garde Républicaine*, which is entered in the budget of the City of Paris; (2) certain military expenditure entered in the general or local budgets of the colonies; (3) expenditure relating to the quarters of the gendarmerie, borne by the budgets of the departments. It should, however, be noted that, as from 1931, this latter expenditure will have to be entered in the war budget. Military expenditure entered in the accounts of the National Defence Departments constitutes about 93 per cent of the grand total.

(h) *No extra-budgetary resources* are utilised for the purpose of national defence with the exception of the proceeds of the sale of manure, which is devoted direct to the Units' Equipment Fund.

(i) Expenditure covered by means of resources derived from *voluntary contributions* is entered in the budgets (over and above the credits voted), and in the accounts, as well as in the Model Statement. Military administrations are strictly forbidden to accept *gifts* and *bequests* except in pursuance of a decree or law.

(l) In respect of the *fonds d'abonnement* known as "masses" (funds), which are maintained by means of cash allotments, the sums allocated to the units, and not the payments made therefrom by the latter, have been entered in the Model Statement.

(m) The Model Statement excludes *pensions*. The reserve pay of general officers is considered as being in the nature of a pension.

23. *Deductions.* — In exceptional cases when the budget and the accounts do not indicate the gross expenditure, an effort has been made to reconstruct the gross expenditure. No Ministry can increase from private resources the credits granted to it, except in the case of expenditure which is covered by the receipts from the sale of manure; the amount of these receipts is not to be found in the closed accounts.

Sums retained in respect of officers' service quarters are deducted from the expenditure in the chapters on pay. These amounts are not included in the Model Statement for the reason that the officers must themselves pay for their accommodation. Receipts derived from the sale to civil departments and to the public of maps of the Military Geographical Service are not deducted from the expenditure of this service as entered in the Model Statement.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE AMONG THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### I. *Separation of Expenditure on the Three Forces.*

There are separate Ministries for Army, Navy and Air. In addition, certain national defence expenditure was included in the military expenditure accounts of the Colonial Ministry and in certain general or local accounts of the colonies, such as those of Algeria and Tunis, Morocco and the Levant; in those of civil Ministries—for instance, the Ministry of Public Works; in other civil accounts such as those of the Government of Algeria, the City of Paris and departmental budgets.

Certain credits voted for the Air Ministry were transferred to the Ministries of War, Marine and Colonies. The air expenditure out of these credits is recorded in the accounts of these Ministries. As the first Model Statement relating to the air force was based on the credits transferred to the three Ministries and not on the expenditure, the French delegation has submitted

a revised statement based solely on expenditure. Certain expenditure concerning both the navy and air was divided in the following manner: expenditure on aircraft-carriers, personnel attached to them, fuel for their engines, catapults and fixed fittings and costs of upkeep for the latter are charged to the naval forces. Expenditure on aeroplanes, their armament, fuel, air personnel and their maintenance are charged to the air force. Certain air formations are under the control of a local Command, whether naval or military—e.g., the *Préfet maritime* or General Officer Commanding the District. In such cases, there are services common to air and army or navy of which it has not been possible to assign the appropriate portion to the air. The cost of such services is, however, inconsiderable.

The whole of the grants paid to the families of soldiers called to the colours are charged to the land forces, the amounts properly assignable to the Model Statements for the naval and air forces being small.

## 2. *Coast Defence.*

All expenditure on coast defence is shown in the Model Statement for the navy.

## 3. *Optional Columns.*

The optional columns have been filled in. No attempt has been made to divide common services, such as expenditure on experiment and research, between expenditure on home and colonial aviation.

## 4. *Division between the Sub-heads of the Model Statement.*

The figures included in the Model Statement are given on the responsibility of the Ministers of National Defence. The figures are checked by comparison (*pointage*) of the authorisations for payment issued by the National Defence Ministers with the records of payment, kept by Treasury accountants, but there is no certificate of audit given by any authority independent of the National Defence Ministers. The accounts of payments are in general very complete and detailed, and, in most cases, the redistribution over the sub-heads of the Model Statement presents no difficulty, but in certain instances amounts have had to be split by means of estimates.

The expenditure relating to the closed *exercices* (*exercices clos*) of previous years is not shown under as many heads as the expenditure of the *exercice* to which the closed account primarily relates; its division over the sub-heads of the Model Statement is therefore only approximate.

As the accounts for certain military expenditure over seas could not be consulted, the voted credits were used to determine this expenditure.

Certain expenditure has been divided between sub-head A, "Officers", and sub-head B, "Other Ranks", on the basis of the voted budget.

## 5. *Head IV: Separation from Other Heads of the Model Statement.*

Certain classes of expenditure for the remuneration of managing staff and civilian personnel have been determined on the basis of internal accounts, which are not published. This applies to the army, and in a somewhat greater degree to the air. For the navy, the figures under head IV are extracted almost entirely from published accounts. It was suggested in discussion, however, that it was not possible from such published accounts to verify the allocation of a sum amounting approximately to 200 million francs. The French delegation has since supplied further information on this point.

## 6. *Head IV: Division between Sub-heads.*

No serious difficulty arose in dividing the amount of expenditure assignable to head IV between the various sub-heads of this head.

## 7. *Special Questions.*

(a) *Expenditure on Postage and Telegrams.* — Expenditure on postage and telegrams for national defence is not included in the Model Statement. According to the additional information supplied by the French delegation, the total expenditure for the three armed forces may be estimated at 10 million francs.

(b) *Allowances.* — In the navy, allowances received by officers and men individually have been assigned to sub-heads A or B. Other allowances, such as mess allowances, etc., have been assigned to sub-head E.

(c) "*Masses d'Entretien des Centres de Mobilisation.*" — The expenditure on these maintenance funds has all been assigned to sub-head E, the necessary information being lacking to divide the total amount over the relevant sub-heads (including the sub-heads of head IV) of the Model Statement.

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## E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Preliminary Remark.* — France has furnished three series of annexed tables—one for the land forces, one for the naval forces and one for the air forces.

### Table A.

- (a) No figure has been inserted for Item 1.
- (b) Item 2 includes, in addition to remuneration, all expenditure (provisions, clothing, bedding, etc.) incurred for the reservists called up for periods of training.
- (c) Item 2 includes grants to the families of reservists called up.
- (d) As regards home forces, the word "Reserves" covers all military elements or elements organised on a military basis which can be used to strengthen the army in war time. With the possible exception of a few special cases, this can also be taken to apply to the colonies.
- (e) There are neither in France nor in the colonies any *special schools* for training reserve officers, N.C.O.s or men; consequently, no expenditure in respect of schools of this kind is inserted in Table A. Certain expenditure is, however, incurred in respect of pupils of the large schools, who, after completing their studies, are appointed reserve officers.

### Table B.

- (a) The total of Table B is equal to the amount of sub-head L.
- (b) Expenditure for the following purposes has been regarded as expenditure on naval construction: auxiliary machines, armour, gun carriages, boats and launches, navigation instruments, furniture, electrical and wireless equipment, torpedo tubes and equipment, fire-control apparatus *with electric cables*, searchlights, optical and acoustical apparatus of every description, all other equipment, accessories, spare parts, etc., for vessels. Charts are not included.
- (c) Table B includes expenditure on the upkeep of vessels, whether they are or are not in the dockyards, but not expenditure in respect of the armaments of these vessels.

### Table C.

The insertion of the word "Nil" is fully justified in the strict technical sense of the heading of Table C.

The following should, however, be borne in mind:

- (a) The practice of carrying over credits for the execution of programmes for the supply of material;
- (b) The fact that, starting from the *exercices* 1931-32 and 1932, the insertion in Table C of certain credits provided by the laws in respect of "Frontier Defence Organisations" and "National Equipment" would be in keeping with the strict sense of the heading of Table C;
- (c) The fact that the carrying over of the proceeds of the sale of buildings or of equipment in excess of the army's requirements may, under the Law of December 19th, 1926, Article 72, be effected by Decree.

### Table D.

The entry "Nil" is technically justified.

The question has been raised whether it would not be expedient to add a Table D *bis* containing particulars of long-term contracts for the preparation of industrial mobilisation. The French delegation expressed the opinion that this question had nothing to do with the problems of the publicity and limitation of expenditure.

### Table E.

The entry "Nil" appears to be technically justified.

*Table F.*

- (a) The accounts do not permit of the splitting up of payments in respect of pensions as between the separate categories of forces: Land, Naval, Air.
- (b) The sub-division of paragraph I into sub-paragraphs (a), (b), (c) is not possible. This also applies to the sub-division of certain pensions between paragraphs I and III.
- (c) In the case of a Convention, a small reconciliation table would be necessary for checking the figures in Table F with the figures in the final account of the Ministries of Finance and Pensions.
- (d) In the case of pensions to civil personnel, it is only possible to give an estimate.

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**List of Documents.**

Budgetary system: reply of the French delegation to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.13 and *erratum*).

Model Statement, annexed tables and reconciliation tables (document Conf.D./C.D./C.T.38 and two *addenda*).

Budgets for the year 1930:

- Budget of the Ministry of Air (1930);
- Budget of the Ministry of Colonies (1930);
- Budget of the Ministry of War (1930);
- Budget of the Ministry of Marine (1930);
- Budget for the Defence of Oversea Territories (1930);
- Budget of the Ministry of Agriculture (1930-31);
- Draft budget of the Ministry of the Interior (1930);
- Budget of the Ministry of the Interior for the *exercice* 1930-31: distribution by articles;
- Draft budget of the Ministry of Posts, Telegraphs and Telephones for 1930: Distribution of the credits opened for account of the Minister of Posts, Telegraphs and Telephones (*exercice* 1930-31);
- Draft budget of the Ministry of Labour, Public Health and Social Welfare (1930);
- Budget of the Ministry of Public Works (1930-31): First Section;
- Budget of the City of Paris (1930);
- Budget of the Governor-Generalship of French Equatorial Africa (1930);
- Budget of the Governor-Generalship of French West Africa (1930);
- Draft budget of the Governor-Generalship of Algeria (1930);
- Budget of the Governor-Generalship of Indo-China (1930);
- Budget of the Sherifian Empire (1930);
- Budget of the Regency of Tunis (1930).

Statement of orders for payments (replacing the closed accounts for 1930). Documents have been supplied by the Ministries of War, Colonies, Marine and Air, a list of which will be found on page 110 of document Conf.D./C.D./C.T.38, and in the second *addendum* to that document.

Observations of the Technical Committee (document Conf.D./C.D./C.T.58).

Reply of the French delegation (document Conf.D./C.D./C.T.72).

Minutes of the audition meetings (documents Conf.D./C.D./C.T./Audition/P.V.5 and *corrigendum*, 5(a) and *corrigendum* 5(b) and *corrigendum*).

Supplementary information (documents Conf.D./C.D./C.T.115 and 115(a)).

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## INDIA.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budget is prepared by the departments. The estimates of expenditure of the Central Government of India are centralised and approved by the Governor-General of India in Council.

#### 2. *Discussion and Voting of the Budget.*

(a) National defence expenditure is not voted by Parliament. It is determined by the Secretary of State for India in Council. The Council consists of important personages who have held office in India and qualified representatives of India's interests.

(b) The estimates of national defence expenditure are drawn up annually.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The budget and final accounts are published as an official document.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The credits shown in the budget represent actual financial provision.

The execution of the budget is based upon a twelve-monthly period (the *gestion* system).

(b) The rule of *annality* is observed — that is, any credits remaining unexpended at the end of the year of twelve months are automatically cancelled.

Excess grants may be made after the end of the budgetary year.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The main divisions of the budget are relatively few in number but the subdivisions go into considerable detail.

(b) The final accounts are drawn up in a more detailed form than the budget.

(c) Transfers between the budgets of the land, naval and air forces and also between the main divisions of these budgets must be authorised by the Governor-General of India or by the Secretary of State for India. Such authorisation is not required for transfers between the subdivisions.

#### 6. *Unity of the Budget.*

(a) Apart from the military budget proper, national defence expenditure is included in the civil budget of the Central Government and in the civil budget of the Government of one of the nine provinces (Bengal). The budgets of the majority of the Indian States also provide for military expenditure; their accounts are not published.

The military budget proper shows expenditure on the land, naval and air forces separately.

(b) In principle, the budgets and accounts show gross expenditure.

#### 7. *Supervision during the Execution of the Budget.*

Administrative supervision of the execution of the budget is effected:

(a) Through the control of the responsible heads of departments over their subordinates;  
and

(b) Through supervision by the Finance Department of commitments incurred.

The regular execution of the budget is further ensured through the supervision of higher officials who are independent of the National Defence Minister and responsible for the payments



effected by the military services and the keeping of accounts. These high officials are, in India, the *Military Accountant-General* and, in the United Kingdom, the *Accountants-General* at the India Office and at the High Commissioner's Office. The *Military Accountant-General* is under the authority of the Indian Finance Minister. The *Accountants-General* also act in the performance of their special duties in England as the agents of the Indian Minister of Finance.

#### 8. *Final Audit.*

The final audit is carried out:

(a) By two *high independent officials*, one of whom (*Auditor of the Home Accounts*) is appointed by the King to supervise expenditure effected in the United Kingdom, and the other (*Auditor-General*) by the Secretary of State in Council to supervise expenditure effected in India. Their appointments can only be terminated by the Crown. These two high officials are the highest auditing authorities. They have extensive powers of investigation in the departments and audit the accounts of the officials responsible for the execution of the budget. They report on their examination of the accounts either to the Governor-General in Council or to the Secretary of State in Council.

(b) By a *Public Accounts Committee* consisting of members of the Indian Legislature, with the Indian Finance Minister as Chairman.

The Public Accounts Committee's discussions and reports on the accounts are published.

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## B. IDENTIFICATION OF DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year extends from April 1st to March 31st. There is no additional period. Only cheques drawn before the end of each budgetary year are entered in the accounts of that year. After the end of the budgetary year, there is a period extending up to October 10th at latest during which accountancy adjustments may be carried out.

### 2. *Budgets and Accounts.*

The three forces are not placed under the administration of separate departments, though expenditure for the respective forces is shown separately in the defence budgets and accounts.

### 3. *The Model Statement.*

The Model Statement relates to the budgetary year 1929-30.

The tables relating to each of the three forces have been completed.

The figures shown in the Model Statement represent effective expenditure (disbursements) as defined by the budgetary experts. The amounts shown are gross, except in the case of the expenditure on State manufactures, from which certain receipts (sale of obsolete material, etc.) have been deducted, these figures being shown in the closed accounts. To obtain the gross figures, the latter amounts must be added to the net figures shown in the Model Statement.

The Model Statement is based upon the most recent closed accounts as regards expenditure effected by the Central Government of India. As a general rule, it was possible to transfer expenditure from the closed accounts to the various sub-heads of the Model Statement without difficulty. In certain cases, it was necessary to have recourse to estimates to split up figures in the closed accounts. The Model Statement also includes expenditure effected by the Indian States for national defence purposes. It was not in all cases possible to base such expenditure upon closed accounts, as budgetary accounts are only published in a certain number of Indian States. The Government of India considers that the figures given for such expenditure may be accepted as approximately correct.

### 4. *Execution of the Budget.*

As regards expenditure effected in India, it is the Military Accounts Department which is responsible for making payments and keeping the accounts. In respect of expenditure effected in the home country on behalf of India, payments are made and accounts kept either by the India Office or by the High Commissioner for India. Supervision during the execution of the budget is exercised by the Auditor-General in India and by the Auditor of Home Accounts in the United Kingdom.

5. *The Accounts.*

The figures in the Accounts represent payments effected during the period April 1st, 1929, to March 31st, 1930, and show both gross and net expenditure.

The account is drawn up in a more detailed form than the budget.

There are no special accounts or State undertakings for the manufacture of war material which enjoy budgetary autonomy.

6. *Auditing and Publication of Accounts.*

The closed accounts include all expenditure effected by the Government of India. Their accuracy is certified by the Auditor-General. They are published approximately ten months after the end of a budgetary year.

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C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

1. *General Remarks.*

(a) The relationship between the accounts and the Model Statement is shown by the reconciliation table with sufficient accuracy except in so far as concerns expenditure by the Indian States.

(b) The Indian Model Statement for the land forces includes all expenditure relating to the *armed forces* and *formations organised on a military basis*, with the exception of certain native levies and the Chitral Scouts. As regards the naval and air forces, the Model Statement includes expenditure on the armed forces only. In these two forces there are no formations organised on a military basis.

(c) The budgetary system was found to oppose certain obstacles to the inclusion of all national defence expenditure in the Model Statement. The difficulties arose out of the special position of the Indian States.

(d) Derogations from the instructions regarding universality of expenditure were noted in certain cases mentioned below.

2. *Military Departments.*

(a) The Model Statement includes the full amount of *pay* and wages without any deductions.

(b) *Exchange.* — Actual expenditure was included in the national defence account at the rate of exchange prevailing when the expenditure in question was effected.

3. *Civil Departments.*

(a) The interest on capital allocated by the Government of India for the construction and maintenance of strategic railways is not included in the Model Statement.

(b) Expenditure relating to *lighthouses and lightships* is not included in the Model Statement. The same is true of expenditure in respect of the *Director of Army Audit*. In the opinion of the Indian delegation, such expenditure has no bearing upon national defence.

(c) Strictly speaking, there are no *military courts* in India. Expenditure in respect of *courts-martial*, which is relatively insignificant, is shown in the Model Statement, as it is included in the expenditure of the *Judge Advocate-General*. The latter class of expenditure is in its turn included in that of Headquarters and District General Staffs.

(d) The military buildings erected at New Delhi and mentioned in the closed accounts of the Government of India for 1929-30 are exclusively intended for the accommodation of military personnel. The item of Rs. 77,632 shown in this account has now been included in the Model Statement.

4. *Special Questions.*

(a) An item of £1,185,503, expenditure on *air armaments*, is shown both in the Model Statement of the United Kingdom and in that of the Government of India.

(b) As regards certain expenditure relating both to the United Kingdom and India, the Indian delegation supplied detailed information regarding the inclusion of a proportion of this expenditure in the Model Statement and the omission of the rest.

(c) Stores were supplied to the Royal Navy, the cost of which was refunded to India. The sums thus received were deducted from the gross expenditure of the Indian naval forces.

(d) The Model Statement includes the military expenditure of the autonomous Indian States; this class of expenditure cannot be verified by means of accounts, which are not published by many of these States.

(e) *Special Funds, Autonomous Undertakings, etc.* — There are no special funds appropriated to national defence, no autonomous enterprises and no extra-budgetary resources.

(f) The Model Statement does not include *pensions*.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure on the Three Forces.*

Although the national defence services are under unified control, the expenditure on each force is budgeted for and classified in the closed accounts under separate heads.

The total expenditure shown in each of the three tables of the Model Statement is, with a few minor exceptions, based on the total audited gross expenditure shown under the heads of account concerned. The tables include certain sums in respect of national defence expenditure incurred by civil departments of the Government of India, provincial Governments and the Indian States.

### 2. *Coast Defence.*

Expenditure on coast defence, which is shown in the army estimates, has been included in the Model Statement for the land forces and not in that for the naval forces.

### 3. *Optional Columns.*

The four optional columns in Table B have not been filled in, but there are no armed forces overseas other than two infantry battalions stationed in China and Malaya, the expenses of which are accounted for in the Model Statement submitted by the United Kingdom. There are no formations organised on a military basis stationed overseas.

### 4. *Division between the Sub-heads of the Model Statement.*

(i) In a number of cases the form of the accounts relating to national defence expenditure does not permit of an accurate allocation of expenditure between the various sub-heads of the Model Statement. The following instances of this are given:

(a) Sums of £1,400,000 and £106,250 have been paid to the United Kingdom War Office and Air Ministry respectively on account of the training charges for British troops serving in India; these amounts have been distributed between sub-heads A and B only. The Indian delegation states that it has not been able to obtain the necessary data to effect an accurate division of the part of this expenditure to be included in the other sub-heads of the Model Statement.

(b) The pay of Indian officers holding Viceroy's commissions has been included under sub-head B, the reason given being that it is included in the accounts with the pay of rank and file, since their conditions of service approximate more closely to those of the rank and file than to those of officers holding King's commissions.

The pay of soldier clerks employed in various staff offices has been included in sub-head C, the reason being that their pay is merged in the accounts with that of civilian clerks similarly employed.

The pay of civilians (other than followers) employed in units is, on the other hand, included under sub-head B for similar reasons to those given above.

(c) Pay and allowances of civilian members of the railway transport staff have been allocated to sub-head C and not to sub-head G.

The pay and allowances of nurses, of Indian subordinate medical personnel, and of personnel of the Indian hospital corps have been allocated to sub-head E. Other States have included these in C. Additional information on this subject has been supplied by the Indian delegation.

(ii) In a number of other cases it has been found necessary to make a subdivision of expenditure by means of estimates. Certain examples are given below:

(a) The accounts of the educational and instructional establishments do not separate the pay and allowances of Indian officers and other ranks from those of clerks, artificers, etc. An arbitrary proportion of two-thirds of the expenditure has been shown under sub-head B, and one-third under sub-head C.

(b) The pay and allowances of military and civilian officers of the Indian Army Service Corps are not shown separately in the accounts. An estimated amount pertaining to civilian officers has been shown under sub-head C.

The same applies in the case of combatant other ranks, civilians and reservists of this corps. An estimated division of this expenditure has been made between sub-heads B, C and D.

The pay of temporary labour in supply companies and depots has been allocated to sub-heads E, F and G in the proportion of two-thirds, one-sixth and one-sixth respectively.

(c) One-half of the expenditure on grain-crushing depots and flour mills has been taken to sub-head E and the other half to F, as these depots produce both provisions and forage.

(iii) In the case of national defence expenditure incurred by civil departments of the Government of India, though the expenditure is all audited expenditure, the classification to the sub-heads of the Model Statement has been effected almost entirely on the basis of estimates made by the local authorities. In the case of expenditure by the provincial Government of Bengal, the figures obtained from the Government of Bengal have not so far been supported by any official publication, and the classification to sub-heads has been carried out by means of estimates.

(iv) Certain Indian States do not publish audited accounts; it has therefore not been possible to verify with reference to published accounts the accuracy of the figures of expenditure included for those States in the various sub-heads of the Model Statement, and it appears unlikely that such verification will be possible in the near future. The allocation of these figures to the various sub-heads of Model Statement B has been effected by means of estimates.

#### 5. *Head IV: Separation from Other Heads.*

Certain difficulties have been experienced in allocating expenditure to head IV of the Model Statement.

In the case of the Indian Army Ordnance Corps School of Instruction, the amount placed under sub-head M is a proportionate amount of the expenditure as estimated by local officers.

Similarly, an estimated proportion of the expenditure on provisions and fuel has been allocated to sub-head M, and, in the case of the Indian Army Service Corps Stores, an estimated allocation of expenditure has been made to sub-head M (a).

Expenditure on account of pay and allowances of certain personnel employed in the Bombay dockyard has not been allocated to main head IV. Additional information on this subject has been supplied by the Indian delegation.

None of the expenditure on pay and allowances of personnel employed in the aircraft depot and aircraft park has been allocated to main head IV. It has not been possible to separate the pay of personnel engaged on repairs and of storekeepers from the pay of other personnel. Additional information on this subject has been supplied by the Indian delegation.

#### 6. *Head IV: Division between Sub-heads.*

No particular difficulties have been encountered in dividing the expenditure under head IV between the various sub-heads.

#### 7. *Special Questions.*

*Allowances.* — Syce, forage, lodging and other allowances paid to officers have been included under sub-head A, as under the present system of accounts these allowances are merged with pay and no separation is possible.

Expenditure on kit and clothing allowance, and ration allowance, issued to troops and followers, has been allocated to sub-head E.

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## E. TABLES ANNEXED TO THE MODEL STATEMENT.

### Table A.

(a) For the purposes of annexed Table A, the Government of India regards as "reserves" only reserves properly so called, and not the auxiliary and territorial forces, which have a special organisation and the objects of which differ from those of the army.

(b) It is not possible, from the information contained in the financial account, to check either the total amount shown in annexed Table A or its allocation to Articles 1 and 2.

### Table B.

The figure originally given in the Model Statement has been corrected by a deduction of Rs. 1,23,626 for material not used for new construction and the maintenance of vessels.

### Table C.

The amount of Rs. 39,47,959 shown in Table C represents the Military Reserve Fund, which has been fully explained. It should be noted that the amount contained in the reserve fund can only be placed at the disposal of the army administration in any given year on Government authorisation.

### Table D.

No observations with regard to the entry "Nil".

### Table E.

No observations with regard to the entry "Nil".

### Table F.

It has not been possible to allocate the pensions figures to the subdivisions of the Model Statement.

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### List of Documents.

Budgetary system: reply of the Government of India to the questionnaire of the Technical Committee (document Conf. D./C.D./C.T.17).

Model Statement with explanations, annexed tables and reconciliation tables (documents Conf.D./C.D./C.T.31, and Conf. D./C.D./C.T.31(A); this document contains the finally revised text of document C.844.M.423.1931.IX. [Conf.D.31] pages 8 to 32).

#### Budgets:

Final Budget Estimates of Expenditure on Military Service for the Year 1929-30;

East India Budget: Return of the Budget of the Governor-General of India in Council for 1929-30;

Government of Bengal: Civil Budget for the Year 1931-32.

Closed accounts for the year 1929-30 (Finance and Revenue Accounts of the Government of India).

Observations of the Technical Committee (document Conf.D./C.D./C.T.50).

Reply of the Government of India (document Conf.D./C.D./C.T.67).

Minutes of the audition meetings (document Conf.D./C.D./C.T./Audition/P.V.2 and *erratum*).

Supplementary information (documents Conf.D./C.D./C.T.82 and 82(A)).

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## IRISH FREE STATE.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The budget is prepared by the departments concerned.

The proposals of the various departments relating to expenditure are centralised by the Minister for Finance. After an exchange of views between the Minister for Finance and the Ministers concerned, certain agreed changes are made in the draft budget to meet the views of the Minister for Finance. The latter approves the draft budget in its final form.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget is submitted for discussion to the Lower House (Dáil Eireann). The Upper House (Seanad Eireann) has no legislative powers in regard to money Bills. In the event of dispute arising as to whether a Bill is a money Bill, the point is settled by a Committee on Privileges consisting of three members elected by each of the Chambers, and the Senior Judge of the Supreme Court as Chairman.

The draft budget is first considered by the whole Dáil sitting as a Committee on Finance. The proceedings of the Committee on Finance are public. The Minutes are not published, but the Committee draws up a report, which is published and put on sale.

The Dáil then discusses the draft budget in plenary meeting. Plenary meetings are public, and the debates are published *in extenso* in the parliamentary papers.

The right of initiative in the matter of expenditure is vested solely in the Government.

The budget is voted by the Lower House (Dáil Eireann) alone.

(b) National defence expenditure is voted each year. No national defence expenditure is borne on the Central Fund, which does not form the subject of an annual vote. All national defence expenditure is included in the supply services, which are voted annually.

National defence expenditure, in common with all other expenditure, is, as a general rule, voted three or four months after the beginning of the financial year.

Between the beginning of the financial year and the voting of the budget, public expenditure is met out of votes on account. These are credits voted *en bloc* for three or four months on the basis of the estimates of monthly requirements. Votes on account are not applicable to new services not yet approved by the Dáil.

Excess votes are sometimes passed after the close of the budgetary year.

(c) Expenditure is in every case authorised by law. If credits are exceeded by the Government, it has to apply for supplementary credits to the Dáil.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

(a) The draft budget is published, and contains detailed explanations for each item of expenditure.

(b) The budget is published officially and placed on sale.

(c) The final accounts, called appropriation accounts, are also published and placed on sale. There is no law ratifying the final accounts.

#### 4. *Conditions governing the Expenditure of Credits.*

The vote of a credit defines the amount of payments which can be made during the twelve months of the budgetary year.

No payments can be charged to credits which have been voted for a given year after the close of that year.

There is no additional period during which payments can be made.

The year-to-year rule is strictly observed. It is not permissible to carry forward credits from one year to another, or to incur commitments in anticipation of a credit to be voted in a future year.

### 5. *Division of Expenditure in Budget and Accounts.*

(a) *The estimates* are submitted under a small number of general divisions (votes). Each vote is in three parts. Part I shows the net total of the vote. It is this part only that the Dáil votes. With the exception of the comparatively small charges on civil votes, the whole of the national defence expenditure is contained in a single vote. It will thus be seen that it is voted *en bloc* by the Parliament.

Part II of each vote shows the details of the subdivisions (sub-heads), further divided into "items", into which the aggregate credit is split up.<sup>1</sup> These subdivisions—in 1930-31 there were thirty-two sub-heads for national defence expenditure—are fairly numerous, and the wording of them clearly shows the purpose of the expenditure.

Part III of each vote gives detailed explanations of the different items of each sub-head.

(b) *The final accounts* are submitted in the general form of the budget, but they contain rather fewer particulars, the payments effected being shown for each sub-head only, but not their distribution between the different items of the sub-head.

(c) *Transfers.* — The Dáil votes only the total of the credits for national defence, but the Minister for Defence can obtain power to use credits under one sub-head to cover excess under another sub-head. This also applies to the subdivisions of one and the same sub-head (items). The use of credits under one sub-head, however, to cover excess expenditure under another sub-head has to be authorised by the Minister for Finance. Recourse to this procedure is, however, not frequent. The Comptroller and Auditor-General exercises special supervision over these operations and, if they are unduly large, he reports the matter to the Public Accounts Committee of the Dáil.

Any departure from the form of appropriation approved by Dáil Eireann must be shown in the appropriation accounts.

### 6. *Unity of the Budget.*

(a) *All national defence expenditure* is shown in the general budget of the State.

There are no special funds or accounts in connection with national defence.

Certain expenditure on national defence is included in the budgets of other civil departments. The proportion of this expenditure to the total national defence expenditure is very small.

No national defence expenditure is included in the budgets of local administrative bodies.

There is no naval expenditure. The expenditure on the land and air forces is not shown separately, although certain expenditure on the air forces comes under separate items in the budget.

(b) *Gross and net expenditure.* — The budgets and accounts show the net expenditure, but permit of the reconstitution of gross expenditure. The Dáil votes only the net expenditure, but it fixes the amount of revenue which can be used by Ministers over and above the net credits voted.

### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is exercised:

(a) By the supervision of the higher administrative officials of the departments concerned;

(b) By an accounting officer, who is the permanent civilian head of the Department of Defence appointed by the Minister for Finance. This high official is required to see that all expenditure is in order and duly authorised. He has at his disposal, for purposes of supervision and control, civilian officers who are in charge of the four finance branches of the Department of Defence. The accounting officer bears pecuniary responsibility for his activities and for those of the accountants under his orders;

(c) By the Comptroller and Auditor-General, to whom the accounting officer submits the monthly account of his operations and at the end of the year the appropriation account of national defence expenditure;

(d) By the Minister for Finance, who exercises a general control over expenditure consistently with the intentions of the Dáil. A commitment which is not expressly provided for in the budget, or whose regularity appears open to doubt, must be authorised by the Minister for Finance at the request of the accounting officer.

### 8. *Final Audit.*

Final audit is exercised:

(a) By the Comptroller and Auditor-General, who controls all disbursements and audits all accounts. He addresses a report to the Dáil, in which he embodies his observations.

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<sup>1</sup> This is the part of the estimate which serves as a basis for the annual appropriation account, which has to be submitted after the close of the execution of the budget to the Dáil, in order to show the use made of the credits voted.

He draws the Dáil's attention to any irregularities. He carries out formal audits in order to satisfy himself that payments have been authorised and effected. He may recommend to the Public Accounts Committee and the Dáil the disallowance of certain items in the appropriation account. This high official cannot be removed from office except by a vote of the two Houses. He may not hold any other paid office:

(b) By the Public Accounts Committee, whose chairman is chosen from the members of the opposition. The Public Accounts Committee examines the appropriation accounts. It addresses a report to the Dáil embodying its observations. This Committee cannot take any executive measures against officials or accountants who are guilty of irregularities; but, apart from judicial proceedings, executive action would be taken at the instance of the Minister for Finance against any official guilty of irregularities. The Public Accounts Committee has the right to require the attendance of any witnesses, and the power to send for any documents which may be needed for its investigations;

(c) By the Dáil itself, which may ratify any disallowances in the appropriation account made by the Public Accounts Committee.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from April 1st to March 31st. There is no additional period in which settlement of payments incurred during the preceding budgetary year may be effected: no order of payment in respect of the preceding budgetary year may be issued after March 31st.

### 2. *Budget and Accounts.*

There is only one Ministry for National Defence. The Irish Free State has no navy. The air force is an integral part of the land forces, and the credits for the two forces are included in the same vote and in the same sub-heads of the defence budget and accounts.

### 3. *The Model Statement.*

The Model Statement for the army relates to the budgetary year 1930-31, and shows the gross amount of disbursements effected in that year. Expenditure for the air force has been included in the Model Statement for the army. Table D of the Model Statement has, however, been compiled in addition.

The Model Statement is based on the figures of the closed account of the Department of Defence for the budgetary year 1930-31, to which have been added items of expenditure included in the closed accounts of certain civil departments as having been effected on account of the national defence services. The respective amounts of the latter have been computed from the internal accounts of the departments concerned. All the closed accounts in question have been audited and published.

There is no extra-budgetary expenditure.

### 4. *Execution of the Budget.*

Payments are effected by payment orders on the Paymaster-General issued and signed by an official of the Department of Defence nominated by the accounting officer, except payment of civilians attached to units and non-commissioned officers and men, who are paid in cash from imprests made to the officers commanding the units concerned. The internal audit of accounts is carried out by the accounting staff of the department under the accounting officer. Vouched monthly accounts of the transactions of the department are furnished to the Comptroller and Auditor-General.

### 5. *The Account.*

The account of the Department of Defence shows actual disbursements effected within the budgetary year (April 1st to March 31st) on both a gross and a net basis. It follows the form of the budget but with less detail. There are no special funds and no State arms factory. The account is finally closed six months after the end of the budgetary year.



## 6. *Audit and Publication of the Account.*

The account is finally closed six months after the end of the budgetary year.

As soon as the account is finally closed it is submitted for audit to the Comptroller and Auditor-General.

It is certified and submitted to Parliament by the Comptroller and Auditor-General with a report on the transactions to which it relates, eight or nine months after the end of the budgetary year. It is then published.

The Dáil refers the account to the Parliamentary Committee of Public Accounts, and the report of this Committee is submitted to the Dáil and published about twelve months after the close of the budgetary year.

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## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

(a) The relation between the Model Statement and the accounts is indicated with the aid of reconciliation tables.

(b) The Model Statement contains the expenditure on the *land forces* and the *air forces*.

(c) The budgetary system is not found to present any obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) Departures from the instructions concerning universality of expenditure have been found to exist in certain cases specified below.

### 2. *Military Departments.*

(a) The Model Statement includes the total amount of the *pay, salaries and wages* without deduction of taxes.

(b) The allowances granted to personnel on *retirement or discharge* from the armed forces are included under sub-heads A and B of the Model Statement.

(c) *Advances* are not included in the Model Statement and are of rare occurrence.

(d) As regards the expenditure for the purchase of goods and services abroad, the figures of the Model Statement show the amount of the sums actually paid in national currency.

### 3. *Civil Departments.*

(a) No part of the expenditure on the *Topographical Service* is included in the Model Statement. The military authorities buy maps from the Topographical Service on the same terms as private persons.

(b) There is no *hydrographical service*.

(c) No part of the expenditure on *wireless stations* is included in the Model Statement.

(d) The expenditure on *buoyage* and the *lighting* of coasts is not entered either in the budget or in the Model Statement. It is covered by the proceeds of charges on shipping.

(e) There is no *Red Cross* organisation whose regulations provide for co-operation with the army in time of war.

(f) There are no *physical training* organisations whose chief aim is preparation for military service.

(g) The rates charged by the railways for the *conveyance* of military matériel and personnel are the subject of a commercial agreement between the State and the railway administrations. The advantages secured in this way correspond to those which are granted to ordinary industrial concerns.

(h) Certain *payments* to municipalities in respect of buildings occupied by the armed forces have been included in the Model Statement.

(i) The expenditure on the *Secret Service* is not in any way concerned with national defence.

(j) The cost of external *supervision* and *auditing* has not been included in the Model Statement.

(k) The expenditure incurred for *Haulbowline Dockyard* has not been included in the Model Statement. The Irish delegation has declared that this dockyard is now being used solely for commercial purposes.

### 4. *Special Questions.*

(a) According to the statements of the Irish Free State delegation, there are no *formations organised on a military basis*. The Garda Síochána is an unarmed body which does not receive military training, and presents none of the characteristics of a formation organised on a military basis.

- (b) There are no *special funds* concerning national defence.
- (c) The expenditure appearing in the Model Statement is *gross expenditure* without deductions of any kind.
- (d) *Pensions* have been excluded from the Model Statement and inserted in Table F.
- (e) No national defence expenditure is effected out of the *proceeds* of loans.
- (f) There are no claims in arrears.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of Army and Air Force Expenditure.*

The land and air forces are administered by a single Department of Defence, and their expenditure is comprised in a single budget and account under common sub-heads. In the departmental accounts, however, there are in many cases separate accounting heads for the air force, and these have been used to determine the respective expenditure of the two forces. Where such separate accounting heads were not available (which was the case for between 3 and 4 per cent of the total expenditure on the land forces), the expenditure shown in the Model Statement for the air force has been computed on the basis of the average strength of air force effectives during the year 1930-31. The delegation of the Irish Free State has stated that the account could be adapted so as to separate expenditure on the land and air forces for 1933-34, if required.

### 2. *Coast Defence.*

Coast defence is not carried out by the military forces of the Irish Free State.

### 3. *Optional Columns.*

There are no formations organised on a military basis and no armed forces stationed overseas. The optional columns have accordingly not been filled up.

### 4. *Division between the Sub-heads of the Model Statement.*

Of the thirty-two sub-heads into which the budget and accounts are divided, twenty-seven required to be split between two or more sub-heads of the Model Statement. The split has been effected by the aid of the subsidiary or auxiliary departmental accounts kept under each sub-head.

The Irish Free State delegation has declared that the only difficulty encountered in interpreting the instructions of the budgetary experts is the difficulty that must always result from the attempt to apply general abstract principles to particular concrete circumstances. The structure of the accounts also has not, in some cases, permitted the detailed information required to be supplied. The chief items concerned relate to (1) resignations, retirements and gratuities, and (2) attendance of army teams at horse shows abroad. Expenditure on the latter has been treated as a subsidy to the horse-breeding industry and charged to sub-head F.

All expenditure in connection with the Army Reserve is bulked under sub-head D, instead of being distributed according to its nature between sub-heads D, E and G.

### 5. *Head IV: Separation from Other Heads.*

The accounts of factories and workshops engaged on the production of war material are not kept on a costing basis and no figures are available for the personnel therein employed, the cost of which has therefore not been included in head IV. Such establishments in the Free State are devoted almost exclusively to the care and upkeep, not to the manufacture, of equipment.

### 6. *Head IV: Division between Sub-heads.*

The split between sub-heads has been effected by the aid of internal accounts. No expenditure has been charged to sub-head N of the Model Statement.

### 7. *Special Questions.*

(a) *Allowances.* — Allowances have, as a general rule, been charged to Pay sub-heads.

(b) *Doctors and Nurses.* — Expenditure on civilian doctors has been charged to sub-head E of the Model Statement; that of nurses to sub-head A.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Table A.*

(a) The difference between the totals in annexed Table A and the total shown under sub-head D of the Model Statement is due to the fact that the totals in Table A include solely expenditure in respect of pay and grants, whereas the total in Table D covers expenditure relating, not only to pay and grants, but also to all the other services.

(b) The figures cannot be checked, because they have been taken from the departmental subsidiary ledgers, which are not published.

*Table C.*

In no circumstances may credits be carried over from one year to another in the Irish Free State.

*Table D.*

The system of credit purchases is not practised.

*Table F.*

(a) The Department of Defence has not long been established, and only one civilian in the Department has so far been pensioned. No pensionable civilian had retired from the department up to the end of the financial year 1930-31.

(b) The figures given do not include payments to officers of the "available" class and on half-pay, etc., which are shown under sub-head D of the statement.

(c) The following items, which might be treated as pensions expenditure, have not been included in annexed Table F:

Sub-head	£
C, Artificial limbs, etc. . . . .	266
E, Expenses of applicants . . . . .	105
F, Medical fees . . . . .	5
G, Hospital treatment . . . . .	198
I, Salaries, etc. . . . .	341
L, Incidental expenses . . . . .	12
	£927

(d) The present regulations relating to the payment of gratuities to military personnel on retirement are of a temporary nature. The amounts paid under those regulations in the year 1930-31 and charged to sub-heads A and B of the Model Statement are as follows: officers, £1,561; other ranks, £19,095.

(e) It is doubtful whether expenditure on these gratuities should be included in the Model Statement.

**List of Documents.**

Budgetary system: Reply by the Irish Free State delegation to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.81).

Model Statement with explanations and annexed tables. Reconciliation Statement (document Conf.D./C.D./C.T.80).

**Budgets:**

Estimates for public services for the year ending March 31st, 1931;

Amount required to defray the cost of the army, including army reserve;

Sub-head under which this vote will be accounted for by the office of the Minister for Defence;

Votes: Sub-heads.

**Accounts:**

Appropriation accounts, 1930-31;

Finance accounts of Saorstát Éireann for the Financial year 1930-31, ended March 31st, 1931;

Account of the sum expended in the year ended March 31st, 1931, compared with the sum granted for the cost of the army, including army reserve.

Observations of Technical Committee (document Conf.D./C.D./C.T.95).

Replies of the Irish Free State delegation (document Conf.D./C.D./C.T.123 and corrigendum).

Minutes of audition meeting (document Conf.D./C.D./C.T./P.V. Audition 17 and corrigendum).

## ITALY.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budget is prepared by the Administrations. The Minister of Finance centralises all the estimates of expenditure of the various Ministries. Being responsible for balancing the expenditure and revenue, he may request the other Ministers to reduce their estimates of expenditure. If agreement is not reached between the Minister of Finance and the other Ministers, the draft budget is established by the Council of Ministers.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget, framed as described in paragraph 1, after being laid before the Bureau of the Chamber of Deputies, is referred for examination to special commissions and to the General Budget Commission.

The meetings of these commissions are not public, but each commission, through its Rapporteur, frames a report which it presents to Parliament. These reports, giving a summary of the discussions, are published in the Parliamentary proceedings.

The budget is discussed in public before the Chamber of Deputies.

When the budget has been voted by the Chamber of Deputies it is sent to the Senate, where the procedure of discussion is the same as before the Chamber of Deputies.

The public discussions in the Chamber of Deputies and the Senate are reported *in extenso* in the Parliamentary proceedings.

Members of Parliament have the right to propose expenditure.

(b) The national defence expenditure is voted each year.

In the case, however, of extraordinary expenditure to be spread over several years, the total amount of which has been voted by Parliament, the Executive is empowered to enter into commitments up to the full amount; that part of the expenditure which has to be met each year must, however, be included in the annual budget and voted with the budget law.

(c) The expenditure is authorised by law.

Decrees may, however, be passed opening new credits during the execution of the budget, in the event of unforeseen requirements. Such decrees, on pain of annulment, must be submitted to the two Chambers at latest during the third sitting after publication.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget, the budget as voted and the final accounts are published officially.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The credits voted fix in principle the maximum limit within which it is possible to contract liabilities during a budgetary year—*i.e.*, to incur debts on behalf of the State.

If the total of the commitments entered into during the year is less than the sum of the credits voted, the difference between the commitments and the credits is, in principle, cancelled at the end of the year.

The difference between the total of the credits forming the subject of commitments and the payments effected in the course of a year is transferred to the so-called "debit arrears" account. That account, credited with the said difference, is debited successively with the amount of the payments effected.

The amount of the credits carried forward from one year to another is also included in the debit arrears.

If, in the course of the execution of the budget, fresh expenditure is authorised, the corresponding credits are added to those voted in the budget law.

With the object of making the figures for the cash account approximate to those of the budget, payments may be effected on account of a budgetary year during a period of one month after the

close of that year. This provision applies both to the current budget and to the debit arrears. Such payments are shown in the final accounts for the budgetary year.

(b) The rule of annual credits (*annuité*) is in principle observed, in the sense that such part of the credits as has not been used up by *commitments* at the end of the year is cancelled, except in the case of credits appearing in certain sub-heads expressly indicated in the ordinary budget and credits for extraordinary expenditure spread over several *exercices*. The part of such credits which has not been utilised by the end of the year, by commitments, and which is still required, is not cancelled; it is transferred to the arrears account and can be utilised in the course of subsequent years. Such credits, however, cannot be utilised for any purpose other than that for which they were originally voted.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The expenditure presented separately for the four ministerial departments of national defence (War, Marine, Air, Colonies) is voted by the several Ministries by divisions, according to whether the expenditure is ordinary or extraordinary; by categories, according to whether the expenditure is actual expenditure or whether it concerns the movement of capital; by heads, grouping together several sub-heads; by sub-heads.

The sub-heads are fairly numerous.

(b) The closed accounts are rendered in the same form as the budget.

(c) Transfers between the sub-heads are illegal. In order to increase the credits under a given sub-head, a special law is required, even if the credits under another sub-head of the same budget are reduced.

Transfers from budget to budget may also be authorised by law. In practice, however, these transfers are only possible in the case of the transfer of a service from one Ministry to another.

In order to make good any deficiency of the budgetary credits, the Minister of Finance possesses a reserve fund for certain clearly specified expenditure and also a reserve fund for unforeseen expenditure. Moreover, each Minister of National Defence possesses a *fonds à la disposition* in his budget. The Minister of Finance and the Ministers of National Defence (in agreement with the Minister of Finance) may utilise these reserve funds to make good the deficiencies of certain budgetary credits.

#### 6. *Unity of the Budget.*

(a) In principle, national defence expenditure is included in the budget of the State.

Certain items of expenditure are included in the budgets of the Civil Ministries. The proportion of such expenditure as compared with the total amount of national defence expenditure is 9.9 per cent. It must, however, be pointed out that the Italian delegation has inserted in the Model Statement expenditure on the Royal Carabineers, Customs officers, and other formations in regard to which the Conference will have to decide whether they are to be regarded as formations organised on a military basis.

National defence expenditure is also found in the budgets of the colonies and—representing a very small amount—in the budgets of the provinces and communes. Contributions are made to the budgets of the colonies out of the budget of the Colonial Ministry.

There are separate budgets for the Ministry of War, the Ministry of the Marine, the Ministry of Air, and for each colony.

There are no special accounts or funds relating to national defence.

(b) The budgets and accounts show, as a general rule, the gross expenditure.

#### 7. *Supervision during the Execution of the Budget.*

Supervision over the execution of the budget is ensured during the budgetary year:

(a) By the supervision of responsible heads of departments over their subordinates.

(b) In each Ministry by an Accounts Department, which is under the Minister of Finance; this Department sees that the laws are observed and that all the instructions given by the Minister of Finance for the proper administration of the budget and the conservation of the resources of the State are carried out.

The heads of the Accounts Department endorse the commitments and orders for payment prepared by the administrative offices. If a head of department does not feel justified in endorsing a commitment or an order for payment which he regards as irregular, he informs the Minister to whom he is attached.

(c) By a general Accounts Department of the Ministry of Finance (*Ragioneria generale dello Stato*), which supervises the Accounts Departments of the Ministries with a view to ensuring the proper administration of the budget. This Department also prepares the closed account to be submitted to Parliament.

(d) By the Court of Audit, which is required to endorse commitments and orders for payment and also the Decrees prepared by the administrations. The Court of Audit has the right to refuse this endorsement. In such cases, the decision of the court is transmitted by

its President to the Minister concerned. If the Minister is not in agreement with the court, the decision is examined by the Council of Ministers. If the Council of Ministers is of opinion that the document is in order, the court is required to re-examine the matter. If it adheres to its opinion, the document or Decree in question may only be passed "subject to reservation" ("*con riserva*"). Documents passed "subject to reservation" are communicated periodically to Parliament for sanction.

#### 8. *Final Audit.*

Final Audit is exercised:

(a) By the *Court of Audit*. The closed accounts of all the Ministries are transmitted to the Minister of Finance before November 30th. After verification, the latter communicates them to the Court of Audit, which must examine them for the purpose of ascertaining whether the closed account has been correctly made out and agrees with the entries in its own books.

As regards the officials responsible for executing the budget, the court possesses jurisdictional power. These officials are only freed from responsibility after the Court of Audit has certified the accounts correct.

The court derives its authority by delegation from the Legislature. It constitutes an autonomous body and its members are irremovable.

The Court of Audit is the highest organ for the verification of accounts.

(b) By *Parliament*, to which the closed account is submitted for sanction.

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### B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

#### 1. *Budgetary Year.*

For more than fifty years the budget year has begun on July 1st and ended on June 30th.

There is an additional period of one month, during which orders may be issued and paid for expenditure incurred before the end of the budget year. All payments are entered in the closed account for the financial year during which they are made.

#### 2. *Budgets and Accounts.*

There are separate Ministries, budgets and accounts for each of the three armed forces.

#### 3. *The Model Statement.*

The Model Statement was based on the closed accounts for 1930-31. However, in the case of the colonial expenditure, as it was impossible to obtain exact figures in time for that year, the figures in the closed account for 1929-30, which had already been audited and published, were inserted.

The tables relating to the three armed forces have been filled in. The amounts entered in the Model Statement indicate payments and represent gross expenditure.

The basis of the figures in the sub-heads of the Model Statement are:

(i) The various sub-heads of the audited and published accounts of the army, navy and air forces for 1930-31.

(ii) The various sub-heads of the audited and published accounts for the Colonies for the year 1929-30.

(iii) The various sub-heads of the closed budgetary accounts of the civil departments in so far as they include military expenditure.

(iv) Certain expenditure borne on the provincial budgets.

As regards the last, it has only been possible to give approximate figures; these relate to:

(a) Barrack charges for the Royal Carabineers;

(b) Certain expenditure in respect of landing grounds; this expenditure was transferred to the air budget as from the 1930-31 *exercice*.

(v) An estimate of the rent of State buildings used by the army. In point of fact, no rent is paid for such buildings.

When drawing up the Model Statement, it was sometimes necessary to split up the figures of the closed accounts among the heads and sub-heads on the basis of internal documents.

The Model Statement includes a sum of about 300,000,000 lire derived from a credit allotted to extraordinary expenditure on national defence. Provision for this credit is made in a law of June 18th, 1931. Commitments were entered into in respect of this sum during the *exercice* 1930-31.

Almost all the payments charged to those credits were effected after the close of the 1930-31 *esercizio*. The Italian delegation considered that the Model Statement would have given an incorrect idea of the expenditure for the year 1930-31 if this large sum of 300,000,000 lire had been omitted.

#### 4. *Execution of the Budget.*

In each Ministry there is an Accounts Department, which is under the Ministry of Finance; this Department sees that the budget is properly administered. The commitments and payment orders issued by the administrative offices are endorsed by the heads of these Accounts Departments.

#### 5. *The Accounts.*

The Italian accounting system is based on the principle that the commitment constitutes the act by which the credit is used. Commitments may only be entered into up to the end of the budget year. A cash account is kept independently of the commitment account. Orders for payment are also recorded. The Italian Government was able to draw up the Model Statement on the basis of exact figures for payments.

The figures entered in the closed account represent gross expenditure. The account is made out in the same form as the budget.

There are no special funds or State establishments for the manufacture of war material which enjoy budgetary autonomy.

When the *esercizio* is closed, orders for payment which have not been cashed and which need not be cancelled as having lost their validity are carried forward to the arrears account (*conto dei residui*) for the following *esercizio*. For administrative purposes, orders for payment lose their validity if not cashed two years after the year in which they were issued in respect of the ordinary part of the budget, and three years in respect of the extraordinary part. Commitments for which orders for payment have not been issued and credits in respect of which commitments have not been entered into before the end of the twelfth month and which it is permissible to carry forward—that is to say, extraordinary credits and certain other credits specially mentioned in the military budgets are also carried forward. All these figures are shown together in the same column in the closed accounts.

#### 6. *Auditing and Publication of Accounts.*

The closed accounts of the various Ministries are sent to the Minister of Finance before November 30th. After they have been checked, the Minister of Finance forwards them to the Court of Audit during December. Before January 25th, the Court of Audit declares them in order (*i.e.*, that they are in conformity with the court's books), and, before the end of that month the Minister of Finance lays them before Parliament. They are published within the same period. Once the closed account has been finally passed by Parliament, it cannot be altered in any way.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

(a) The relation between the accounts and the Model Statement is established by means of reconciliation tables.

(b) The Italian Model Statement shows—amongst other items—expenditure in respect of the armed forces and certain formations in regard to which the Conference will have to decide whether they are to be regarded as organised on a military basis.

(c) The budgetary system has been found to present no obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) Derogations from the instructions regarding universality of expenditure have been noted in certain cases mentioned below.

#### 2. *Military Departments.*

(a) *Pay* appears in the Model Statement in full without deductions.

(b) The foregoing expenditure does not include *advances* granted to military personnel in exceptional cases for the purchase of horses, as such advances are refunded.

(c) All expenses abroad are paid by the "ministerial accountant" of the Ministry of Finance, to whom the military departments repay the actual amount expended for the purchase of foreign currency.

### 3. Civil Departments.

(a) Expenditure in respect of military aviation and expenditure in respect of civil aviation are shown under separate heads in the closed accounts, with the exception of certain expenditure of the central administration. Expenditure on *civil aviation* has been excluded from the Model Statement.

(b) The revenue earned by the *Hydrographical* Department has been deducted.

(c) The Italian delegation regards the cost of upkeep and lighting of *lighthouses* as military, and the cost of new constructions and major improvements to lighthouses as civil expenditure.

(d) The *road* and *railway* administration does not incur any expenditure for strategic purposes.

(e) The Italian delegation has included in the Model Statement an amount representing the *rents of State property*, although no payment was actually made in this respect.

(f) Nothing was spent in 1930-31 on encouraging the manufacture and use of *motor vehicles* of a type suitable for military purposes.

(g) The same applies in the case of the *merchant marine*.

(h) No direct or indirect *subsidies* are given to undertakings the objects of which are, *inter alia*, to manufacture war material in peace-time.

(i) *Provinces* and *communes* bear no expenditure for national defence apart from that specified in the Model Statement.

### 4. Special Questions.

(a) The Model Statement includes the expenditure in respect of formations then regarded as *formations organised on a military basis* shown in document Conf.D.13. The railway militia and postal militia were not included, because these organisations are on the establishment of the railway and postal departments respectively. The expenditure, amounting to approximately 2 million lire, on the "irregular armed troops" which appears in the budgets for Tripolitania, Cyrenaica and Eritrea is not included in the Model Statement.

(b) *Physical education* is not regarded as national defence expenditure; a definition of pre-military training will have to be given by the competent bodies of the Conference.

(c) The Model Statement includes three-fifths of the expenditure for *rifle clubs*, a law on the subject having assigned this proportion to the State and one-fifth to the provinces and communes respectively.

(d) The sums shown in the Model Statement which have not been taken direct from the sub-heads of the accounts have been computed on the basis of administrative accounts or internal documents.

(e) If a *programme* of construction or manufacture of material begins to be executed towards the end of a budget year, the cash disbursements, including any advances granted, can be traced in the accounts for the year in question. The amounts remaining available for such extraordinary expenditure are transferred to the arrears account of the following *exercice*; under the Italian budget system there is no Treasury suspense account.

(f) Expenditure under the head *capital transfers* does not appear in the Model Statement. This head is confined to transfers which do not affect the net total of the State's assets.

(g) In the case of the *Revenue Guard Corps Fund*, an autonomous body which administers the clothing fund of the Revenue Guard Corps, the Model Statement shows only the amounts paid over to the fund from the closed accounts in respect of the uniform allowance granted to the corps.

(h) *The Military Union*, an autonomous body whose purpose it is to supply officers with articles of uniform, equipment, etc., received an advance from the State to enable it to facilitate the sale of these articles on credit. As the Military Union may only keep such stocks as are strictly necessary for its normal sales, like any commercial firm, the advance could not result in an increase in the stocks.

(i) The *horses* of the rank and file are paid for by the State, whereas officers buy their own mounts; the State advances sums to officers for that purpose; the officers subsequently repay their debt to the State.

(k) The expenditure on *troops stationed in China* is shown in the Model Statement.

(j) *Special Funds*. — Apart from the State budget, there are no special funds; there are budgets for autonomous departments (including the Fund of the Royal Revenue Guard), but these budgets are annexed to the general budget. Transfers of funds from one budget to another are not allowed.

(l) Italy has no *armaments-manufacturing concerns* with budgetary autonomy.

(m) The Italian delegation states that there are no *extra-budgetary resources*.

(n) *Deductions*. — The Model Statement shows gross expenditure; under Italian legislation, the services are not allowed to increase the credits granted them by the addition of special receipts.



The Italian delegation has interpreted the budgetary experts' instructions as meaning that all re-allocations (*riassegnazioni*) assigned to services in return for goods delivered or services rendered to departments or to private persons should be deducted from national defence expenditure; any other procedure would, in the opinion of the Italian delegation, lead to duplication, as the same expenditure would be inserted twice over. The proceeds of the sale of condemned material are all paid into the Treasury and do not involve a re-allocation (*riassegnazioni*).

(o) There is no evidence of *claims outstanding* in the Italian budget. The Model Statement shows all payments, including those entered in the arrears account.

(p) Nothing has been spent out of the *proceeds of a loan*.

(q) *Pensions*. — The Model Statement omits pensions. *Pensions* are taken to be the fixed allowances made to personnel no longer in service; *half-pay* is the remuneration paid outside training periods to personnel not employed; *reserve pay* is the allowance made to reservists during training periods.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure on the Three Forces.*

The expenditure on each force is shown separately. No general difficulty has been experienced in this respect, as a separate Ministry exists for each force and separate budgets and accounts are kept and published.

The Royal Revenue Guard has both naval and military duties. Its expenditure, which is borne on the budget of the Ministry of Finance, has been split between the two services in proportion to the strength of the personnel serving in each of the two forces.

### 2. *Coast Defence.*

Expenditure on coast defence is shown in the naval forces Model Statement. Some of this expenditure, which is included in the accounts of the Ministry of War, has had to be calculated on the basis of internal documents. It has not been possible, however, to isolate in these accounts the expenditure on material used for coast defence.

### 3. *Optional Columns.*

These have not been filled in, owing to the impossibility of accurately separating military expenditure in the colonies from certain classes of military expenditure relating to the home country.

Expenditure on formations organised on a military basis is not shown separately.

### 4. *Division of Expenditure between the Various Sub-heads of the Model Statement.*

The structure of the Italian accounts makes it possible to transfer many figures direct from the closed accounts to the Model Statement. Where a figure taken from those accounts has had to be subdivided, recourse has been had to internal accounts and other information in the possession of the various departments. This is specially true as regards head IV expenditure and expenditure of a military nature borne on the civil budget.

### 5. *Head IV: Separation from Other Heads.*

Difficulties were met with in splitting up expenditure on naval personnel between sub-heads A and B and sub-heads L and M. This has been done in the proportion of three-quarters to head I and one-quarter to head IV; the latter has been split between L and M in the proportion of 2 to 1. These proportions cannot be regarded as definitive. No more accurate split could be made; it is based on estimates prepared by the Administration.

It was not possible to isolate, in accordance with the budgetary experts' instructions, certain expenditure on civilian personnel in naval establishments chargeable to head IV. The salaries of officials (as opposed to workmen) employed in depots (as opposed to manufacturing establishments) are included in head IV, though strictly they should be shown under sub-head C.

The overhead expenditure chargeable to head IV is not shown separately in the accounts of the three forces and has had to be estimated.

Owing to the difficulty of separating this expenditure accurately, certain overhead charges amounting to about 10,000,000 lire for all three forces have not been included in head IV.

6. *Head IV: Division between Sub-heads.*

The Italian delegation stated that, owing to the structure of the Italian accounts, it is quite impossible to split up the expenditure under sub-heads L and M (naval forces) between those sub-heads in accordance with the instructions in the experts' report.

The amounts of items 63 to 68 and 80 of the naval closed account for naval construction, maintenance, arms and ammunition, totalling 739,090,501 lire, have been split on a basis of two-thirds to sub-head L and one-third to sub-head M. This proportion is based on expenditure for pay and certain approximate estimates.

No expenditure has been inserted under sub-head N.

7. *Special Questions.*

(a) *Allowances.* — Cash allowances having a permanent character, including those for rent, horses, clothing and, in certain cases, food, are shown in sub-heads A, B and C of the Model Statement. The figures are audited figures taken from the relevant chapters of the account. Travelling expenses and miscellaneous allowances are included in sub-head G. The figures for this expenditure could only be established on the basis of internal accounts and administrative data.

(b) *Telegraphic and Telephonic Expenses.* — A part of these expenses, which could not be isolated, is included in office expenses under sub-head E, and not under sub-head G.

(c) *Targets.* — Expenditure on targets is shown in sub-head M of the Model Statement.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Preliminary Note.* — Italy has supplied three annexed tables, one for each of the three armed forces.

*Annexed Table A.* — (a) Item 2 includes only the remuneration of reservists called up.

(b) Italy has no special schools for reservists.

*Annexed Table B.* — (a) The amount included in this table is approximately the same as that in sub-head L in the Model Statement.

(b) The following expenditure is not regarded as "Expenditure on Naval Construction": gun-mountings, electrical and radio equipment, torpedo tubes and equipment, fire-control equipment, searchlights, optical and sound apparatus.

This expenditure comes under the Departments for Naval Arms and Armaments.

Detailed amounts corresponding to the budgetary experts' definition could not be supplied.

(c) The figures entered in the table represent the cost of upkeep of vessels even when they are at sea.

*Annexed Table C.* — The amount inserted in this table represents:

(a) Total "debit arrears" at the end of the budgetary *exercice* to which the Model Statement relates, as these refer to commitments which under Italian law will be paid without any further authorisation in the following *exercices*.

(b) Credits for which provision has already been made in special laws and which are to be authorised by Parliament in subsequent budgets.

*Annexed Table D.* — No remark on the "nil" entry.

*Annexed Table E.* — No remark on the "nil" entry.

*Annexed Table F.* — (a) The pension figures under item 1 cannot be split between paragraphs (a), (b) and (c).

(b) A reconciliation table has been supplied for a comparison of the figures in the Annexed Tables F with those in the closed account.

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**List of Documents.**

**Budgetary system:** Reply by the Italian delegation to the questionnaire of the Technical Committee (document Conf. D./C.D./C.T.15 and erratum).

**Model Statement with explanations and annexed tables.** Reconciliation tables (document Conf.D./C.D./C.T.75).

**Budgets:**

Estimates for the year 1930-31 (Progetto di bilancio, esercizio 1930-31);

Budget voted for the fiscal year 1930-31 (Leggi di approvazione bilancio, esercizio 1930-31).

**Accounts:**

Closed accounts for the year 1930-31: Part I, Vol. I, II (Rendiconto generale consuntivo, esercizio 1930-31: Parte I, Vol. I, II).

Closed accounts for the colonies (fiscal year 1929-30) (Conto consuntivo delle colonie italiane per l'esercizio finanziario 1929-30).

**Observations of Technical Committee** (document Conf.D./C.D./C.T.93).

**Replies of the Italian delegation** (document Conf.D./C.D./C.T.103).

**Minutes of audition meeting** (document Conf.D./C.D./C.T./P.V.Audition 11 and corrigendum).

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## JAPAN.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The budget is prepared by the Administrations. The Minister of Finance centralises the estimates of expenditure and of revenue of the various Ministries and, in consultation with them, draws up the draft general budget.

The draft budget is finally approved by the Council of Ministers.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget, drawn up as shown in paragraph 1, is submitted in the first place to the Chamber of Representatives. Before being discussed at a plenary meeting, it is examined by the Budget Commission of that Chamber and its Sub-Commissions. The President of the Commission reports to the Chamber on the results of the examination. Minutes of the Commission's observations are distributed to members of the Chamber and to the Ministries concerned.

After the Chamber of Representatives has voted the budget, the latter is sent to the Chamber of Peers, which examines it and votes it, following the same procedure as the Chamber of Representatives.

The debates of the Budget Commissions are not public, but representatives of the Press are permitted to attend the debates of the Budget Commissions of the Chamber of Deputies.

The plenary meetings in both Chambers are public and reports of these meetings are published in the *Official Journal*.

Members of the two Chambers have no right of initiative in regard to expenditure. Parliament may only propose reductions in the Government's estimates of expenditure. At the same time, by virtue of powers conferred on the Emperor by the Constitution (*i.e.*, prerogatives relating to the command or organisation of the armed forces, to the framing of regulations for the Civil Service and the fixing of officials' salaries), Parliament cannot abolish or reduce, without the consent of the executive authority, military expenditure which it has approved in the budget for the previous year.

The Diet votes the grand total of the estimate for all the Departments, not the heads, etc., into which the estimate may be subdivided.

(b) National defence expenditure is voted each year.

(c) Expenditure is authorised in accordance with the budget estimates voted by the Diet, but the budget must be sanctioned by the Emperor.

When, in the urgent interests of public security, the Government cannot, by reason of the internal or external situation, convene the Diet, the necessary financial measures may be taken by Imperial decree. In that case, the measures in question must be submitted to the Imperial Diet at its next session and receive its approval.

If the budget is not voted at the beginning of the year, the budget of the previous year is re-enacted by Imperial decree without parliamentary intervention. The budget of any year can only be so renewed for a maximum period of a year.

Supplementary budgets are generally voted during the year.

#### 3. *Publicity of the Draft Budget, Budget and Accounts.*

The draft budget and the budget as voted are published.

The final accounts are submitted to Parliament but do not form the subject of an official publication.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The voting of a credit defines the amount of the payments that may be made thereunder.

Such payments can be effected after the close of the twelve-month year, during a supplementary period of one month.

After that date, no payment can be effected out of the funds of the past budgetary year.

(b) In principle, the rule of *annuité* is observed—i.e., the balance of credits not expended at the end of the budgetary year is cancelled.

At the same time, a certain number of credits, specially indicated in the budget, may be carried forward to subsequent years. This applies more particularly to credits in respect of building construction or the assembly and manufacture of material spread over several years. The carrying forward of a credit is authorised by the Ministry of Finance without parliamentary intervention. The credits thus carried forward are added to the credits voted for the same purpose for the following years.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The National Defence expenditure is presented by heads (chapters) and sub-heads (items).

The heads are fairly numerous, but contain relatively few sub-heads, so that subjects of expenditure, in themselves unrelated, are sometimes covered by a single block credit in the estimates.

(b) The closed accounts are drawn up in the same form as the budget.

(c) Transfers are prohibited between the budgets of the army and navy and, within each of those budgets, between the various divisions and sub-divisions.

The inadequacy of certain credits is made up for during the execution of the budget by drawing on a reserve fund. Another reserve fund is designed to meet expenditure not foreseen in the budget

#### 6. *Unity of the Budget.*

(a) All national defence expenditure is shown in the budget of the military departments, with the exception of expenditure relating to conscription, which appears in the budget of the Ministry of the Interior.

Independent budgets exist for certain military establishments when it is expedient to set out their revenue and expenditure accounts separately, but deliveries by those establishments to the Defence Ministries are paid for by the latter out of credits granted by Parliament.

The expenditure on the army and on the navy is presented separately.

The expenditure on the air forces is shown in the budgets and accounts of the Ministries of War and of the Navy. Except in the case of certain items, it is not presented separately.

(b) The budgets and accounts show the gross expenditure.

#### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is ensured:

(a) By the supervision of the responsible administrative authorities;

(b) By the Bank of Japan, which verifies payment orders, ascertaining that the total of the cheques drawn against a credit does not exceed the total amount of that credit;

(c) By the Minister of Finance, who keeps account of Treasury disbursements for each of the Ministries. He is thus in a position to ensure compliance with the budget on the part of the various ministerial departments.

#### 8. *Final Audit.*

Final audit is carried out:

(a) By the Court of Audit. The Court of Audit is under the direct authority of the Emperor. It enjoys complete independence of the Government and the Legislature. The members of the court hold office permanently. They cannot be removed except by judgment of a criminal or disciplinary court. No member of the court may exercise any other public function. Members of this high assembly are not allowed to seek election to Parliament.

The court audits the accounts of the Ministers and the general accounts of the Minister of Finance. It draws up a report of all illegal or irregular transactions which have come to its notice in the process of audit.

The Court of Audit is the highest organ for the audit of accounts.

(b) By the Diet which, on the basis of the Court of Audit's report, approves or rejects the closed accounts.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from April 1st to March 31st, but there is a supplementary period of one month ending on April 30th of the following financial year, during which payments may be effected in settlement of commitments incurred during the previous financial *exercice*. No expenditure can be incurred in respect of a financial year after the expiry of the twelfth month of that year (*i.e.*, after March 31st). The regularisation of payments effected and included in the accounts of a budgetary year during the previous thirteen months can be carried out up to May 31st of the following financial year. This operation is in the nature of an adjustment between the different Departments and does not imply payments to creditors of the State. These regularisation payments do not appear in the Model Statement. The corresponding expenditure is included in the relevant sub-heads of the Model Statement.

### 2. *Budgets and Accounts.*

There are separate Ministries for the army and navy, but not for the air forces, whose expenditure is included in the budgets and accounts of the other two forces and in the same subdivisions, although certain aviation expenditure (more particularly relating to war material) is shown separately. This fact appreciably affects the accuracy of the various figures shown in each of the three Model Statements.

### 3. *The Model Statement.*

The Model Statement refers to the financial year 1929. The tables relating to the three forces have been filled in.

The figures show the gross expenditure.

The expenditure in the Model Statement represents payments in cash and cheques issued between April 1st, 1929, and April 30th, 1930, in settlement of debts in respect of services rendered between April 1st, 1929, and March 31st, 1930. The figures are based on the last closed accounts (1929) available on the date on which the Statement was drawn up (September 1931). The closed accounts include: (1) the budget account proper and (2) the "first and second reserve" accounts, the funds of which are used to make good the possible deficit in certain heads of the budget and to meet unforeseen expenditure.

The closed accounts for 1929 were submitted to the Diet in December 1930. The closed accounts for 1930 have now been completed and can be consulted. Their publication will be considered if a Disarmament Convention is signed.

### 4. *Execution of the Budget.*

Payments are effected by means of cheques drawn on the Bank of Japan by the paymasters belonging to the Ministries of National Defence. Payments are reported to the Ministry of Finance. Although there is no system of internal audit carried out by a separate service of the Ministries of National Defence, the Minister of Finance supervises the administration of expenditure by comparing the returns supplied by the paymasters with the deposits and withdrawals at the Bank of Japan. The Ministers of National Defence draw up the closed accounts and forward a copy to the Minister of Finance within four months after the close of the budgetary year.

### 5. *The Accounts.*

The accounts show payments. They are classified by heads and sub-heads corresponding to those of the budget. The figures are gross. The expenditure is divided into two categories, "ordinary"—*i.e.*, that which has to be provided for each year—and "extraordinary".

There are five special accounts of a military character possessing autonomous budgets, four of which relate to military establishments.

The accounts of the financial *exercice* kept at the Ministry of Finance are closed on July 31st.

### 6. *Audit and Publication of the Accounts.*

The accounts, including any special accounts that may be instituted, are drawn up and certified by the Minister of Finance, who submits them to the Court of Audit about five months after the close of the budgetary year.

The accounts are audited by the Court of Audit, an organ independent of the Ministers and holding authority directly from the Emperor. The report of the Court of Audit is submitted by the Government to the two Chambers of the Diet at the ordinary session held during the year following the expiry of the financial *exercice*. The closed accounts and the Court of Audit's report are examined by the competent commissions of each of the two Chambers, the latter voting in plenary session a resolution approving or disapproving the said accounts. The accounts do not form the subject of an official publication. The Japanese delegation stated that their publication will be considered if a Disarmament Convention is signed.

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## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. General Remarks.

(a) The relation between the accounts and the Model Statement is established by means of reconciliation tables.

(b) The Japanese Model Statement contains only one "total" column, no distinction being made between armed forces and formations organised on a military basis.

(c) The budgetary system as such has not been found to present any obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) The cases in which the Rapporteur has drawn attention to departures from the instructions regarding universality or to doubts concerning the interpretation of these instructions are mentioned below.

### 2. Military Departments.

(a) The total amount of pay, etc., is shown in the Model Statement.

(b) No advances are granted to officers.

(c) Exchange. — None of the budget expenditure for the year has been shown at par in the Model Statement. In the budget of the navy, some of the expenditure appears at par and the difference in respect of exchange is settled in the budgetary accounts of the Ministry of Finance. The amount of such differences does not appear in the Model Statement; it is not shown separately in the closed accounts; it may be assessed at about 700,000 yen. The Japanese delegation is of opinion that if a Convention were concluded, the Government could include in the Model Statement an assessment of the differences in respect of exchange relating to national defence expenditure.

### 3. Civil Departments.

(a) Expenditure on *civil aviation* is not included in the national defence budgets or in the Model Statement for air forces.

(b) Apart from the subsidy to the automobile industry, *no other subsidies*, according to the statement of the Japanese delegation, are granted to war industries. The subsidies accorded to civil aviation which appear in the budget of the Department of Communications are quite unconnected with national defence expenditure; they are of the same character as the subsidies granted to the merchant marine.

(c) Expenditure incurred on special measures for protection against *air attacks* is included in the war budget; no expenditure of this kind is effected by any civil department.

(d) The cost of the preparation of *maps* intended for sale to the public is not shown in the Model Statement; the whole revenue therefrom is included under general revenue. The contribution to the International *Hydrographic Bureau* is also excluded from the Model Statement.

(e) The expenditure on military *wireless telegraphy stations* is included in the budgets of the army and navy, and is therefore shown in the Model Statement.

(f) The army and navy each have their own *meteorological stations* and the expenditure relating thereto is shown in the Model Statement.

(g) Expenditure in connection with the *lighthouses* at naval harbours and fortifications appears among the ordinary expenditure of the navy; civil lighthouses are provided for by the Ministry for Communications. The Japanese delegation is of the opinion that expenditure of this nature should not be charged to the national defence budget.

(h) The Japanese delegation states that, apart from the expenditure on conscription, no expenditure on national defence appears in the budgets of other departments. Neither the War Department nor the Department of the Navy benefits by free services supplied by other departments. The national defence services pay the amounts actually due and not merely an amount arrived at by assessment. At the same time, the value of *transport facilities* is not included in the Model Statement; that amount cannot be accurately determined.

(i) No part of the expenditure borne on the budgets of the *provinces* is, in the opinion of the Japanese delegation, connected with national defence.

(j) In computing the expenditure on the examination and audit of accounts, the cost of the services of the *Court of Audit* has been omitted and is not included in the Model Statement. The Japanese delegation does not think that the expenditure in question, which, moreover, would be impossible to isolate, should be included in the Model Statement.

(k) The Japanese delegation is of the opinion that the expenditure of the Japanese *Red Cross* cannot be considered national defence expenditure. The *Red Cross* might, of course, in time of war, be used by soldiers; but, at ordinary times, it has no connection with the army and the navy.

#### 4. *Special Questions.*

(a) The Model Statement includes all expenditure relating to the *gendarmérie*. The question whether the *gendarmérie* and other organisations mentioned hereunder are to be regarded as *formations organised on a military basis* depends on the adoption of a definition of these formations.

The Chosen frontier guards and the Tsuciura *gendarmérie* form an integral part of the army proper.

(b) The *police* corps, whose expenditure is independent of national defence expenditure, come entirely under the Provincial Administrations.

(c) No item of the budget can be regarded as expenditure on *pre-military training*. The Japanese delegation states that no system exists in Japan for the military training of the young, but agrees that it is for the competent Committee to settle the question of the definition of such training.

(d) The budgets for *Chosen* and *Kwantung* do not, according to the Japanese delegation's statement, include any expenditure relating directly or indirectly to national defence. The general budget contains expenditure relating to the troops stationed in Chosen and in Kwantung. The Japanese delegation has supplied the Committee with an abridged translation of the Chosen budget.

(e) All the expenditure included in the Model Statement appears in the published accounts, except for expenditure met from the proceeds of the sale of articles which had been included in the subscription funds (*fonds d'abonnement*).

(f) Expenditure effected out of the *first* and *second reserve* funds is included in the closed accounts and in the Model Statement.

(g) The *balances of credits* for national defence derived from the budgets of previous years, which have been specially mentioned in the budget and the carrying forward of which had been authorised by the Minister of Finance at the close of the previous *exercice* are carried forward to the 1929 *exercice* and the expenditure appertaining thereto is included in the Model Statement.

(h) The Model Statement includes expenditure on the sending of delegates to *Conferences* (International Conference for the Revision of Signal Codes and International Hydrographic Conference). The Japanese delegation will conform to any uniform rule adopted by the Conference in this matter.

(i) Expenditure in respect of allowances in cash or in kind to civilians who have rendered *meritorious services* to the army is not included in the Model Statement, since, in the Japanese delegation's view, this expenditure bears no direct relation to national defence; a very important invention relating to military supplies was quoted by way of example.

(j) Expenditure for the uniforms and food of students at the *military Prytaneum*, so far as it is borne by the students themselves, has not been included in the Model Statement. The Japanese delegation will, however, conform to any decision of the Committee in this matter.

(k) The ordinary maintenance expenditure on the *troops stationed at Shanghai* (marines of the first oversea brigade) is included in the Model Statement.

(l) The expenditure in respect of *events in China* has not been included in the Model Statement. The Japanese delegation considered that such expenditure was not in the nature of national defence expenditure and that the fifth paragraph of the draft annex justified its exclusion from the Model Statement. For purposes of publicity, the Japanese delegation will not object to supplying figures for this expenditure. The drafting and interpretation of the above-mentioned paragraph, however, having been referred to the Technical Committee, following on suggestions put forward in the Budget Commission by Japan and China, this question must be held over for the time being.

(m) The expenditure on reconstruction works involved by the 1923 *earthquake* has not been included in the Model Statement. This expenditure has been separated from other expenditure in the budget. The Japanese delegation will not object to the relevant expenditure being included in the Model Statement for purposes of publicity.

(n) Exemption from local rates is granted in respect of *military buildings*. The sums involved are not, and, in the opinion of the Japanese delegation, should not be, included in the Model Statement. It would be difficult to estimate the value of such exemptions, but the Japanese delegation will endeavour to provide an estimate.

(o) The Japanese delegation states that there are in Japan neither *strategic railways* nor *strategic roads*.

(p) There are no other closed accounts besides the State accounts for expenditure on national defence. The *special accounts* are included in the budget; they are passed by the Court of Audit; they are audited within nine months from the end of the *exercice* and submitted to Parliament about one month later.

(q) A list of the *special accounts* is given in Annex 2 to document Conf.D./C.D./C.T. 112. It is not possible to ascertain whether estimates of the initial expenditure in respect of these special accounts were included in the national defence budget for the year in which they were created.

(r) The *five special accounts* for the army and the navy possess autonomous budgets, four of which relate to *military establishments*. Any surplus is paid into the Treasury, and deficits are, as a general rule, not covered; these surpluses and deficits appear in the balance-sheets of the establishments in question, and are not included in the general budget. The prices shown in



the accounts are calculated according to a fixed tariff based upon cost of production, and do not in every case correspond to the prices paid in private establishments.

(s) The capital of the above-mentioned *establishments* is provided out of the general budget, but the Government does not grant any subsidies to the military establishments. The Model Statement contains the sums provided in the general budget for goods supplied under the head of "Special Accounts". The budgets of the War and Navy Departments show the deliveries of materials made by the establishments in question.

(t) There are, in Japan, *mass* or subscription funds, which draw their resources exclusively from the budget. The Model Statement does not show expenditure from these funds, but sums paid to them out of the State budget.

(u) No national defence expenditure has been effected out of the proceeds of a *loan*.

(v) *Claims in arrear* are paid by the War and Navy Departments and are shown in the Model Statement.

(w) The Model Statement shows *gross expenditure*.

(x) Sums realised from the *sale of stocks and obsolete material*, or from the *disposal of other national property*, are paid to the general revenue, with the exception of the receipts of the subscription funds (*fonds d'abonnement*). The receipts in question, apart from this exception, cannot be allocated to national defence expenditure without budget appropriations.

(y) *Pensions* are not included in the Model Statement. Compensation for termination of appointment and for retirement appears in the Model Statement; this compensation is paid out of the credits allocated to personnel, and, in the opinion of the Japanese delegation, is less in the nature of pensions than of deferred pay or gratuities. The subsidies granted to the Retired Soldiers' Association have been shown in the Model Statement, because the members of this association are reservists who are liable to be called to the colours. On the other hand, grants made in respect of personnel killed or wounded in the air service and to "members of the forces engaged in putting down brigandage and anarchy in Manchuria, Chosen and Taiwan" have been excluded, because the gratuities in question are in the nature of pensions.

(z) The expenditure of the *Commission* which is studying questions relating to the pay of men on active service and allowances to disabled servicemen and their families is not included in the Model Statement. It was felt that such expenditure was of the same nature as the expenditure on various Commissions of Enquiry. The Japanese delegation would not object, in principle, to such expenditure being included.

(aa) The expenditure on *family allowances* is not included in the Model Statement, the Japanese delegation being of opinion that such expenditure comes rather within the sphere of social services. At the same time, it would have no serious objection to the inclusion of such expenditure in the Statement if the Committee established a uniform rule to this effect.

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#### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

1. The Japanese delegation has submitted three Model Statements for the army, the navy and the air forces: the expenditure for the air forces is, however, included partly in the Model Statement for the army and partly in that for the navy, for the reason that the air forces form an integral part of those forces. There are separate budgets and accounts for the army and the navy, but there is no separate budget, accounting system or administration for the air forces. It is therefore impossible to isolate completely the expenditure on the air forces, and, consequently, although the total of national defence expenditure is accurate, the figures for each of the three forces are not.

Although there is no separate budget for the air forces, a number of items are shown separately for the air forces in the budgets and accounts of the army and navy.

The Model Statement for the air forces contains only that portion of the expenditure which can be separated from the expenditure of the army and navy.

The Japanese delegation has stated that the existing organisation does not allow of the separation of the air forces from the other two forces of which they form part. It has therefore been found impossible to furnish even a rough estimate of the expenditure upon the former. The Japanese delegation has stated that it was unable to find any suitable or appropriate method of separating expenditure on common services. It has pointed out that it would be neither appropriate nor reasonable to divide the expenditure in the ratio of the effectives of the different services, because the division of the expenditure is not based upon these figures, but upon the duties which the effectives are called upon to perform. The Japanese delegation was afraid that the budgetary system at present in force in Japan made it impossible to extract the figures for expenditure on the air forces from the total national defence budget. It nevertheless declared that, if the Technical Committee was able to find a satisfactory solution, the Japanese Government would be happy to examine and to apply it.

2. *Coast Defence.*

All coast-defence services form part of the normal activity of the army, and all expenditure on these services is shown in the Model Statement for land forces.

3. *Optional Columns.*

These columns have not been filled up.

As regards formations organised on a military basis, all expenditure in connection with the gendarmerie appears in the accounts of the War Department. This expenditure is included in the Model Statement, but is not separated from other military expenditure.

4. *Division of Expenditure between the Sub-heads of the Model Statement.*

When expenditure shown in any particular paragraph of the budget has been split up amongst several sub-heads of the Model Statement, the split has been made, as far as possible, on the basis of the closed accounts. In cases where the closed accounts did not contain sufficient details, however, internal accounting documents have been taken as a basis; where these documents did not contain the necessary information, the budget has been used. In other words, the split has been effected by applying to each figure in the accounts the proportions shown in the items which have been used to arrive at the corresponding figure in the budget. The sums thus obtained are not necessarily those that were in fact expended.

The same method has been adopted for splitting up the expenditure on the air forces, so far as this expenditure is mentioned separately (this is chiefly expenditure relating to the purchase of aerial war material). Certain minor difficulties have been experienced, due to the system of accounting or to difficulties of interpretation of the experts report—*e.g.*:

- (a) Expenditure for research in naval air units;
- (b) Repairs to buildings;
- (c) Separation of saddle and draught horses and harness between sub-head F and head IV;
- (d) Splitting-up of certain personnel.

5. *Head IV: Separation from Other Heads.*

The total army expenditure shown under head IV includes expenditure on military aviation. Apart from the difficulty of separating air force expenditure from that of the army, no difficulty of a general nature has been found in establishing the figures for the army. Expenditure on manufacture includes the cost of material, wages and overhead charges, so far as the material is manufactured and repaired in national non-autonomous establishments, or is purchased from private or autonomous establishments. The figures are based on the closed accounts, on internal accounting documents, or on estimates. No "cost accounts" are kept for non-autonomous establishments, but overhead charges are taken from special items in the accounts and show the sums actually expended. Certain war material—such as machine-guns, rifles and ammunition—is purchased for the army and air forces in common. All this expenditure is shown under head IV, table B. A small portion of the personnel, both military and civilian, employed in the establishments shown under head IV, table B, has not been included under the sub-heads of this head, because the accounting system did not allow of the separation of certain groups of personnel.

The total naval expenditure shown under head IV includes expenditure for the naval air forces. Apart from the difficulty experienced in separating air force expenditure, no difficulty has, in general, been found in separating the armament expenditure shown under head IV as a whole. The figures referring to material, pay and overhead charges are calculated in the same way as for the army.

It has been found possible to isolate the greater part of the expenditure on the air forces coming under head IV, as purchases of air force material are generally made separately. The figures for expenditure have been calculated in the same way as for the army. Certain war material—*e.g.*, machine-guns, rifles, and ammunition—is not purchased separately for the air forces; air force expenditure for this material is therefore included in the corresponding figures for the army and navy. Hence the figure shown under head IV for the air forces is smaller than it should be.

6. *Head IV: Division between Sub-heads.*

As regards the sub-heads of head IV relating to naval forces, it has been found impossible to fill in correctly the columns of sub-heads L and M, owing to the system of accounting employed. The cost of construction of vessels shown in the budget includes all expenditure in connection with the construction of the vessels and their armament. With a view to facilitating the presentation of the accounts, this expenditure is in some cases divided between the cost of construction of vessels and the cost of armament. This division does not correspond to the classification laid down in paragraphs 33 and 34 of the draft annex to the report of the budgetary experts. It is, in consequence, very difficult to arrange all this expenditure under sub-heads L

and M, in accordance with the experts' report. The same remarks apply to expenditure for repair of hulls, machinery and arms, which is included in a single item of the budget. The Japanese delegation has inserted under sub-head L expenditure which it is difficult to arrange under L or M, so that the figures appearing under M are somewhat low. The facts mentioned above refer to cases in which the costs of construction of vessels and their armament would be included in a single item of the budget. If an item of the budget represents only expenditure for the manufacture of arms (e.g., item 5 of the extraordinary expenses of the navy), such expenditure appears under M.

It has not been found possible to split up between sub-heads L and M expenditure in connection with non-autonomous naval works, which include all establishments for the construction of vessels and the manufacture of arms and material; this expenditure is consequently shown under N. The expenditure shown under M (arms, ammunition and implements of war) is relatively low. This result can be explained as follows: expenditure for aeronautical material is shown in the air forces Model Statement at 40 million yen. Out of this sum, 18 millions appear in the army Model Statement. The balance of 22 millions is therefore shown in the navy Model Statement; but the total expenditure for arms in the navy Model Statement amounts only to 24 million yen. If 22 millions are in respect of air forces, there remains only 2 millions for the navy. Generally speaking, it is clear from this that the greater part of naval armament expenditure consists of expenditure for air forces.

#### 7. *Special Questions.*

*Allowances.* — These have been arranged according to their character. When they are regarded as an element of the pay or wages, they have been shown under the sub-heads relating to pay. On the other hand, when they correspond to supplies in kind, they have been shown under sub-head E.

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### E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Preliminary Remark.* — Japan has been able to provide two series of annexed tables, one for land forces and the other for naval forces, but has not been able to furnish separate annexed tables for the air forces.

#### *Table A.*

(a) *Article 1.* — "Nil" return.

(b) *Article 2.* — The sum shown in this article should be replaced by the figure 1,650,051 yen, because the 2,016,391 yen shown in Table A 2 denoted estimated and not actual expenditure. The total of 1,650,051 yen corresponds to the total of sub-head D, the only difference being that, in the case of the naval forces, a sum of 117,312 yen has been deducted in respect of allowances to naval cadets, as this payment was regarded as representing expenditure on pre-military training and not expenditure on reservists.

(c) *Article 2* includes the pay of reservists called to the colours, but not subsistence expenses. This article also includes 250,000 yen from head XX (subsidy to the Retired Soldiers' Association), this expenditure being in the nature of administrative expenditure for certain reserve organisations.

(d) In the opinion of the Japanese delegation, expenditure for assistance to families of reservists (Ministry of the Interior, head XVI) is to be regarded as coming under Social Services.

#### *Table B.*

(a) This agrees with sub-head L, but the dockyard accounts of Japan are not adapted to effecting the division of expenditure recommended by the experts' report (page 34). Japan has included, under sub-head L, everything which cannot be directly allocated to arms and munitions according to the report.

(b) Overhead charges are included in this table, but the accounts of costs of production are not published.

(c) Expenditure for vessels which are not in dockyards (but only as regards material) is also included in this table.

#### *Table C.*

(a) The total of the credits already provided for future *exercices* has been included in this table. These credits do not have to be revoted every year. Sums already passed for payment out of these credits are naturally not included.

(b) Expenditure due to earthquakes and to events in China has been excluded.

*Table D.*

The "nil" return is explained by the fact that the system of purchases on credit is not in use in Japan.

*Table E.*

It should be noted that the Japanese Government grants no subsidies, even to the petroleum enterprises in Karafuto.

*Table F.*

- (a) It is not possible to separate war pensions from other pensions.
- (b) It is not possible to show separately the figures for pensions paid to the civil staff of the War and Navy Departments.
- (c) It is consequently not possible to fill in table F correctly.
- (d) There is no expenditure on insurance for service men.
- (e) Apart from pensions, no allowance is paid to personnel discharged and awaiting employment.
- (f) No compensation or subsidies are granted to non-employed personnel.
- (g) Apart from pensions, no financial assistance is provided in respect of hospital expenses, purchase of artificial limbs, funeral expenses, etc., in the case of personnel who are not on the active list.

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**List of Documents.**

- Budgetary system: reply of Japanese delegation to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.6).
- Model Statement and annexed tables. Extracts from the budget and accounts for 1929. Reconciliation tables (document Conf.D./C.D./C.T.46 and *erratum*).
- The General Budget of Revenue and Expenditure for the *Exercice* of the Fourth Year of Showa (1929).
- The General Closed Account for the *Exercice* of the Fourth Year of Showa (1929).
- The Special Accounts for the *Exercice* of the Fourth Year of Showa (1929).
- Observations of Technical Committee (document Conf.D./C.D./C.T.109).
- Replies of Japanese delegation (document Conf.D./C.D./C.T.112).
- Minutes of audition meetings (documents Conf.D./C.D./C.T./P.V.13, audition, and *corrigendum*; 13a, audition, and *corrigendum*).
- Additional information (documents Conf.D./C.D./C.T.137, 138, 138a, 138b).
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## NORWAY.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The budget is prepared by the departments. All the estimates of the different Ministries are centralised by the Finance Minister. The latter, who is responsible for balancing the budget, prepares the general State budget (revenue and expenditure) after having reached agreement with the other Ministers as regards their proposals for expenditure. The draft budget is finally adopted by the Cabinet.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget, drawn up as explained in paragraph 1, is submitted to Parliament, which consists of a single chamber, the Storting. The Storting is divided into two sections (the Odelsting and the Lagting), and itself appoints a quarter of its members to sit in the Lagting. The other three quarters form the Odelsting. This division is of no importance as regards the discussion of the budget. It affects only: (1) the voting of laws, and (2) the supervision of the Government's administration.

Thus it is the Odelsting which examines the Minutes of meetings of the Council of Ministers and the annual report of the Court of Audit, while the Lagting forms part, with the Supreme Court, of the High Court of Justice, before which the Odelsting can summon Ministers.

The draft budget as a whole is first of all examined by the Budget Commission. Once its examination has been completed, the separate budgets of the different Ministries are referred to special commissions for examination. The proceedings of the Budget Commission and the special commissions are not public; these commissions draw up reports which are reproduced in parliamentary documents having a wide circulation.

The budget is next discussed by Parliament in plenary meetings. These meetings are public and the Minutes are published.

(b) National defence expenditure is voted annually. In practice, the budget is normally passed by Parliament before the beginning of the financial year. Should the budget not be passed before the beginning of the financial year, the Government, without special authority from Parliament, may make the necessary payments to ensure the normal operation of the public services.

(c) The adoption of the budget by Parliament is regarded as an administrative act. It has not the character of a law, and this is the reason why the budget is not subject to the procedure followed for the voting of laws by the two sections of Parliament.

#### 3. *Publication of the Draft Budget, the Budget and the Accounts.*

The draft budget and the budget as voted are published officially. The final accounts are also published.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The credits granted by Parliament define the total amount of the payments that can be made in the course of the financial year. The adoption of the budget by Parliament does not, however, fix a rigid limit to public expenditure. The Executive may, on its own authority, which is not limited by any legal restriction in this matter, exceed the amount of expenditure authorised by the budget. If, however, the sum in question is a large one, and if Parliament is in session, the Executive must obtain Parliamentary sanction for such excesses.

The practice of incurring commitments in anticipation of credits to be granted in a future year does not exist in Norway.

The payments that appear in the accounts are the payments made during the twelve months of the budget year. There is no additional period.

(b) In general, the rule of *annuité* is observed—i.e., credits not expended at the end of the year are cancelled.

Certain credits, however, relating to manufactured goods or constructional work may be carried over. These credits are automatically carried over to the following year without further Parliamentary authorisation.

According to regulation, the credits which may be carried over must be so indicated in the budget. In exceptional cases, however, the Finance Minister may decide that the balance of a credit which has not been expended, and has not been shown as subject to carry-over, may be carried over.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) Expenditure on national defence is shown by chapters containing subdivisions (heads). They are comparatively numerous, and their titles clearly indicate the purpose of the credit.

(b) The final accounts are drawn up in the same form as the budget.

(c) Transfers are possible between the chapters of the budget, but only in respect of items expressly indicated in the budget as being subject to transfer. The number of credits subject to transfer is very small; there are at present none in the national defence budget.

#### 6. *Unity of the Budget.*

(a) Generally speaking, all national defence expenditure appears in the budget of the Ministry of National Defence.

There are, however, a few special accounts and funds connected with national defence, but the balance of these funds is shown in the general budget and in the State accounts. There is a tendency to reduce, and even to abolish, the special funds.

Certain items of national defence expenditure appear in the budgets of the civil Ministries. The proportion of this expenditure to the total expenditure on national defence is very small.

The expenditure of the army and navy is shown separately in the budgets and in the accounts. The expenditure on the air force, included in the budgets and accounts of the army and navy, is not shown separately.

As there is only one Ministry of National Defence, some expenditure is common to the various armed forces.

(b) The budgets and accounts show, with a few exceptions, the gross expenditure. The establishment of the budget on the principle of gross expenditure is of recent date, and there are still some items of net expenditure, particularly in connection with the special funds.

#### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is carried out:

(a) By the responsible administrative authorities;

(b) By the Intendance Service, which supervises the execution of the budget directly on behalf of the Ministry of National Defence, and which is completely independent of the Command;

(c) By the Finance Minister, to whom the other Ministries and the various services forward quarterly reports of receipts and payments ("Cash Accounts"), and who can thus draw the attention of Ministers to the possibility of credits being exceeded;

(d) By the Court of Audit, which has the right to send inspectors at any time to make investigations on the spot. These inspectors are accompanied by representatives of the Ministry concerned. They may verify the cash position during the execution of the budget.

#### 8. *Final Audit.*

The final audit is conducted:

(a) By the Court of Audit. This body derives its authority directly from Parliament; it consists of five members, elected for three years by one of the sections of Parliament (Odelsting). During this three-year period, they cannot be dismissed.

The Court of Audit audits the general accounts of the State, which are transmitted to it by the Finance Minister. When making this audit, the court may address enquiries to the Finance Minister or any official charged with accounting duties.

The court may discharge the accountants from responsibility, or, on the other hand, may call them to account by requesting the competent Ministries to cause them to appear before the courts.

When its audit is completed, the court forwards the accounts to Parliament and embodies its observations in a report. The Court of Audit is the highest audit authority.

It has no direct judicial authority. It may require the competent Ministry to bring an accountant or other official before the courts; and it may, by virtue of the law on the auditing of the State accounts, punish by a fine of 500 kroner an accountant who has not submitted his accounts in the prescribed form or time-limit, or who has not replied to the court's request for explanations within the prescribed time-limit.

(b) By the Odelsting (on the basis of the Court of Audit's report), which discharges the higher administrative authorities and Ministers from responsibility or calls them to account.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from July 1st to June 30th. There is no additional period during which payments in respect of commitments entered into during the previous budgetary year can be effected. All payments effected after June 30th are charged to the following budgetary year. Adjustments may be made after the end of the budgetary year, as long as the accounts have not been finally rendered, and on condition that such adjustments do not involve alterations in the cash balances.

### 2. *Budgets and Accounts.*

There is only one Ministry of National Defence, but there are separate budgets for the army and navy. The expenditure relating to the air force is comprised in the accounts both of the army and of the navy. This leads to certain difficulties in preparing the Model Statement relating to the three forces.

### 3. *The Model Statement.*

The Model Statement refers to the budgetary year 1930-31. The tables relating to the three forces have been filled in.

The figures of the Model Statement indicate gross expenditure and represent cash disbursements.

The Model Statement is based on the last closed accounts available. These accounts comprise those relating to the army and navy budgets and to those of the civil budgets to which certain expenditure affecting national defence is charged.

At the time when the Model Statement was drawn up, the closed accounts in question had been published and submitted to the Court of Audit, which was examining them, but had not yet passed them.

### 4. *Execution of the Budget.*

All payments are made by the officials of the different departments appointed for that purpose, by means of credits allocated to them by the Finance Department, in accordance with the provisions of the voted budget.

The supervision of expenditure and internal audit are conducted by the Intendance Service, which is responsible to the Minister of Defence. The accountants of the intendance services draw up every three months, on the basis of the reports of the accountants of all formations, a cash report showing the receipts and expenditure during the quarter. The Ministry of National Defence then prepares a general report, which is forwarded to the Ministry of Finance. These quarterly returns forwarded to the Ministry of Finance enable the latter to exercise indirect supervision over the expenditure relating to national defence.

### 5. *The Accounts.*

The expenditure which appears in the accounts represents cash disbursements—*i.e.*, the total amount of the payments made in cash and of the cheques drawn in the course of the twelve months. The figures are gross, but, as the establishment of the budget on the gross principle is of recent date, it is possible that there are still unimportant survivals of the old system, which included some expenditure indicated according to the net system.

The account is submitted in the same form as the budget.

The accounts relate both to expenditure in respect of the credits voted for the financial year and to expenditure charged to credits carried over from previous years.

Certain special funds exist out of which expenditure relating to national defence can be met. These accounts are subject to the same audit as those relating to the ordinary budget.

In the accountancy sense of the term, there are autonomous Government factories where accounts are kept on commercial lines, the deficits being made good by subsidies from the budget,

and the profits being paid to the Treasury. Cost accounts are kept, but are not available to the public.

The accounts of the budgetary year are closed on June 30th.

#### 6. *Audit and Publication of Accounts.*

On the basis of the cash return for the fourth quarter (April to June), which shows the total receipts and expenditure for the *exercice*, the Finance Minister draws up the State accounts, which are published. Their accuracy is certified by the Finance Minister. The latter submits the accounts to the Court of Audit for examination. This examination is not, as a rule, concluded until two or two and a-half years after the expiration of the financial year to which it relates. This delay is due to the modifications introduced into the administrative system, to the consequences of the war, etc.

It should be remarked that the Court of Audit has succeeded in reducing arrears. The accounts submitted to the Committee, however, for the year 1930-31 had not yet been finally audited.

The accounts are submitted to Parliament as soon as they are published. The observations of the Court of Audit are submitted to Parliament, but Parliamentary sanction is not given in the form of a law. Parliament confines itself to approving, amending or rejecting the Court of Audit's observations. The " annotations " of the Court of Audit and the decisions of the Court of Audit and of the Odelsting, if any, are published. The annual report of the Court of Audit and the decisions taken thereon by the Odelsting are also published.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

(a) The relation between the accounts and the Model Statement is established by the aid of reconciliation tables.

(b) The Norwegian Model Statement contains the expenditure concerning the *armed forces*.

(c) The budgetary system has not been found to oppose any obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) Exceptions to the instructions concerning universality of expenditure have been found to exist in certain cases mentioned below.

#### 2. *Military Departments.*

(a) All the expenditure relating to *pay*, salaries and wages are entered in the Model Statement without deduction of taxes or other contributions.

(b) No *advances* on pay are granted.

(c) The *foreign currency* needed by the Ministry of National Defence is purchased when required for settlement of a claim; the sums thus paid are entered in the Model Statement.

#### 3. *Civil Departments.*

(a) The accounts of the Ministry of National Defence include certain expenditure on *civil aviation*—namely, costs of administration, expenditure on certain airports, and a subsidy paid to a civil aviation company. This expenditure, which has been excluded from the national defence expenditure in the Model Statement, is audited.

(b) Expenditure on the *meteorological* service is not included in the Model Statement.

(c) Expenditure on the *topographical* service and the *pilotage* and *wireless* services (with the exception of a few wireless stations of minor importance) is not included in the Model Statement. The work done by these services on behalf of the Ministry of National Defence is paid for in full at the current commercial rates. These payments are entered in the Model Statement.

(d) There are no *military courts*, the military personnel being judged by the civil courts. In the Norwegian delegation's opinion, it is not possible to estimate the proportion of expenditure incurred by the civil courts in respect of military justice.

(e) The State pays no municipal *rates* for landed property. It is not possible to estimate the financial advantage thus gained.

(f) The expenditure relating to the offices of the *Court of Audit* that audit the accounts of the military departments, amounting to a total of 210,000 kroner, is not included in the Model Statement.

(g) A special subsidy granted to the women's *Red Cross* associations (18,000 kroner) is not included in the Model Statement.



#### 4. *Special Questions.*

(a) The land and air forces do not include any *formations organised on a military basis*. As regards the naval forces, part of the expenditure on naval inspection in territorial waters has been included in the Model Statement.

(b) In addition to production for the defence services, the *army factories* also engage in civil production. Their budgets consist of sums voted in the army budget for the purchase of arms and ammunition, and of the sums at which the civil production is estimated. These budgets are laid before the Storting in the same way as the other budgets.

The factories are subject to local inspection by the Court of Audit, which examines their books. Their accounts are not published, but the final result—surplus or deficit—appears in the closed account.

Arms and ammunition are delivered to the military administration at cost price.

The *Chief Naval Dockyard* works for the navy to the extent of about 90 per cent of its output. The receipts and expenditure are entered in the dockyard accounts, but do not appear in the Model Statement.

(c) The *Raufoss* and *Kongsberg* factories receive a working credit granted by the Treasury and amounting to a total of 3,339,754.08 kroner (on June 30th, 1931). This credit enables the factories in question to increase their stocks without the increase being reflected in the Model Statement. The deficit of the *Raufoss* ammunition factory was partly covered by surpluses obtained by various means unconnected with the manufacture of ammunition.

(d) In virtue of a decision of Parliament, the *Naval Stores Fund* amounts to a sum permanently fixed at 3,300,000 kroner. This sum represents cash plus value of stocks. Increases of stocks cannot be ascertained from the Model Statement.

(e) The expenditure in connection with ships responsible for the *inspection of fisheries* at the boundaries of the territorial waters has been entered in the Model Statement. The expenditure in connection with the movements of these ships (coal, oil, etc.) appears in the accounts of one of the civil Ministries. The Norwegian delegation is of opinion that this service is chiefly of a civilian character, even though it may be of some military importance.

(f) The expenditure of 2,700 kroner occasioned by the "Report on Reductions to be made in the Present Organisation of National Defence" has not been entered in the Model Statement.

(g) There is a credit for the insurance of the stores of the different units, which is assigned to the *Army Fire Fund*. Damage caused by fire is met out of this fund. In case of fire, the cost of reconstruction or repairs is entered in a special Advances Account, to which the Fire Insurance Fund later repays the expenditure thus incurred.

(h) The granting of Government subsidies to *private shipowners* gives the navy no right to interfere in the preparation of constructional designs or otherwise, with a view to making the vessels suitable for naval purposes.

(i) A special subsidy granted to the Norwegian Defence Association has not been included in the Model Statement.

(j) There are military *funds* and *bequests*. The majority are included under the heading "Funds" in the printed annex to the closed accounts. Apart from the expenditure covered by certain funds (Funds Nos. 51 and 52), there is expenditure entered in the accounts as advances, which is not included in the Model Statement. The *Housing Accommodation Fund* for Military Officers, the *War Hospitals Fund*, and the *Wounded Soldiers' Fund* are administered by the Ministry of National Defence, according to specific rules drawn up by the Storting. The accounts are published in the supplement to the closed accounts. They are audited by the Court of Audit.

(k) *Deductions*.—As a rule, the Model Statement contains gross expenditure; but in certain chapters and items of the army accounts dealing, for instance, with housing, clothing, equipment, provisions, forage, etc., compensation payments for articles lost and the proceeds of the sale of certain goods are deducted from the gross expenditure, so that only net expenditure appears under these heads.

The amount for family allowances had been estimated at 104,606.28 kroner. The delegation stated that, according to the detailed accounts, the real amount was 165,919.94 kroner. The cost-of-living allowances to pensioners amounted to 39,956.58 kroner. This sum should not have been included in the Model Statement, but in annexed table F. A sum of 135,000 kroner, representing extra pensions to non-commissioned officers, paid through the War Hospitals Fund, should be excluded from the Model Statement and inserted in annexed table F.

(l) *Claims in arrears* are always paid out of the credits for the following year.

(m) No expenditure has been effected out of the *proceeds of a loan*.

(n) *Pensions*.—The Model Statement does not include pensions.

A number of officers and N.C.O.s, whose services were dispensed with as a result of the reorganisation plan of 1927, were retired on a temporary pension until they should reach the age-limit. The amount of these temporary pensions, which involved certain military obligations for the pensioners, is included in the Model Statement.

## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure on the Three Forces.*

A Model Statement has been supplied for each force. There is only one Ministry of National Defence, but separate budgets and accounts are kept for the army and navy. Difficulty has been encountered in calculating the expenditure of the air forces, because no separate account is kept for this expenditure, which is included in the accounts of the army and navy. The expenditure on coast artillery is also included in the army expenditure, but a new scheme of defence organisation has just been adopted, whereby the coast artillery will be transferred to the navy.

The Model Statement of the land forces is drawn up on the basis of the army accounts, and that of the naval forces on the basis of the navy accounts. As the expenditure relating to the air forces appears, in the case of military aviation, in the army accounts, and in the case of naval aviation in the navy accounts, the system of accountancy in use does not lend itself to a full and strict division of expenditure between the three forces, particularly as regards arms, ammunition, clothing and equipment, and only permits of an approximate allocation. The Model Statement of the air forces, nevertheless, shows the expenditure on military aviation and on naval aviation separately. In cases in which there are no separate items for the expenditure on the air forces in the accounts, recourse has been had to internal accounts and to estimates. Internal accounts are kept to some extent for the expenditure on military aviation; but none are kept for naval aviation, the expenditure on which is included in the general accounts of the navy. The amounts shown in the Model Statement for the air forces, so far as they concern naval aviation, are therefore in all cases estimates.

### 2. *Coast Defence.*

The entire cost of coast defence is included in the Model Statement for the navy, with the exception of the expenditure on coast artillery, which appears in the accounts of the land forces and has not been transferred to the corresponding sub-heads of the Model Statement for the naval forces. This expenditure has been extracted from the accounts of the land forces and shown in the Reconciliation Statement annexed to the Model Statement.

### 3. *Optional Columns.*

These columns have not been filled in, except the column for "Formations organised on a military basis" in the Model Statement for the naval forces. There are no formations organised on a military basis in the case of the land or air forces. The naval accounts include certain expenditure in connection with the inspection of fisheries. This expenditure, so far as it relates to pay, the upkeep of ships, etc., has been included in the general expenditure of the regular forces. Certain expenses, however, chiefly relating to fuel, harbour dues, and the postal, telegraph and telephone services, constitute a special chapter in the fisheries budget (560), the whole amount of which is entered in the column "Formations organised on a military basis" under sub-head G. The reasons for this allocation of expenditure are that the ship which performs this service was constructed partly for fishery supervision and partly for military purposes, but that the expenditure in connection with the ship itself was included in the expenditure of the regular forces, whereas the special expenditure provided for in Chapter 560 of the Fisheries budget was indicated under the heading "Formations organised on a military basis", because it had little or no relation to naval defence proper. The other expenditure connected with the inspection of fisheries, being met out of civil budgets, has not been included in the Model Statement.

### 4. *Division between the Sub-heads of the Model Statement.*

The figures of the closed accounts are shown by chapters and items. To the difficulties mentioned above, which were encountered in separating the expenditure on the air forces, must be added the fact that the allocation of the figures in the accounts was effected as a general rule on the basis of the chapters, and only in exceptional cases on the basis of the items. A more accurate split could have been made on the basis of the items; but this was not possible, owing to the short time available and the considerable work which would have been required. In certain cases, recourse was had to estimates.

Owing to the fact that the naval accounts are not sufficiently detailed, all the expenditure relating to naval manœuvres (including allowances, food, cost of upkeep, fuel, oil, supplies, medical expenditure, and miscellaneous costs) have been entered under sub-head G. It would have been very difficult to arrive at a correct allocation of this expenditure.

Certain expenses of a temporary nature (principally those having the character of allowances) could only be split between heads I to III on the basis of estimates.

Although, in general, no difficulty has been found in deciding to what sub-head expenditure should be charged, certain errors of classification have resulted from a faulty interpretation of the experts' report—for example:

Small craft and pinnaces utilised by the navy have been charged to sub-head K instead of to head IV.

Telegraph and telephone expenses have been charged to sub-head E instead of to sub-head G.

Office expenses, including book-keeping and heating, have been charged to sub-heads A and B instead of to sub-head E.

Clothing, food and certain travelling expenses have been charged to sub-head B instead of to sub-head E.

#### 5. *Head IV. Separation from Other Heads.*

Apart from the difficulties found in isolating the expenditure on war material for the air forces from the other similar expenditure for the army and navy, no general difficulty has been found in isolating expenditure appropriate to head IV.

The expenditure shown under head IV includes overhead charges in connection with the manufacture and repair of material, but while these charges are automatically included in the price in the case of purchases made from private firms or autonomous establishments, their amount has had to be estimated in the case of manufacture or repairs in non-autonomous establishments. The latter do not keep accounts of their costs of production.

Accounts of the costs of production are kept in the case of the autonomous undertakings, but are not published.

Naval personnel which is paid by the Department of National Defence, and the expenditure on which is included under sub-heads A, B and C, is lent to the naval dockyard without refund. At the same time, the dockyard, which is an autonomous establishment from the point of view of accountancy, sells products to the navy. The overhead charges are included in the price of these products. It is not quite clear whether, in calculating the prices charged to the navy, account is taken of the remuneration of the personnel placed at the dockyard's disposal by the navy. If so, there is duplication.

Apart from the exceptions mentioned in paragraph 7 (a) and above, the expenditure on all the personnel covered by head IV has been included under that head.

The working deficits of the Government factories have been split among the three forces on the basis of an estimate.

#### 6. *Head IV. Division between Sub-heads.*

As regards the navy, difficulties have been encountered in separating the expenditure to be charged to sub-head L from the expenditure to be charged to sub-head M.

#### 7. *Special Questions.*

(a) *Civilian employees.* — Certain difficulties were encountered in correctly distributing the expenditure in the case of workmen employed in small workshops where no special accounts are kept. Expenditure on certain staff which should have been charged to sub-head L was charged to sub-heads A, B and C.

Sub-heads A, B and C include the pay of naval personnel lent to the naval dockyard, which does not refund the cost, the pay of this personnel being charged to the general budget of the navy.

The correct allocation of the expenditure on civilian staff gave rise to no other difficulty. The Norwegian delegation expressed the hope that it would be possible to isolate all the expenditure relating to head IV, despite the difficulties arising in the case of non-autonomous establishments which do not keep accounts of their costs of production.

(b) *Allowances.* — Allowances in respect of the maintenance of personnel have been included under the sub-heads for pay. Other allowances have been entered under sub-heads E, K, etc., according to the purposes for which they were paid.

(c) *Expenditure in connection with the Rifle Association.* — This expenditure takes the form of a subsidy covering various categories of expenditure. The Norwegian delegation was in doubt whether, in view of the expert's instructions, the whole of this subsidy should not appear under sub-head D. Actually it divided this sum among the different sub-heads of the Model Statement for the land forces on the basis of internal documents.

## E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Preliminary Remark.* — The data contained in the annexed tables for Norway may be divided between the land forces, naval forces and air forces.

### Table A.

(a) In item 1 has been included the expenditure on officers placed on half-pay as a result of the reduction in the armed forces, but only those who do not perform any military or naval service.

(b) In item 2, out of a total figure of 146,210 kroner, a sum of 135,000 kroner is in respect of extra pensions to N.C.O.s having reached the age-limit before July 1st, 1917, on which date the new State pension fund came into operation.

(c) The territorial army and the Landstorm, on which no expenditure is incurred, are included in the general term "Reserves" for the purposes of table A.

(d) As the Norwegian army is in practice organised on the militia system, almost all the expenditure on the land forces might in a sense be regarded as chargeable to table A.

(e) Accordingly, expenditure for schools and instruction, which has not been included in table A, might be included therein if it were decided in principle to place in that table all expenditure on schools and the training of reservists.

### Table B.

(a) The total for table B is equal to the total for sub-head L.

(b) It would appear that, as regards new constructions, sub-head L comprises not only the material referred to in paragraph 33 of the Brown Book, but also the material referred to in paragraph 34.

(c) Table B does not include expenditure on the maintenance of ships when not in the dockyards.

### Table C.

(a) The difference between the amount of the aggregate credit available at the beginning of the year and the amount of the sums paid out has been placed in table C; in other words, the credits transferred to the new budget in respect of which a Parliamentary vote is not necessary have been placed in this table.

(b) The balance of the 5,000,000 kroner annually provided for the construction of warships under the plan of national defence organisation adopted in 1927 and put into force on January 1st, 1930, has not been included in table C, the reason being that, despite the plan of organisation, the credits have to be voted a second time by the Storting.

### Table D.

The word "None" should be entered here, as the material in question (aeroplanes) which was not paid for, had not yet been delivered.

### Table F.

The Norwegian delegation stated that it would endeavour to fill in table F satisfactorily in spite of the great difficulties encountered.

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## List of Documents.

Budgetary system: Reply of Norwegian delegation to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.25).

General explanations. Model Statement, annexed tables, and explanations in regard thereto. Reconciliation tables (document Conf.D./C.D./C.T.87 and *errata*).

Draft budget for 1930-31.

Closed accounts for 1930-31 and budget as voted (*Statsregnskabet for Budgett-Terminen 1930-31 med spesifikasjoner*) and annexed documents (*Tilleg til Statsregnskabet for Budgett-Terminen 1930-31*).

Statement of expenditure for 1930-31.

Observations of Technical Committee (document Conf.D./C.D./C.T.104).

Replies of Norwegian delegation (document Conf.D./C.D./C.T.116, *erratum* and *second erratum*).

Minutes of audition meetings (document Conf.D./C.D./C.T./P.V.15, audition, and *corrigendum*; 15 a, audition, and *erratum*).

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## NETHERLANDS.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

*Netherlands.* — The budget is prepared by the Departments of State. The estimates of expenditure of the various Ministries are centralised by the Minister of Finance. In consultation with the Council of State, the Minister of Finance draws up the draft budget and submits it to the Queen, who enacts it.

*Dutch Indies.* — The budget is prepared by the Departments of State. The Minister for the Colonies at The Hague furnishes particulars of expenditure in respect of the requirements of the Dutch Indies which has to be met in the Netherlands. The draft budget is enacted by the Governor-General.

#### 2. *Discussion and Voting of the Budget.*

(a) *Netherlands.* — The draft budget is submitted by the Queen in the first place to the Second Chamber (Chamber of Deputies). It is transmitted to the First Chamber (Senate) by the Second Chamber, after it has been approved by the latter. Each of the two Chambers examines the draft budget and sets forth its observations in a preliminary draft report, to which the Minister concerned replies by a memorandum. After the replies of the Ministers concerned have been considered, a final report (usually confined to a statement that the question has been sufficiently prepared for oral discussion), is drawn up by each Chamber. The parliamentary report, the Minister's memorandum and the final report are immediately published as parliamentary papers.

The discussions at plenary meetings are public. The reports of the meetings are published as parliamentary papers, which are available to the public. Anyone can obtain them.

The members of the Second Chamber (Chamber of Deputies) have the right of initiative and of amendment in financial as in all other matters. The First Chamber can only accept or reject *en bloc* a draft law concerning the budget as voted by the Second Chamber.

After it has been voted by both Chambers, each draft law is enacted and promulgated by the Queen.

*Dutch Indies.* — The draft budget is drawn up by the Governor-General. It is examined by the Volksraad (Council of the People). The Volksraad is a representative body consisting of a President appointed by the Queen and sixty members, of whom thirty-eight are elected, the remainder being appointed by the Governor-General. The Volksraad renders a report to the Governor-General on the budget. If this report is favourable, it may be conditional—that is to say, the Volksraad has the right of amendment. The Governor-General draws up and publishes the budget in so far as agreement has been reached with the Volksraad, whether the Volksraad has adopted the Governor-General's proposals without amendment or the latter accepts the Volksraad's amendments. The budget thus drawn up is thereupon submitted for approval to the legislature of the mother-country, which, if it refuses approval, itself draws up the budget. The parts of the budget on which agreement cannot be reached between the Governor-General and the Volksraad are also drawn up by the legislature of the home country.

(b) In the Netherlands, national defence expenditure is voted annually. In the Dutch Indies, it is prescribed each year in accordance with the procedure explained in paragraph (a). The voting of the budgets (vote of the total expenditure of the Netherlands, approval of the parts of the Dutch Indies budget drawn up by the Governor-General in agreement with the Volksraad, and vote on the other parts of this budget) is, as a general rule, completed three months after the beginning of the financial year.

The previous budget is automatically applied until the new budget has been voted. This application is limited to four-twelfths for the Netherlands; in the case of the Dutch Indies, there is no limit of this kind.

(c) All expenditure has, in principle, to be authorised by law. In urgent cases, however, at the request of a Minister, the Cabinet may authorise the incurring of expenditure without a corresponding credit. A draft law for the regularisation of this expenditure must be submitted to Parliament immediately.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

(a) The draft laws concerning the budget are published. Each draft is accompanied by a statement explaining the variations in expenditure from year to year and the reasons for new expenditure.

(b) The budget as voted is officially published. It is enacted by a series of laws embodying the chapters of the budget relating to expenditure, the schedule of receipts, a joint table and the budgets of the special funds. The budget of expenditure for the year 1933 is divided into thirteen chapters, of which nine relate to the Ministries and the remainder to the Royal House, the State colleges, the Public Debt and unforeseen expenditure. There are thirteen special funds.

(c) The final accounts are published. The final approval of the accounts forms the subject of a law voted by Parliament, which is published.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The vote of a credit defines the total amount of payments which can be made during the financial year.

(b) The rule regarding annual budgets (*annuité*) is observed—that is to say, credit balances not utilised by the end of the year are cancelled. Certain credits, however, which are so indicated in the budgets, may be carried forward. The carrying forward of such credits does not require parliamentary authority; they are authorised by decree and published in the *Official Journal*.

Commitments may not be incurred in anticipation of a credit to be provided in a future year. In voting, however, the first instalment of credit required in respect of a programme, the execution of which is spread over several years, the legislature may authorise the total commitment, specifying that this is a first instalment.

Payments can be charged against the credits for a given budgetary year during the twelve months thereof and an additional period of twelve months, provided that commitments in respect of this expenditure were entered into during the twelve months of the budgetary year.

After the expiry of the additional period, no payment can be charged to the funds of the budgetary year during which the commitments may have been incurred. The rights of the State's creditors lapse at the end of five years as from December 31st of the year during which they fell due.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) National defence expenditure is set out under a fairly large number of divisions and sub-divisions which clearly indicate the object of the expenditure in question. National defence expenditure forms one of the main divisions of the general budget (chapters) and is voted by sub-divisions (heads), of which there are a considerable number. These sub-divisions, each of which is voted separately, are themselves sub-divided in the annexes to the explanatory statement into sub-heads, which give details of the manner in which the funds are allocated.

(b) The final accounts are drawn up in the same form as the budgets.

(c) Transfers (*virements*) are prohibited. Each chapter of the budget contains an item for "unforeseen expenditure". This also constitutes a reserve fund from which sums may be transferred to certain heads expressly designated in the budget. In the chapter relating to national defence expenditure, the head for unforeseen expenditure regularly amounts to 100,000 florins.

If this reserve fund is exhausted, and a head which may be replenished from that fund is also exhausted, further expenditure can be met either by asking for a supplementary credit in respect of the head concerned or by requesting Parliament to increase the reserve fund.

#### 6. *Unity of the Budget.*

(a) National defence expenditure, except that of the Dutch Indies, is included in the general budget of the State. In addition to the general budget, however, there are special funds; but the whole of the national defence expenditure met from those funds is covered by transfers thereto from the credits provided in the national defence budget. National defence expenditure appears in the budget of the Ministry of National Defence (Chapter VIII of the general budget), in the budget of the Ministry for the Colonies (which includes the defence expenditure of the colonies of Surinam and Curaçao), and in the budgets of certain civil Ministries (Ministry of Justice and Ministry of the *Waterstaat*). The proportion of the expenditure borne by these civil Ministries, as compared with the total expenditure on national defence, is not more than 0.7 per cent.

National defence expenditure for the Dutch Indies is shown in the general budget for that colony.

No national defence expenditure is included in the budgets of the local administrative organisations. In the budget of the Ministry of National Defence (Netherlands), the expenditure on the land, naval and air forces is not shown separately.

(b) With certain exceptions, the budgets and accounts show the gross expenditure.

#### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is exercised as follows:

*Netherlands.*

- (a) By the scrutiny of the responsible administrative authorities;
- (b) By the Accounts Bureau of the Ministry of National Defence.

All documents involving commitments must be endorsed by the head of the Accounts Bureau. Before endorsing them, the latter must ascertain whether the expenditure is provided for in the budget, whether the requisite credits exist and, in so far as the amount of the expenditure is not determined by legal or administrative provisions, whether it is opportune. This Accounts Bureau keeps a special account of its supervisory operations. It is exclusively under the authority of the Ministry of National Defence.

Every month, or every three months, the special accountants of the Ministry of National Defence (comptrollers of advances) send to the Accounts Bureau lists of payments accompanied by vouchers. These lists are examined and checked by the Accounts Bureau.

All claims paid direct by the Postal Transfer Department are checked beforehand by the Accounts Bureau of the Ministry of National Defence.

- (c) By the Minister of Finance, who exercises constant supervision over all holders of public money through a supervisory board, which is solely responsible to him.

The Minister of Finance is also called upon to provide for the payments made through the Postal Transfer Department. Before issuing an order for payment, the Minister of Finance ascertains whether the expenditure is in order. He is thus able to check all claims which are not paid by the special accountants of the Ministry of National Defence.

- (d) By the Court of Audit, to which all documents relating to expenditure (paid by the accountants or by the Postal Transfer Department) are sent. The Court of Audit keeps an account of, and audits, this expenditure; and the results of the audit are communicated by it periodically to the Ministries concerned.

The Court of Audit may, in the course of execution of the budget, conduct local enquiries covering all accountancy documents and the actual cash in hand.

*Dutch Indies.* — Supervision during the execution of the budget is exercised on the same lines as in the Netherlands.

Expenditure charged to the credits of the Ministry for the Colonies is checked by the accounts section of that Ministry. This section also checks all expenditure incurred in the Netherlands on behalf of the Dutch Indies. During the execution of the budget, the Hague Court of Audit exercises supervision over the expenditure referred to above, under the conditions already mentioned as applicable to the expenditure of the home country.

In the Dutch Indies, the accounts sections of the various departments check the expenditure under the same conditions as the accounts sections in the Netherlands check all expenditure incurred in that colony.

The Department of Finance in Batavia also checks expenditure in the same manner as the Ministry of Finance of the home country. The Court of Audit in Batavia exercises supervision during the execution of the budget in accordance with the procedure mentioned with reference to the Court of Audit in the home country.

## 8. *Final Audit.*

Final audit is carried out:

*Netherlands:*

- (a) By the Court of Audit, which audits the account of the Ministry of National Defence incorporated by the Minister of Finance in the general account of the State. The Court of Audit performs this task by means of the accounts which it keeps of all operations carried out during the execution of the budget. The Court of Audit submits the general account to the Queen, who lays it before Parliament. The members of the Court of Audit are independent of the legislative and executive authorities. They can only be dismissed by judgment of the High Court and for the reasons prescribed by law.

The Court of Audit exercises judicial control over the accountants. Its judgments are legally enforceable.

- (b) By Parliament, which approves the accounts by legal enactment.

*Dutch Indies.* — Final audit is exercised by the Courts of Audit, which audit the accounts of expenditure incurred for the Dutch Indies in the Netherlands and in that colony itself respectively.

These accounts, after being audited in this way by the two Courts of Audit, are combined and submitted to the Volksraad. They are published at the same time.

The members of the Court of Audit of Batavia are also irremovable, but can be dismissed by the Queen at the request of the Governor-General for the misdemeanours or offences laid down by law. They can be suspended from office by the Queen on the proposal of the Governor-General.

The Court of Audit of Batavia also exercises judicial powers and passes judgments which are legally enforceable.

## B. IDENTIFICATION OF DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year corresponds to the calendar year—*i.e.*, it runs from January 1st to December 31st. In order to be included in the accounts, no further commitment may be incurred after the latter date. For commitments incurred between January 1st and December 31st, payment orders may be issued and cashed during an additional period of twelve months. In the case of the home Government, an extra period of two months is allowed, in which claims settled during the previous twenty-four months may be finally passed by the Court of Audit, if the competent Minister so demands before December 31st following the close of the budgetary year. In the case of the Dutch Indies, the accounts are closed on December 31st of the second year, and no extra period thereafter for the passing of payments is provided. There is no present intention of curtailing the length of the period of *exercice*.

### 2. *Budgets and Accounts.*

There is only one Ministry of National Defence for the home country.

Expenditure on national defence is shown in independent budgets and accounts, according as it relates to the home country or the Dutch Indies. The budgets and accounts for the former are prepared by the Minister of Defence; those for the latter by the Governor-General of the Dutch Indies, with the co-operation of the Minister for the Colonies in respect of payments and receipts effected in the home country on colonial account. For the Dutch Indies, there are separate budgets and accounts for the Army and Navy, but not for the Air Force; expenditure for the latter is incorporated in the budgets and accounts of both the Army and the Navy. For the home country, on the other hand, there is only a single budget for national defence. From this fact certain difficulties of separation for purposes of the Model Statement result.

### 3. *The Model Statement.*

The Model Statement relates to the budgetary year 1929.

The tables relating to the three forces have been completed.

The Model Statement shows gross expenditure, the relevant receipts having been added to actual expenditure. It is prepared from the closed accounts of the defence services for the above year in the case of the home Government and the land forces of the Dutch Indies. On the other hand, in the statement of the expenditure of the Marine Department of the Dutch Indies (representing 26,607,240 florins out of the total naval expenditure of 44,858,140 florins shown in Table C of the Model Statement), the figures of the estimate have been taken as a basis, as the figures of the closed account were not available at the time when the Model Statement was produced.

The Netherlands delegation states that it is not possible, without amending the existing system, to prepare the Model Statement from the closed account figures within twenty-six months from the beginning of the budgetary year.

Were, however, a Convention providing for the reduction of armaments by means of budgetary limitation actually to be signed, the Dutch Government would be disposed to consider the possibility of recasting its accounting system with a view to complying with such requirements as the Convention might impose.

Expenditure of a military nature figuring in the closed accounts of the Ministry of the Interior, the Ministry of Agriculture, the Ministry of Justice and the *Waterstaat* is also included in the Model Statement.

The account for 1929, on which the Model Statement is based, though not yet published, has been specially placed at the disposal of the Technical Committee. It has been audited.

### 4. *Execution of the Budget.*

Orders for payment in respect of ordinary maintenance expenditure, which is regulated in advance, including pay of non-commissioned officers and men, are issued in the form of cheques by the accountants of the Ministry of Defence for the Netherlands from sums placed at their disposal monthly for this purpose. The transactions of the accountants are subjected to an internal audit by officials of the accountancy section of the Ministry.



Payment of expenditure, when the amounts are not regulated in advance, of salaries, pensions and subsidies, and for goods or services obtained by contract is centralised in the hands of the Minister of Defence, who, after the amounts have been checked by the Chief Accountant of the Ministry, requests the Minister of Finance to effect settlement by means of the Treasury Postal Cheque Account.

Payments on the account of the Dutch Indies are made in the Netherlands by the Minister for the Colonies, being debited to the Colonial Postal Account, and in the Dutch Indies by the Governor-General and certain heads of departments, etc., designated by him. Internal audit is carried out by accountants appointed in the Netherlands by the Minister for the Colonies and in the Dutch Indies by the Governor-General.

#### 5. *The Accounts.*

In the case of the home Government, the accounts are based on orders to pay (*ordonnancements*). They cover all *ordonnancements* issued during the *exercice*, and include any arrears from previous years.

In the case of the colonies, they are based on disbursements, and cover all disbursements made during the *exercice*, including any arrears from previous years.

The closed accounts show gross figures, except in the case of the following receipts, which are deducted from expenditure:

(a) The value of material or assistance provided for the oversea territories, the representatives of other Powers and private persons or undertakings;

(b) Compensation for damage to Government property, if not more than the cost of reinstatement or repair.

The closed accounts are presented in a form corresponding to that of the budget. There are two special funds administered by the Ministry of Defence—viz.:

(a) The Fund for the Completion of the System of Fortifications, and

(b) The Fund for the Improvement of the Coast Defences.

No sums were transferred from the general budgets to these funds in 1929. Expenditure from these special funds has been included in the Model Statement. The accounts of the special funds are closed on the same date as the general account and sent to the Court of Audit through the Minister of Finance within six months after the end of the period of *exercice*. They are finally published.

The accounts of the State enterprise of the artillery establishments in the Netherlands, which possesses budgetary autonomy, are closed at the end of the *exercice* and transmitted through the Minister of Finance to the Court of Audit not later than five months, and to the Queen not later than eight months, thereafter. Sums transferred to the working capital of the enterprise, as well as payments for goods and services supplied therefrom for defence purposes, are included in the budget of the Ministry of Defence and in the Model Statement.

The accounts of the special funds and the State enterprise are submitted with the general account to the Queen and to the States-General for enactment.

The accounts of the Ministry of Defence are closed on December 31st, following the end of the budgetary year to which they refer.

#### 6. *Audit and Publication of Accounts.*

The accounts of the Ministry of Defence are sent by April 1st following the date of their closure to the Finance Minister, who draws up the general account and transmits it before June 1st to the Court of Audit. After final audit, the general account is submitted to the Queen without delay; no definite date, however, is prescribed. The general account is submitted to the States-General in the form of a Bill, no time-limit being prescribed for its enactment, nor for the printing and publication of the account. The last account published is that of 1928.

The accounts of the colonies are drawn up after December 31st following the close of the budgetary year by the Minister for the Colonies at The Hague and by the Department of Finance at Batavia, respectively; they cover expenditure in the home country on colonial account and in the Dutch Indies respectively, and are sent to the appropriate Courts of Audit at The Hague and Batavia. Both accounts are transmitted with the reports of the respective Courts of Audit to the Governor-General, who must submit the combined account to the Volksraad of the Dutch Indies not later than the opening day of the first ordinary session (mid-June) of the third year following the close of the budget (*i.e.*, about 3½ years after the end of the calendar year to which the account relates). The account is enacted by the Governor-General with the consent of the Volksraad and subject to the sanction of the States-General in Holland. In the event of failure to secure the agreement of either of these bodies, it is enacted by the latter. The orders and enactments concerning the accounts are immediately published in the official bulletin (*Staatsblad*) of the Dutch Indies and the Netherlands respectively.

## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### *General Remarks.*

- (a) The relation between the accounts and the Model Statement has been established by means of reconciliation tables.
- (b) The Netherlands Model Statement contains expenditure relating to *armed forces* only.
- (c) The budgetary system has presented no obstacle to the inclusion of all national defence expenditure in the Model Statement.
- (d) Deviations from the instructions regarding universality of expenditure are noted in certain cases referred to below.

### 2. *Military Departments.*

- (a) The Model Statement includes the total amount of *pay*, salaries and wages without deduction of taxes or contributions paid by the personnel for purposes of pension or social insurance.
- (b) The Model Statement includes *advances* on salaries. As by reason of repayments the personnel concerned receives a lower salary, the repayments have not been deducted from the figure of expenditure shown in the Model Statement.
- (c) The Model Statement shows the sums actually expended, account being taken of fluctuations in the exchanges.

### 3. *Civil Departments.*

- (a) No expenditure on civil aviation has been included in the national defence accounts or in the Model Statement.
- (b) Reductions in tariff rates of between 25 and 50 per cent are commonly allowed in respect of the conveyance of defence personnel, etc., by rail.
- (c) Expenditure on *pilotage, buoyage, light-houses and signal stations, coast-guard, meteorological and hydrographic services* is not included in the Model Statement, with the exception of 10 per cent of the salaries of military personnel employed on pilotage, etc., and 30 per cent of the salaries of members of the same personnel employed on the hydrographic service.
- (d) Expenditure connected with the *checking and auditing* of accounts is included in the Model Statement, with the exception of expenditure in respect of the Court of Audit.
- (e) Military buildings in the Netherlands only pay the following *local taxes*: sewage tax, street tax and polder dues. In the Indies, no local taxation is levied on buildings.
- (f) The Dutch Indies bear half the cost of the *construction of vessels of war* allocated to the service of these territories and constructed for the joint advantage of the home country and the Dutch Indies.

### 4. *Special Questions.*

(a) Under the heading *formations organised on a military basis* are included, in the case of the Netherlands, the Royal Mounted Police and, in the case of the Indies, the Barisan de Madoera corps and the Soerakarta and Djokjakarta legions. The expenditure for the Landstorm is shown in the Model Statement under the heading "persons undergoing preparatory military training, reservists and reserve organisations".

The Technical Committee of the Special Committee on Effectives has decided that, in accordance with the criteria it has adopted, the Royal Mounted Police should be regarded as being purely of the nature of a police force, and should not be included in the calculation of army effectives.

(b) The enterprise known as "*the artillery establishments*" is not carried on for the purpose of profit. Its products are sold at cost price. Should there, however, be any profit, it is *paid* into the Treasury. Any deficit is borne by the budget of National Defence. Private persons are also supplied at cost price.

(c) Amounts *transferred* to the account of the artillery establishments, and not outgoings therefrom, have been shown in the Model Statement.

(d) *Private enterprises* or *local authorities* do not grant to the armed forces any facilities other than those granted to other customers of equal importance.

(e) There are *special funds* such as the Fund for the Completion of the Fortification System and the Artillery Establishments Fund. Generally speaking, the sums transferred to these funds, and not the expenditure effected therefrom, have been shown in the Model Statement.

(f) *Deductions.* — When drawing up the Model Statement, the *net* total of expenditure was taken as a starting-point. To this total was added the value of material supplied, services rendered, etc., and thus the *gross expenditure* was arrived at. The Netherlands delegation also confirms that the Model Statement shows only gross expenditure.

The total receipts are based on official but unpublished documents. A portion of the *salaries* of military personnel in civil employment is not shown in the Model Statement, as, in the opinion of the Netherlands delegation, the salaries of personnel employed entirely on work for civil purposes should, under the experts' instructions, be excluded.

(g) In the Netherlands, *claims in arrear* are settled under the head "Claims against closed *exercices*". Balances outstanding under this Head during the previous year are shown in annexed Table C. In the Dutch Indies, no head is provided for claims in arrears. These claims are settled out of the items for unforeseen expenditure.

(h) No national defence expenditure either in the Netherlands or in the Dutch Indies is financed out of the proceeds of *loans*.

(i) *Pensions*. — The Model Statement does not include pensions and allowances for loss of employment, retirement or premature dismissal. In several cases a distinction has been made between annual salaries and sums contributed to the pension fund. The staff receive their full salaries without deduction, and the State pays contributions direct to the fund.

Only the salaries are shown in the Model Statement, while the contributions are relegated to annexed Table F.

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#### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE AMONG THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

##### 1. *Separation of Expenditure on the Three Forces.*

In the defence budgets and accounts of the Netherlands, expenditure on the army and naval air forces is incorporated with that of their respective parent services. The army air force constitutes a separate unit, for which provision is made under distinct sub-heads (157 and 158) of the budget, thus supplying a ready basis for compiling the Model Statement. The naval air force forms an inseparable whole with the navy; the separation of expenditure on pay, allowances to personnel and material (including fuel), which is shown under joint budgetary and account items, has been made by the use of administrative documents. Other joint expenses for personnel—*e.g.*, rations, medical treatment, etc.—could only be divided on a basis of estimate. About 5 per cent of the total air force expenditure shown in the air Model Statement—*viz.*, 12,761,598 florins—has been computed by the latter method.

A separate indication of expenditure on pensions for the air forces is not possible, since most of the personnel concerned perform part only of their service in the air forces, the other part being performed in the army or the navy.

The discrimination of naval air force from naval expenditure charged to sub-heads G, K and L has presented considerable difficulty in the case of the Netherlands. It has been effected on the basis of administrative documents.

In the accounts and budgets for the Dutch Indies, the expenditure on the air forces, incorporated with the army and navy respectively, is generally the subject of separate items, which allow of its being distinguished from that of the parent service. Where joint items are shown, it has been possible to split them by the use of the departmental accounts.

There was some doubt in deciding as to the allocation as between land and naval forces of the *mariniers* or Marine Infantry Corps, the functions of which might entitle it to be considered as a land force. As, however, the *mariniers* are only used as a landing force in conjunction with naval personnel, they have been included in Table C of the Model Statement.

Difficulty has been experienced in dividing the office expenditure of the Department for National Defence (both personnel and material) as between the land and naval forces. The separation has been carried out on a basis of estimate.

In general, separation of the army expenditure from that of the other two forces has been comparatively simple owing to the existence of distinct sub-heads for the military air force in the army budget and account. The failure of the navy budget and account to distinguish clearly between items of expenditure relating to the navy and to the naval air force respectively has *pro tanto* resulted in making the separation of both the navy and the air force incomplete.

The Netherlands delegation states that the establishment of a separate accounting system for each of the three forces would be technically possible, though expensive.

##### 2. *Coast Defence.*

Coast defence is provided for in the budget under land forces; but the expenditure has been included in the naval Model Statement. This has been done on the basis of internal accounts.

### 3. *Optional Columns.*

(a) The optional columns of the Model Statement have been filled up for all three forces. No formations organised on a military basis are shown for the navy or air force.

(b) Half the cost of construction of warships allocated to the service of the Dutch Indies, though built for the joint advantage of the home country and the colonies, is borne by the Dutch Indies. The division of the charge between the home and colonial budgets is intended to mark the advantage derived from the existence of the fleet by the two administrations respectively, but is quite empirical.

### 4. *Division between the Sub-heads of the Model Statement.*

For the home country, see Sections 5 and 7 below.

In the case of the Dutch Indies, no difficulty has been experienced in splitting the expenditure between the sub-heads of the Model Statement.

### 5. *Head IV: Separation from Other Heads.*

Isolation of expenditure in the Netherlands accounts chargeable to head IV has caused much difficulty, for the following reasons;

(a) In the State shipyards, the manufacture of material for defence purposes and production for other services (which is the subject of financial adjustment with the department concerned) are not separated. It is thus impossible to ascertain the exact proportion of the expenditure in respect of personnel employed in the yards which should be treated as national defence expenditure.

Nor is any discrimination made in the accounts between material for warships and that for hulks of no military value used as barracks and therefore chargeable to sub-head K.

(b) It is difficult to ascertain and divide as between G, K and L the respective expenditures of the navy and naval air force for fuel, power, light and water.

(c) It is difficult in the case of the army to separate expenditure on clothing from that on equipment chargeable to head IV.

The separation in the above cases has been effected by the use of administrative documents. Expenditure on the renewal of motor-cars has been charged to sub-head G.

It has been possible by the use of the internal accounts to calculate the expenditure for civilians employed in establishments for the manufacture of war material.

Besides the State enterprise of the artillery establishments, which is an autonomous undertaking (see under B), the State possesses shipyards and also artillery arsenals in the Dutch Indies, which are not autonomous. War material and services supplied to the defence forces by the shipyards and the oversea arsenals are charged at cost price, cost accounts being maintained for the establishments of both categories and, in the case of the shipyards, published.

### 6. *Head IV: Division between Sub-heads.*

No difficulties have been encountered in splitting up the expenditure charged to head IV between its several sub-heads.

### 7. *Special Questions.*

*Civilian Employees.* — Considerable difficulty has been experienced in the case of home establishments in allocating expenditure on civilian employees of the three services to the various sub-heads of the Model Statement as prescribed in paragraph 12 on page 30 of the report of the Committee of Budgetary Experts. The separation has been effected by means of annual returns and other administrative documents.

*Allowances.* — Allowances have been charged to sub-heads E, F, G, and K, not to pay sub-heads. The Netherlands delegation are prepared to accept the principle that subsistence allowances should be charged to sub-heads A to D.

*Half-Pay.* — Half-pay (waiting pay) of officers and non-commissioned officers has not been included in the Model Statement but has been relegated to Table F.

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E. ANNEXED TABLES TO THE MODEL STATEMENT.

Table A.

(a) There is a great difference between the total shown in annexed Table A for the land forces and the total in sub-head D for the land forces; and the same is the case with the naval and air forces. The Netherlands delegation states that the expenditure on reservists called to the colours cannot be separated from the other expenditure.

(b) As the normal training period for an infantry soldier is 5½ months, during the successive forty-day periods soldiers can be regarded as called up for fresh training periods or as reservists called to the colours. The same question therefore arises in the case of the Netherlands as in the case of Switzerland—viz., whether it would not be better to leave annexed Table A blank, since for practical purposes the army may be regarded as mostly formed of reservists.

Table B.

There is a difference of 560,400 florins between the figures in annexed Table B and those in sub-head L of the Model Statement; but the Netherlands delegation admits that the Model Statement should be corrected.

Table C.

The balances carried forward to the national defence budget for the following *exercice* appear in this table. As the right to carry forward is limited by Article 24 of the Accountancy Law to appropriations which are expressly designated for this purpose, the items which can be carried forward are described as "intended for the application of Article 24 of the Accountancy Law". The carry-forward itself is made in each case by Royal Decree on the motion of the Minister concerned and with the approval of the Finance Minister.

Table D.

No remarks.

Table E.

No remarks.

Table F.

(a) Some difficulty was experienced in separating the figure 180,000 florins for the civilian personnel of the naval forces of the Dutch Indies; but it proved possible notwithstanding to complete Table F satisfactorily.

(b) The Netherlands delegation includes under Table F, IV:

- (1) Waiting allowances (*Wachtgelden*);
- (2) Pay of officers on half-pay;
- (3) Monetary gratuities and aid to ex-soldiers;
- (4) Gratuities to widows and orphans of ex-soldiers and workmen;
- (5) Allowances to persons who have suffered hardship in consequence of mobilisation;
- (6) Subsidies to societies for the relief of ex-soldiers.

List of Documents.

- Budgetary system: Reply of Netherlands delegation to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.14).
- Model Statement and annexed tables: Explanations in regard to the budgetary documentation respecting the Kingdom of the Netherlands in Europe. Reconciliation tables (document Conf.D./C.D./C.T.73).
- Budgets for 1929 and annexed documents:
- General Budget:
- "Zitting 1928-29. 2. Rijksbegrooting voor het dienstjaar 1929. VIIIste Hoofdstuk." (Documents Nos. 1-4, 31-36.)
- "Eerste Kamer der Staten-Generaal. Zitting 1928-29." (Documents Nos. 65 and 65a.) (Preliminary report and final report of the Committee of Rapporteurs).
- "Staatsblad van het Koninkrijk der Nederlanden." (1929. Nos. 125, 126, 128, 549, 604. 1930. Nos. 102, 454, 477, 541.)
- Budget for Dutch Indies:
- "Volksraad. Zittingsjaar 1928-29. Onderwerp I, Afdeling IX, Stukken 1-4. (Begrooting van Nederlandsch-Indië voor het dienstjaar 1929.)" and "Onderwerp 37, Afdeling IX, Stukken 1-3."
- "Staatsblad van Nederlandsch-Indië." (1929. Nos. 83, 94, 207. 1930. No. 104.)
- "Zitting 1928-29. 2. Rijksbegrooting voor het dienstjaar 1929. XIde Hoofdstuk." (Documents Nos. 1-3).
- "Zitting 1928-29. 370 (Documents Nos. 1-5)" and "Zitting 1930-31. 234" (Documents Nos. 1 and 2) concerning the amending budgets.
- "Staatsblad van het Koninkrijk der Nederlanden." 1929. Nos. 181, 297. 1930. No. 524.
- Closed accounts for 1929 with translation of extracts from the same showing national defence expenditure:
- General Accounts:
- "Algemeene Rekening wegens de Rijksontvangsten en -uitgaven over het dienstjaar 1929."
- Accounts for Dutch Indies:
- "Volksraad. Zittingsjaar 1931-32. Voorloopige rekening van uitgaven en ontvangsten van Nederlandsch-Indië over 1929."
- Observations of Technical Committee (document Conf.D./C.D./C.T.85).
- Replies of Netherlands delegation (document Conf. D./C.D./C.T.130).
- Minutes of audition meeting (document Conf.D./C.D./C.T./P.V.19, audition and *corrigendum*).

## POLAND.

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### A. BUDGETARY SYSTEM.

#### 1. *Preparation of Draft Budget.*

The National Defence budget is prepared by the administrative departments under the direction of the Finance Minister. The Finance Minister has the right to scrutinise the budgetary estimates, which are finally approved by the Council of Ministers.

#### 2. *Discussion and Voting of the Budget.*

(a) When the budget is laid before the Diet by the Government, a general debate takes place, after which the budget is referred to the Budget Commission, which draws up a general report and special reports. These reports are published. The Diet debates the draft budget on the basis of these reports.

The budget is afterwards publicly debated in the Senate, the procedure being similar to that described above. The discussions in the two Chambers are reported verbatim in the *Official Journal*.

Both the Government and members of Parliament enjoy the right of initiative. In the case of members of Parliament, however, this right is, in practice, restricted.

The discussions in the Diet and the Senate must be terminated within a stated period. On the expiry of the respective periods, the Government's draft budget is deemed to have been adopted by the Assemblies. In practice, the discussions in the two Chambers are completed by the required date.

(b) National Defence expenditure is voted annually.

(c) Expenditure is authorised by law.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget, budget and final accounts are published.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) All credits voted represent actual financial provision.

Supplementary credits or excess credits may be voted after the end of the financial year.

There are no credits which can be carried forward, nor is there any authorisation of commitments, the payments in respect of which can be charged to the credits to be voted for subsequent exercises.

The application of the budget is based upon the *exercice*, the additional period being three months.

(b) The rule of *annuité* (i.e., the automatic cancellation of unexpended credits at the end of the budgetary year) is strictly observed.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The divisions and subdivisions of the budget are relatively numerous, and the text clearly indicates the purpose of the expenditure.

(b) The closed accounts are drawn up in greater detail than the budget.

(c) Transfers are permissible within the national defence budget, but the credits for personnel may not be increased by means of sums drawn from the credits for material. Transfers from budget to budget are prohibited.

#### 6. *Unity of the Budget.*

(a) Almost all national defence expenditure is entered in that section of the general budget which relates to the Department of Military Affairs.

A few items of military expenditure are, however, to be found in those parts of the general budget which relate to the civil ministries.

Special accounts exist, but none of these is connected with national defence, with the exception of the National Development Fund, to which has been charged financial participations in a private armaments undertaking.

The budget of the Department of Military Affairs shows army and navy expenditure separately. There are, however, items of expenditure which are common to the two forces. Air force expenditure is not shown separately.

(b) The budget and the accounts show gross expenditure.

#### 7. *Supervision during the Execution of the Budget.*

During the execution of the budget, supervision is carried out as follows:

(a) Within the Department for Military Affairs: (1) through the supervision exercised by the administrative heads over their subordinates; (2) by audits conducted by a special bureau, which is responsible for ensuring that credits are utilised in the manner prescribed, for endorsing papers connected with the accounts and for verifying the relevant vouchers (this office is responsible for the discharge of its duties to the Minister for War); (3) through the activities of a supervisory body under the exclusive control of the Minister for National Defence and completely independent of the military and administrative authorities, which it has to supervise in the name of the Minister;

(b) Through supervision by public accountants (responsible to the Minister of Finance) of the authorities empowered to issue orders for payment. Before authorising payments the public accountants responsible for making cash disbursements satisfy themselves in every case that the orders issued by *ordonnateurs* — i.e., officials empowered to issue warrants or orders for payment—are in order both as regards accounting procedure and the *bona-fide* character of the expenditure;

(c) Through higher supervision exercised by the Finance Minister over commitments and through verification of the monthly statements of accounts of the Military Department;

(d) Through the supervision by the Court of Audit of the execution of the budget. This supervision comprises examination of contracts and commitments and verification of cash in hand, stores, inventories and accounts, and is effected by means of verifications on the spot of all work carried out and of supplies;

(e) By Parliament, which has a share in supervising the application of the budget through parliamentary commissions appointed to conduct investigations in the various services.

#### 8. *Final Audit.*

Final audit is carried out:

(a) By the *Court of Audit*, which possesses jurisdictional powers enabling it to call to account administrative and accounting officers. Members of the Court of Audit are responsible to the President of the Republic alone and can only be dismissed by a resolution of the Diet passed by a majority of three-fifths of the votes cast. The Court of Audit verifies the final accounts drawn up by the central accounting service of the Finance Ministry. The Court of Audit is the supreme authority as regards the auditing of the accounts.

(b) By *Parliament*, which approves the final accounts and to which the observations of the Court of Audit regarding the manner in which they have been drawn up are submitted.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year extends from April 1st to March 31st.

### 2. *Budgets and Accounts.*

Separate Ministries do not exist in Poland for the three forces. The military budget includes items common to the land and air forces; the navy, although it has its own budget, benefits to a certain extent by services common to all the armed forces.

### 3. *The Model Statement.*

The Model Statement has been compiled on the basis of the last closed account—viz., that for the budget year 1929-30.

The tables for the three armed forces have been filled in. The figures shown represent disbursements and refer to gross expenditure.

In order to compile the Model Statement, it was necessary to have recourse in certain cases to a subdivision of the figures of the closed accounts on the basis of internal documents, or to estimates.

#### 4. *Execution of the Budget.*

By a decree of the Minister of Finance, the central accounting department of the Ministry of Finance is responsible for the division of the funds between the various Departments. This is carried out through the Bank of Poland and the Post Office Savings Bank. These two institutions act both as offices of payment and as offices for the receipt of public funds.

Administrative supervision is carried out by organisations responsible to each Ministry and by organisations attached to the Ministry of Finance. The army administration is further subject to supervision by an independent staff of auditors.

#### 5. *The Accounts.*

In principle, the expenditure during the twelve months of a budgetary year is contained in the closed accounts of that year; but there is an additional period of three months in which it is possible to make use of credits which have not been used up in the course of the budgetary year for works contracts or for purchases of new material for the army, subject to conditions fixed in each case by the Finance Minister. This expenditure is included in the accounts of the budgetary year in question.

The closed account comprises all national defence expenditure, including that of special funds. The figures show gross expenditure.

The closed account indicates only the final increase or decrease of the total amount of each paragraph. It would only be possible to discover, from the different articles of the closed account, the way in which the transfers between them were effected, by reference to documents of the departments concerned.

#### 6. *Auditing and Publication of Accounts.*

The time-limit for the submission of the accounts of the Administrative Departments to the Finance Minister is two and a-half months from the expiry of the additional period—*i.e.*, five and a-half months from the close of the budgetary year. Five months after the close of the additional period—*i.e.*, eight months after the close of the budgetary year, the Finance Minister submits the accounts to the Court of Audit, which examines them and reports to the President of the Republic and to Parliament within six months. The submission of the accounts to Parliament therefore takes place fourteen months at latest after the close of the budgetary year. The accounts are approved by a vote of the Chamber.

A period of from fourteen to sixteen months from the close of the budgetary year is required for publication. The Polish delegation considers that the additional period and the other intervals for which provision is made in connection with the preparation and auditing of the accounts would admit of reduction.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

(a) The relation between the accounts and the Model Statement is established with the help of a reconciliation table.

(b) The Model Statement contains only expenditure in connection with the armed forces.

(c) The budgetary system has not been found to oppose any obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) The cases in which it has been found that a departure has been made from the instructions regarding universality of expenditure are mentioned below.

#### 2. *Military Departments.*

(a) The Model Statement includes the total amount of *pay*, salaries and wages, without deductions.

(b) In the case of advances of pay allowed to military personnel, this expenditure is charged against a special fund, which appears in the closed account.

(c) War material may be purchased on credit; the corresponding payments appear in the national defence budget for subsequent year. The Polish delegation has declared that during the budgetary year 1929-30 no material for purposes of national defence has been obtained in this way.



(d) The national defence accounts refer to actual payments, account being taken of fluctuations in the *exchange*.

### 3. *Civil Departments.*

(a) *Subsidies to the Mercantile Marine.* — The Polish delegation considers that only those subsidies granted to the Mercantile Marine for the adaptation of commercial vessels for military purposes should be shown in the Model Statement.

(b) The *handing over of material* from one department to another is effected only against a transfer of the credits allocated to the material transferred. Such transfers are effected in pursuance of decisions by the Ministers concerned, and within the limits of the credits fixed in the budget;

(c) The amounts of the *credits transferred* from one department to another represent the actual value of the goods delivered and services rendered.

(d) *Districts and communes* do not supply funds for national defence. Rents of buildings used for military purposes are paid out of the budget credits for national defence.

(e) The Polish delegation has declared that no expenditure has been incurred on the *construction of strategic roads*.

(f) As regards certain expenditure on construction and railway equipment undertaken for the *protection of the civil population* against the dangers of air warfare, the Polish delegation considers that such expenditure should not appear in the Model Statement.

### 4. *Special Questions.*

(a) Expenditure in connection with *formations organised on a military basis* is not included in the Model Statement.

The Polish delegation has stated that it is prepared—subject to reciprocity—to include in the model statements certain expenditure which it considers important, such as expenditure on police, frontier guards, forest or river police, the expenditure of the Red Cross, societies for protection against gas, associations for the encouragement of civil aviation, rifle clubs and military preparation associations, etc.

(b) A part of the expenditure in connection with *physical training*, calculated on the basis of internal accounts, appears in the Model Statement. This refers to grants paid to the associations for preparatory military training.

(c) Subsidies granted to certain associations for *pre-regimental instruction* are shown in the Model Statement.

(d) Apart from the general budget, *special funds* exist. The Polish delegation states that these do not concern national defence, with the exception of the "National Development Fund", out of which shares were purchased in the Starachowice Mines and Metal Works.

(e) It should be mentioned that the *fund placed at the disposal of the Minister* (of Military Affairs) is a budgetary credit.

There is also another *special fund* relating to the Ministry of Military Affairs and derived from the proceeds of a special tax on rents. This latter fund forms a legal entity. It is subject to supervision by a special auditing commission without prejudice to that of the Court of Audit. The Polish delegation considers that expenditure out of this fund, which is earmarked for the construction of private dwellings for professional soldiers, does not contribute to national defence.

(f) *Arrears of lodging allowance* were paid during the budgetary year, but are not shown in the Model Statement. They relate to the year 1928 and were paid out of available treasury funds, in order to avoid overburdening the budget for 1929-30 which already contained provision for a similar payment. The latter is that shown in the Model Statement.

(g) There are five *armament factories* which possess budgetary autonomy. They, however, pay half their profits to the Treasury, from which they receive funds to cover certain of their expenses. They are subject to audit by auditing commissions and by the Court of Audit. Their balance-sheets and profit-and-loss accounts are appended to the draft budget.

(h) Direct *subsidies* have been granted to the above-mentioned establishments by way of investment, for expenditure on buildings and plant—but not for the formation of stocks.

(i) The *sale price of material* transferred by the autonomous undertakings to the military departments is determined either by tender, if there is competition, or on a basis of cost of production if there is a monopoly.

(k) No *exemption from taxes* was granted to the arms factories during the year in question. The Polish delegation is of opinion that such exemption should be regarded as a subsidy.

(l) The State participates as a shareholder in one *private undertaking* which manufactures arms. The Model Statement includes a sum representing this participation.

(m) The only *extra-budgetary resources* are those composed of half the proceeds from the

sale of manure by cavalry units for the benefit of those units. With this single exception, no State administration can increase, by means of special receipts, the credits allocated to it.

(n) *Deductions.* — With the exception of the proceeds from the sale of manure, the accounts and the Model Statement show gross expenditure in the sense of the experts' report.

(o) During the year 1929-30, no national defence expenditure has been met from *loan funds*.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure on the Three Forces.*

There is only a single Ministry of Defence, and complete accounts of the expenditure on the army, navy and air force do not exist separately. The Model Statement for the army contains certain expenditure on services (a) common to both the army and air force; (b) common to all three forces. There is a special naval budget, but this does not cover the whole expenditure on the navy, as it contains no provision for the "common services" referred to in (b) above.

The common services under (a) comprise special pay to personnel, costs of foreign studies, cadet schools, sanitary and veterinary services. The whole of these are shown in the Model Statement for the army.

The common services under (b) comprise postal, telegraph and telephone services, and military justice. The whole of these are shown in the Model Statement for the army.

The general basis is the audited expenditure shown in the closed accounts. In most cases, the items of expenditure on the three forces are shown separately; where this is not the case, recourse has been had to internal accounts in order to ascertain the totals required.

The expenditure that cannot be divided between army and air amounts to some 49,111,000 zloty, or 70 per cent of the total army and air expenditure taken together.

Defence expenditure incurred by departments other than the National Defence Department has been distributed among the three forces and the different sub-heads on a basis of estimate.

### 2. *Coast Defence.*

Expenditure in connection with coast defence is shown in the Model Statement for the land forces.

### 3. *Optional Columns.*

These have not been filled in. No expenditure is included in respect of formations organised on a military basis: the Polish Government is prepared to include the latter, subject to the definition of such forces and to reciprocity.

### 4. *Division of Expenditure between the Various Sub-heads of the Model Statement.*

Expenditure in connection with regular naval reserves is shown in sub-heads A and B, and not D. Expenditure on regular air reserves is shown in sub-head E.

Certain minor errors of classification have come to light in the course of the examination of the documents submitted by the Polish delegation—*e.g.*, pay of civilians at schools was included in sub-head E instead of sub-head C: cost of straw for stables in sub-head K and not sub-head E.

### 5. *Head IV: Separation from other Heads.*

Separation of expenditure under head IV for the three forces has been made for the most part by reference to internal accounts. Overhead charges had, however, to be estimated.

### 6. *Head IV: Division between Sub-heads.*

Warships are not constructed in Poland, but in foreign dockyards. Certain repairs are, however, carried out in Polish yards. The Polish delegation has given additional information on this subject.

The Polish delegation considers that expenditure in connection with war material manufactured in non-autonomous State undertakings should be shown exclusively in sub-head N.

7. *Special Questions.*

(a) *Allowances.* — All allowances in kind, except those paid to individuals for the use of their horses or vehicles (shown in sub-head G), appear in sub-heads A, B and C.

(b) *Hydrography.* — Expenditure in connection with hydrography is shown in sub-head M.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Preliminary Remark.* — Poland has supplied only one series of annexed tables. As it is somewhat difficult to isolate the expenditure on the air forces, and as the expenditure on the naval forces is relatively small, it has not been considered necessary to prepare three series of annexed tables.

*Table A.*

(a) No figure has been given in item 1.

(b) In item 2, the figure for allowances paid to the families of reservists called up has been shown.

(c) In item 2, the maintenance expenses of reservists called up have also been shown; it is very difficult to separate them.

(d) By "reservists" are understood (1) persons who have performed their military service and have not passed a certain age, and (2) persons who, although exempt from military service, have been incorporated in the reserve.

*Table B.*

(a) The total of Table B is equal to the total of sub-head L.

(b) Table B includes the expenditure for the maintenance of ships, whether in port or not.

*Table C.*

No remarks as to "nil" return.

*Table D.*

The Polish delegation states that, during the budgetary year 1929-30, no delivery was made to the national defence services of material, payment for which would be shown only in the accounts for subsequent years.

*Table E.*

It might be desirable to show in a note details of expenditure representing the participation of the State in the Starachowice steelworks.

*Table F.*

It is not possible to subdivide item 1 into three paragraphs, (a) (b) and (c).

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**List of Documents.**

Budgetary system: Reply by the Polish delegation to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.33).

Model Statement and annexed tables. Reconciliation table (document Conf.D./C.D./C.T.52).

Budgets:

Voted budget for the year 1929-30 (Dziennik Ustaw, Rzeczypospolitej Polskiej, No. 20, Rok 1929);  
Estimates for the year 1930-31 (Preliminarz budżetowy, Rzeczypospolitej Polskiej, na okres od 1 kwietnia 1930 do 31 marca 1931).

Accounts:

Closed accounts for the year 1929-30. (Zamknięcie rachunków państwowych za okres od 1 kwietnia 1929 do 31 marca 1930).

Accounts concerning special funds to the year 1929-30.

Observations of Technical Committee (document Conf.D./C.D./C.T.77).

Replies of the Polish delegation (document Conf.D./C.D./C.T.88).

Minutes of audition meeting (document Conf.D./C.D.C.T./P.V. Audition 6 and corrigendum).

Additional information (document Conf.D./C.D./C.T.154 and addendum).

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## ROUMANIA

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The budget is prepared by the various administrations. Each Ministry estimates its own expenditure and the revenues which it provides for the Treasury. All the estimates of expenditure and receipts of the various Ministries are centralised by the Minister of Finance. The latter, who is responsible for balancing the budget, may make any necessary amendments to the estimates in question.

If the draft general budget involves new expenditure, it is then submitted to the Technical Budgetary Commission of the Chamber of Deputies, which is assisted by officials specially entrusted with the preparation of the budgets in the various Ministries. This Commission examines the budgets of all the State departments and administrations. It has the right to cut down, but not to increase, the expenditure proposed by the Ministers.

After this examination, the budgets are returned to the various Ministers, who are bound to take account of the observations of the Technical Budgetary Commission. The budgets, amended in the light of these observations, are returned to the Minister of Finance, who, after having balanced the general budget, submits it to the Council of Ministers for final approval.

#### 2. *Discussion and voting of the Budget.*

(a) The draft budget, drawn up as explained under 1 above, is laid upon the table of the Chamber by the Minister of Finance. It is subsequently submitted to the plenary Budgetary Commission of the Chamber. This Commission, whose debates are private, examines the draft budget and draws up a report which is published. The budget is publicly debated in the Chamber of Deputies. The debates in plenary session are reported *in extenso* in the records of the debates, which are published in a special supplement to the *Official Journal*. The Senate has no direct or indirect influence on the preparation or voting of the budget.

(b) National defence expenditure is voted each year.

(c) Expenditure is authorised by law.

If, however, the budget is not voted before the beginning of the financial year, the Government may enact the budget of the previous year directly by simple Royal Decree.

On the other hand, if, owing to the adjournment of the Chamber, excess credits are necessary, these may be authorised by Royal Decree. All additional credits opened by Royal Decree must be ratified during the first session of the Chamber.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget, accompanied by an explanatory statement, is published as an official document.

The budget as voted and the final accounts are also published.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The voting of a credit defines a maximum which expenditure to be made during the budgetary *exercice* may not exceed.

With the approval of the Council of Ministers, the Ministers are entitled to make commitments involving expenditure over several *exercices*. The annual expenditure resulting from these commitments must not exceed the credits voted each year.

Any proposal to exceed the provision voted by the Chamber must be sanctioned by the Chamber and the Senate.

Payments appertaining to a given budgetary year can be made after the conclusion of the twelve months of the budgetary year during a supplementary period of three months.

After the expiration of this period, no payment can be made out of the funds of the past budgetary year.

(b) The rule of "annuity" is observed—*i.e.*, any credits remaining unexpended at the end of the year are automatically cancelled.  
No credit can be carried forward to the subsequent year.

5. *Division of Expenditure in Budget and Accounts.*

(a) National defence expenditure is voted in main divisions (chapters) and sub-divisions (articles). The main divisions and sub-divisions are numerous and clearly show the object of the expenditure.

The budget is very clearly presented.

(b) The final accounts are drawn up in the same form as the budget.

(c) Ministers are not entitled to effect transfers either between divisions or between sub-divisions of the budget.

6. *Unity and Universality.*

(a) All expenditure on national defence appears in the general budget, which is based upon the principle of budgetary universality.

There are no special budgets, funds or accounts.

Generally speaking, all national defence expenditure is shown in the national defence budget. Certain expenditure of this nature is, however, charged against global credits appearing in the civil budgets relating to the activities of several Ministries.

Expenditure on land forces, naval forces and air forces is shown separately (a recent innovation).

As there is only one Ministry of National Defence, certain expenditure is common to the army and navy.

(b) The budgets and accounts show gross expenditure.

7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is provided for as follows:

(a) Scrutiny by the responsible administrative authorities. The latter are bound to refuse sanction of any expenditure illegally or irregularly incurred.

(b) Supervision over officials issuing orders for payment exercised by the cashiers, who are bound to verify the correctness of the orders for payment issued and the purpose for which they are being issued.

(c) Preventive supervision over commitments exercised by supervisory councillors representing the Court of Audit and attached to each Ministry. These supervisory agents are bound to refuse their visa in any case in which credits are exceeded or the expenditure is not in order.

These agents are responsible directly to the Court of Audit and are completely independent of the legislative and executive authorities.

8. *Final Audit.*

Final audit is carried out:

(a) By the Court of Audit. This important body draws up an annual general account relating to the execution of the budget and the management of the State finances. The Court of Audit is the supreme auditing authority for the accounts of ministerial departments.

The Court of Audit exercises judicial supervision over the accounts, as well as over the actual administration of the public funds by the accountants and departmental authorities.

(b) By the Chamber of Deputies, which enacts the accounts as finally approved in form of law.

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B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. *Budgetary Year.*

1. The budgetary year begins on January 1st and ends on December 31st.

Commitments may be incurred up to November 1st of the current financial year; for work and supplies which may be carried out or delivered immediately, the date is December 15th, and in the case of work and supplies of general and urgent importance, December 31st. No commitments in respect of the past budgetary year can be entered into after December 31st.

For the acceptance of expenditure and the issue of orders for payment, there is a supplementary period extending to March 1st of the following year.

Payments of expenditure can be made up to April 1st of the following year.

## 2. *Budgets and Accounts.*

There is only one Ministry of National Defence. The expenditure on the three armed forces is shown separately in the budget and accounts.

## 3. *The Model Statement.*

The Model Statement submitted to the Committee relates to the budgetary year 1931. If the Model Statement had been based upon any other budgetary *exercice* than that for 1931, it would have been impossible to split up expenditure between the three forces as laid down in the instructions of the budgetary experts.

The tables relating to expenditure on the three arms have been filled in.

The figures show the gross expenditure.

As regards expenditure incurred direct by the Ministry of National Defence, the basis of the Model Statement is the figures contained in the orders for payment concerning the defence services issued between January 1st, 1931, and March 31st, 1932; their accuracy is certified by the Under-Secretary of State responsible for the budget and the Accountant-General of the army. Audited and closed accounts for that year are not yet ready.

The Model Statement also includes payments made in 1931 in respect of services rendered in 1930.

Expenditure on national defence services incurred by the civil Ministries and local departments is refunded by the Ministry of National Defence and is included in the *ordonnancements* of that Ministry. It has been possible to allocate the correct amounts to the several sub-heads by reference to the *ordonnancements*.

There is, however, one exception—a lump sum paid by the Ministry of Finance in respect of telephones—which is not included in the Model Statement.

All services rendered in kind are paid for in cash.

The Roumanian delegation considers that, in the event of the conclusion and enforcement of a convention, the Roumanian Model Statements could be compiled on a basis of disbursements.

## 4. *Execution of the Budget.*

Orders for payment are issued either by the chief *ordonnateurs* deputed by the Minister, or by the assistant *ordonnateurs*. Every order for payment is submitted for preliminary check to the advising auditor, representing the Court of Audit, attached to each Ministry. Administrative supervision is also provided for, based on the principle of the separation of the administrative authorities (directing organs, executive organs and accountancy organs). Disbursements are made by the cashiers of the Public Treasury.

As regards the budget for 1931, it should be pointed out that, while, in principle, the budget is voted by Parliament and brought into force on January 1st, the budget in question was modified by Parliament on July 1st, 1931. This was necessary in order to make certain adjustments and reductions in expenditure.

## 5. *The Accounts.*

The final account shows both the totals of payment orders issued and of payments effected. The account for 1931 is not yet ready.

The orders for payment correspond, generally speaking, with the payments, in view of the fact that every sum for which an order for payment is issued should be cleared before March 31st of the year following the closing of the *exercice*. It may, however, happen, in cases of Treasury stringency, that all orders for payment cannot be cleared before March 31st. In such cases, the procedure follows Articles 39 and 220 of the Law on Public Accounting. Article 39 lays it down that payment warrants not cleared by the end of the *exercice* are cancelled. Article 220 provides that sums re-appropriated in respect of cancelled orders for payment must be shown in a special item in the budget of the current year. To meet claims in respect of cancelled orders for payment appertaining to 1931, fresh orders for payment, chargeable against the *exercice* 1932, had to be issued.

The difference between the total of orders for payment and the total of actual payments amounts to 1,007,273,075 lei. This sum only represents orders for payment outstanding on March 31st. The total does not appear in annexed Table D, as the exact amount of unpaid orders for payment was not known at the time that document was drawn up.

5.3 The Roumanian accounting system is based upon gross figures.

The accounts are submitted in the same form as the budget.

There are no special budgets, funds or accounts or armament factories possessing budgetary autonomy.

## 6. *Auditing and Publication of Accounts.*

Within six months after the end of the year, the Ministry of Finance must draw up the annual general account regarding the execution of the general State budget and forward it for examination and audit to the Court of Audit. The annual general account is subsequently submitted to the Chamber of Deputies on November 1st of the following year at latest. The Chamber of Deputies promulgates its decision by a special Act which must embody the general account of the execution of the budget as drawn up by the Ministry of Finance, the report of the Court of Audit on the audit of the account and any observations of the Court thereon.

This Law, embodying the account and the report and accompanied by a table in which the budget is compared with those of the two preceding years, constitutes the final instrument of closure of the account, and must be published by the Ministry of Finance. As the Roumanian accounting system has been radically reformed recently, it is therefore not possible to say what is the normal period within which the law referred to above will be published or at what moment the Chamber of Deputies will in future vote the annual general account of the execution of the budget submitted by the Minister of Finance. The Roumanian delegation cannot lay down a definite date within which the closed account and the voted budget of any given year could be submitted as supporting documents for the Model Statement.

In the event of the conclusion of a convention, the Roumanian Government would be prepared to take all possible measures to provide for the submission of closed accounts within the shortest possible delay.

## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Conclusions.*

(a) The relationship between the accounts and the Model Statement is shown by means of reconciliation tables.

(b) The Roumanian Model Statement shows expenditure in respect of the *armed forces*.

(c) The budgetary system has been found to present no obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) Derogations from the instructions regarding universality of expenditure have been noted in the cases mentioned below.

### 2. *Military Departments.*

(a) *Pay.* — The Model Statement comprises the full amount of pay and wages without deduction of taxes or contributions or premiums in respect of pensions or insurance.

(b) The foregoing expenditure does not include *advances* to officers, etc.

(c) Foreign currency is calculated at the rate prevailing on the date when the transaction in question took place. In the case of military expenditure, exchange differences are shown in the military budget.

### 3. *Civil Departments.*

(a) All expenditure on the *civil aviation* and *air navigation* service (which includes expenditure in respect of the purchase of aeroplanes, the installation of wireless, the construction of airports and landing-grounds) is of an exclusively civil nature.

(b) The expenditure on the *Central Meteorological Institute* shown in the budget of the Ministry of Agriculture has no bearing upon national defence.

(c) Expenditure on *postal* and *telephonic communications* has not been included in the Model Statement. It is estimated at approximately 20 million lei.

(d) All expenditure incurred by departments other than the National Defence Ministry (cost of the *post and telegraphic* service, *cost of audit*, expenditure on the *Court of Audit* connected with national defence accounts, *legal* costs, expenditure on public *works* and *buildings*, etc.) are met out of the budget of the National Defence Department, with the exception of a lump sum paid by the Finance Ministry.

(e) The national defence services do not pay any *municipal taxes* other than those for drains, water-supply (water-meters and pipes, etc).

They pay, however, taxes in respect of buildings and vehicles.

(f) There are no *roads* or *railways* of special importance to national defence.

(g) The value of *transport* facilities which the railways afford to the Government is not included in the Model Statement. It amounts to approximately 15 million lei in respect of personnel and 19 million lei in respect of material.

(h) State subsidies to the *Red Cross* are shown in the Model Statement.

#### 4. *Special Questions.*

(a) As regards *formations organised on a military basis*, expenditure in respect of the general gendarmerie is not entered in the Model Statement; such expenditure appears in the budget of the Ministry of the Interior. Expenditure on the training battalions is included in the National Defence Budget, but only for the year 1931; from 1932 onwards, such expenditure appears in the budget of the Ministry of the Interior. The Roumanian delegation is of opinion that the Model Statement should not include expenditure in respect of the gendarmerie, which is merely a police force.

As regards the 5,593 men on railway service (page 17 of the closed account), it should be noted that these men, who remain with the colours and are deemed to form part of the army, are incorporated in the engineer units and are attached to the railways for the purpose of practical training. It is for this reason that the relevant expenditure is included in the Model Statement. The expenditure in respect of the maintenance of the frontier guards has been left out of the Model Statement, because the personnel of this organisation is under the control of the financial civil service; the expenditure in question is borne on the budget of the Finance Ministry.

(b) There is no organisation for *physical training* primarily intended to serve the ends of national defence.

(c) Certain expenditure in respect of the *maintenance* of agricultural workers employed in the military stud-farms is not shown in the Model Statement, as the crop grown on the farms forms part of the men's rations. As account has not been taken of the value of the agricultural produce so used, the amount shown for this service is therefore net.

(d) The annual payments due to the *Société commerciale de Bucarest* in respect of land purchased and buildings constructed on behalf of the army include interest charges. The Roumanian delegation stated that, in its opinion, it is the annual payments alone and not the capital which should be shown in the Model Statement.

(e) In addition to the closed accounts proper, *there are others relating to extraordinary credits*. They are governed by the same regulations as the budgetary closed accounts.

(f) *Deductions.* — The Model Statement shows strictly gross expenditure without exception. Receipts accruing from the various national defence services cannot be used by them; they are paid into the Treasury.

(g) No *arrear claims* are debited to a Treasury account.

(h) No expenditure has been incurred out of the *proceeds of a loan*.

(i) *Pensions.* — Pensions are not included in the Model Statement. The pay of retired and half-pay personnel is shown in the Model Statement and not in Table F. Such expenditure might, if desired, be left out of the Model Statement, but would, in that event, have to be entered in one of the annexed tables. In that case, Table F would have to be modified. Expenditure of this kind is estimated by the Roumanian delegation at 5 million lei.

The Army Endowment Fund is a military institution with its own revenue, 70 per cent of which goes to meet expenses and the remaining 30 per cent to allowances additional to pay to soldiers on active service or in the reserve or to their families. Expenditure from the fund in respect of grants to soldiers in retirement and to disabled pensioners is shown in the Model Statement.

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### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

#### 1. *Separation of Expenditure on the Three Forces.*

Expenditure has been divided among the three forces, army, navy and air. This has been possible because, though there is only one Ministry of Defence, separate budgets and accounts for the three services have been instituted as from January 1931: prior to that date there was only one budget for all national defence forces.

There are certain services common to the three forces, in particular pay services (civil and military); the pay expenditure has been divided between the three forces on the basis of the number of effectives in each force, multiplied by the appropriate rates of pay for each rank. The salary of the Minister of National Defence is shown under the expenditure on the land forces. The other expenditure of the central administration of the Ministry is divided proportionately among the three forces.

The expenditure for the Army Endowment Fund is shown in the army budget, only a negligible portion being applicable to the other forces.

#### 2. *Coast Defence.*

Expenditure on coast defence is included in the army budget.



3. *Optional Columns.*

These have not been filled in.

Certain expenditure on formations organised on a military basis (training battalions of the gendarmerie) is included in the total expenditure shown in the Model Statement for the army. A separate section was opened in the budget of 1931 for expenditure on gendarmerie.

The expenditure does not include the cost of inspecting or of arming the gendarmerie, nor the cost of the frontier guards.

There are no oversea forces.

4. *Division of Expenditure between the Various Sub-heads of the Model Statement.*

Great difficulties were met with in classifying expenditure under the various sub-heads. These were partly due to the interpretation of the instructions in the experts' report and partly to the nature of the Roumanian accounts.

Where the list of orders for payment did not enable a correct classification to be made, recourse was had in certain cases to estimate.

In particular, all expenditure on *pay and allowances* for officers, N.C.O.s, other ranks and civilians is kept in one account (see under 1 above), and the amounts for the three forces are arrived at by multiplying the numbers in each rank by the rate of pay applicable. All expenditure on pay and allowances for both military and civil personnel is put to sub-heads A, B, C or D. Consequently, the pay of the civil personnel is not distributed in accordance with the instructions in the experts' report, but put under sub-head C, and head IV contains no expenditure on pay for the relevant personnel.

5. *Head IV: Separation from other Heads.*

No general difficulty was met with in isolating head IV expenditure for each force, with the exception that no charge for pay and allowances for personnel applicable to head IV is included therein.

War material is partly purchased from private firms and partly made in non-autonomous State factories. In the former case, the whole cost of such material is shown in head IV, as it is included in the price paid. In the latter case, the whole cost of manufacture, with the exception of pay and wages, is included in head IV; overhead charges are ascertained from the orders for payment.

Cost accounts are not kept in State factories.

6. *Head IV: Division between Sub-heads.*

The Roumanian delegation will specify the items relating to expenditure on naval construction and armament and will state whether sub-head M includes only arms and ammunition or, in addition, elements in the construction of a ship the expenditure on which should normally be charged to sub-head L.

7. *Special Questions.*

*Allowances.* — In the Roumanian budget, these are included with pay (Article 1), and in the Model Statement these have been charged to the pay sub-heads (A, B, C, D), and not to the maintenance sub-heads. Exceptionally, cruising allowances (*i.e.*, additional pay for personnel at sea) are included entirely in sub-head D.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

Table A.

(a) *Item 1.* — The entry "nil" under Item 1 means that officers when not on service merely receive pensions and not special allowances with a view to their being called up for service. When on service, their pay is naturally included in the Model Statement under sub-head A.

(b) *Item 2.* — The sum of 32,577,762 lei corresponds to sub-head D of the Model Statement. This means that there is no expenditure in respect of pre-military training.

This sum comprises the remuneration of all officers, N.C.O.s and other ranks called up, including their maintenance.

Expenditure for the teaching staff of schools for reserve officers is not included in Item 2.

*Table B.*

Table B shows the same amount as sub-head L: there is, however, some doubt as to the accuracy of the figure 15,132,158 lei, which appears to be too low in comparison with the 41,247,081 lei shown under sub-head M.

*Table C.*

In view of the particulars given by the Roumanian delegation, it would appear that the entry "nil" under Table C is justified.

*Table D.*

The 12 milliards of lei shown under Table D have not been voted by Parliament. Commitments have been entered into in respect of them by the Government in pursuance of Article 90 of the Law relating to Public Accounts.

Parliamentary action will be necessary when the time comes to vote the credits required for the payment of the annual charges.

*Table F.*

(a) All the sub-divisions cannot be filled in according to the instructions in the Budgetary Experts' report.

(b) Table F will require revision by the addition of approximately 5,500,000 lei for retired pay and half-pay included in the Model Statement.

(c) In respect of the subsidy of 100,000,000 lei allowed by the War Ministry to the Autonomous Fund (*Caisse autonome*), payment orders have been issued, but there have been no actual disbursements.

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**List of Documents.**

Budgetary System: Reply of the Roumanian Delegation to the Questionnaire of the Technical Committee (document Conf.D./C.D./C.T.24).

Model Statement and Annexed Tables. Explanations in regard to the method followed in filling up the Model Statement. Reconciliation Tables (document Conf.D./C.D./C.T.91 and *Addendum*).

General Budget for the Year 1931 (" *Buget general de Venituri si Cheltueli pe exercitiul 1931* ") and General Budget for 1931 corrected up to July 1st (" *Buget general rectificat de Venituri si Cheltueli pe exercitiul 1931* ").

Statement of Orders for Payment of national defence expenditure for the fiscal year 1931.

Observations of the Technical Committee (document Conf. D./C.D./C.T.106).

Reply of the Roumanian Delegation (document Conf.D./C.D./C.T.114).

Minutes of the Audition Meetings (documents Conf.D./C.D./C.T./P.V.12, Audition and two *Corrigenda*; P.V.12a, Audition and two *Corrigenda*).

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## SWEDEN.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The budget is prepared by the departments. The estimates of expenditure are centralised by the Finance Minister, who is entitled to make observations on the proposals of the other Ministers. The draft budget is finally passed by the Council of Ministers.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget is laid before Parliament (Riksdag). Before being discussed at a plenary meeting, it is examined by a Commission (Statsutskottet). The result of this examination is shown in published reports.

The Government and members of Parliament have the right of initiative in regard to expenditure.

(b) The national defence expenditure is voted each year.

(c) National defence expenditure is always authorised by law.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget, the budget as voted and the final accounts are published officially.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The credits voted represent actual financial provision.

Certain credits can be carried over, and these are indicated in the budget.

The budget is executed according to the *exercice* system. The supplementary period is short.

(b) The rule of *annuité* is not strictly observed. Credits not utilised at the end of the financial year are not automatically cancelled.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The national defence budget contains a comparatively large number of divisions and sub-divisions.

(b) The final accounts are submitted in the same form as the budget.

(c) The system of transfers is forbidden.

A set-off is automatically effected by means of a reserve fund, between amounts spent in excess of certain estimated credits and savings made on other estimated credits. In practice, supplementary credits are not resorted to.

#### 6. *Unity of the Budget.*

(a) As a general rule, expenditure on national defence figures in the State budget.

Nevertheless, certain expenses are charged to special funds or accounts. An effort is at present being made to limit this practice.

Nearly all the expenditure on national defence appears under the headings of the State budget relating to national defence.

Although there is only one Ministry of National Defence, expenditure, with the exception of a few joint items, is presented separately under each of the three main heads—land, naval and air forces.

(b) In principle, the budget shows gross expenditure, but also contains certain figures of net expenditure.

#### 7. *Supervision during the Execution of the Budget.*

The regularity of the execution of the budget is ensured:

(a) Within the administrations of the army and the navy by audit sections whose officials are quite independent of the Ministry of National Defence. They are appointed by royal warrant and cannot be removed without judgment by a high legal tribunal (Svea Court of Appeal);

(b) By Parliament, which, during a certain period of the budget's execution, examines the expediency of expenditure.

(c) By the Central Accounts Office.

#### 8. *Final Audit.*

Final audit is exercised:

(a) By the Central Accounts Office, whose members are absolutely independent of the executive authority and of Parliament, this independence being ensured by guarantees similar to those of the officials referred to under 7 (a).

The Central Accounts Office has powers of jurisdiction over the officials of the audit sections, the administrative officials and the accountants.

This body is the highest competent authority in regard to the auditing of accounts.

(b) By the Audit Office, which hears appeals against the decisions taken in accountancy matters by the different Government departments.

(c) By Parliament, which, at the end of the period of execution of the budget, may submit observations to the Government with regard to irregularities discovered by the independent audit authorities.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year begins on July 1st and ends on June 30th. In comparatively rare cases certain payments relating to national defence to be charged to a credit without special denomination or to a "lump sum" credit, which are effected during the period from July 1st to August 20th (additional period), are entered in the accounts of the expired budgetary year as belonging to the previous *exercice*. The period of regularisation expires at the end of August.

There are "reversible credits", which remain regularly available after the end of the budgetary year for which they were voted.

### 2. *Budget and Accounts.*

Although there is only one Ministry of National Defence, expenditure on the three armed forces is for the most part shown separately in the budget and accounts.

### 3. *The Model Statement.*

The Model Statement has been prepared on the basis of the closed account relating to the budgetary year beginning on July 1st, 1929, and ending on June 30th, 1930.

The tables relating to the three forces have been filled in.

The expenditure figures appearing in the Model Statement represent actual expenditure (disbursements) according to the definition of the budgetary experts. They show the gross amounts. They are based on the closed accounts and, in the case of a very small proportion of the total amount of national defence expenditure, on extra-budgetary accounts.

The closed account has been audited and published.

### 4. *Execution of the Budget.*

Payments are made either by the issue of cheques on the Bank of Sweden or on a private bank, or by the despatch of postal orders or postal cheques, or in cash.

Supervision during the execution of the budget is exercised: (a) within the Ministry of National Defence by the independent audit sections of that Ministry; (b) by the Central Accounts Office.

### 5. *The Account.*

The closed account comprises practically all the expenditure effected by the Government. For the budgetary year 1929-30, there were still special accounts in exceptional cases, but they were of small importance. The publication entitled *Utdrag ur rikshuvudboken* (extract from the State ledger), which contains notes on the revenue and expenditure and the assets and liabilities of the State at the beginning and end of the budgetary year, should not be regarded as a closed account properly so called.

As a general rule, the expenditure indicated is gross, with the exception of a few special cases. The account is presented in the same form as the budget. Expenditure is "ordinary"—*i.e.*, regular and constant—or "extraordinary"—*i.e.*, occasional. The account is closed on August 20th.

#### 6. *Audit and Publication of the Account.*

According to the law in force, the closed account must be printed, published and transmitted to the Finance Ministry before the end of September—*i.e.*, within three months after the end of the budgetary year. The Audit Department at the Central Accounts Office is responsible for auditing the accounts of the Central Administrations of the army and navy. The closed account is finally passed and certified by the Central Office. The Audit Office never proceeds to an audit of the closed account without being specially called upon to do so.

### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

(a) The relation between the Model Statement and the accounts has been established by means of a reconciliation table.

(b) The Model Statement contains the expenditure relating to the *armed forces*.

(c) The budgetary system was found to oppose no obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) There have been departures from the instructions concerning universality of expenditure in certain cases mentioned below.

#### 2. *Military Departments.*

(a) The Model Statement includes the total amount of *pay*, salaries and wages without deduction of taxes and imposts.

(b) No *advances* are granted to the military personnel.

(c) *Exchange*. — The losses due to fluctuations in the rate of exchange are included in the expenditure shown in the accounts and in the Model Statement. There has been no change as a result of the departure from the gold standard.

#### 3. *Civil Departments.*

(a) Certain expenditure, such as expenditure relating to collections of arms, has been charged to a special sub-head E (a) of the Model Statement. It is questionable whether this expenditure should be included in the Model Statement.

(b) *Postal charges* have been excluded from the Model Statement. This expenditure is covered by a single appropriation for all Government departments; it is extremely difficult to calculate the proportion relating to national defence.

(c) The *railway* management sometimes grants reduced rates, particularly for the transport of troops, but these rates are calculated according to the same scale that applies to large groups of private travellers.

(d) The Model Statement does not include expenditure connected with the *audit* of the accounts by the Central Accounts Office of the Central Administrations and with the supervision exercised by Parliament.

(e) The cost of *charts* for the merchant marine has not been excluded from the Model Statement.

(f) As regards the *Red Cross*, all expenditure of a military character, including subsidies granted by the State, is shown in the statement.

#### 4. *Special Questions.*

(a) The Swedish delegation has stated that there are no *formations organised on a military basis* in Sweden.

(b) A quota (50 per cent) of the cost of construction of the "*Inlandsbanan*" railway has been included in the Model Statement. The Swedish delegation states that this railway was made chiefly for the purpose of encouraging the colonisation and development of agriculture in the northern provinces, but it is also of strategic value.

(c) *Autonomous Undertakings, Special Funds, Donations and Private Organisations.*—The autonomous undertakings are enumerated in the present documentation; they do not altogether comply with the conditions laid down in the definition of the budgetary experts. There are certain funds administered by the State the expenditure on national defence from which is included in the Model Statement and which may be classified as follows: (a) gifts from private persons; (b) funds derived from certain receipts; (c) funds from accumulated credit balances. These funds are audited by the Central Accounts Office.

There are certain special items in the accounts for various naval and air depots. These items are now being transferred to the regular credits shown in the closed account. In compiling the figures shown in the Model Statement, the movements of material in the depots were taken into account.

(d) No sums have been included in the Model Statement in respect of *taxation* on buildings belonging to the State or services in kind on behalf of national defence. There are no such grants in Sweden.

(e) *Deductions.* — Generally speaking, the expenditure shown in the closed account represents gross expenditure. In certain cases mentioned in the reconciliation table, however, receipts included in one column of the accounts but not shown separately should be added to these figures. A special investigation was required in these cases to arrive at the amounts to be shown in the Model Statement.

(f) *Pensions* have been excluded from the Model Statement. Half-pay of officers and non-commissioned officers transferred from the active cadre to a transitional cadre as a result of the reduction in cadres voted in 1925 has been excluded from the Model Statement. On the other hand, supplementary pay granted to this personnel during periods with the colours is included in the Model Statement.

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#### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

##### 1. *Separation of Expenditure on the Three Forces.*

Expenditure on the three forces is shown separately. This is possible because, although there is only one Ministry of National Defence, the estimates and accounts for the three forces are kept separately and are shown separately in the published budget and accounts. Certain difficulties have been met with, however, in apportioning expenditure in respect of common services, expenditure incurred by other Government departments and expenditure charged to resources outside the budget.

##### 2. *Coast Defence.*

The expenditure in respect of coast defence is shown in the budget for the navy.

##### 3. *Optional Columns.*

Sweden has no oversea forces. No expenditure on formations organised on a military basis has been included in the Model Statement.

##### 4. *Division between the Sub-heads of the Model Statement.*

In certain cases, the figures shown in the audited and published accounts of the *Budgetrevisning* have been transferred without difficulty to the various sub-heads of the Model Statement.

Where an audited and published figure had to be split over various sub-heads, this was done either by recourse to internal accounts or, where these did not suffice, to estimates based on detailed administrative investigations. The results of these investigations do not in every case permit of an absolutely accurate apportionment.

The classification of expenditure disbursed by the civil departments from extra-budgetary resources has been based on investigations into audited figures, but absolutely accurate apportionment cannot be guaranteed.

Owing to the nature of the accounts, special difficulties were encountered in allocating the expenditure on pay to sub-heads A, B and C and in allocating the expenditure on training to its proper sub-heads.

##### 5. *Head IV: Separation from Other Heads.*

The existence of detailed dockyard accounts made it possible to allocate the expenditure relevant to head IV of the navy without serious inaccuracy. These accounts are not published.

Greater difficulty was experienced in isolating the expenditure on the land forces relating to this head, as no such detailed accounts of workshops are kept as those for the naval dockyards.

6. *Head IV: Division between Sub-heads.*

Sub-head L, "New Construction", has been understood to mean the construction of vessels with their armament, a certain quantity of ammunition and actual fighting equipment.

Certain expenditure on the land forces which it was not possible to split up between sub-heads M and M(a) has been included in sub-head N.

Generally, a certain amount of estimating was necessary and some margin of error was unavoidable.

7. *Special Questions.*

(a) *Allowances.* — No cash allowances are paid to officers and men; subsistence and travelling allowances are charged to sub-heads E and G.

(b) *Postal Charges.* — Postal charges in respect of national defence are not included in the Model Statement.

(c) *Hydrography.* — Expenditure on this service is shown under heads I to III of the Model Statement.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Preliminary Remark.* — Sweden has submitted a single series of annexed tables covering the expenditure on the land, naval and air forces. As regards Table A, the details necessary to enable the expenditure to be split up among the three forces have been given.

*Table A.*

(a) A reconciliation table has been drawn up which makes it possible to ascertain exactly what expenditure has been included in Table A. A certain part of this expenditure has been calculated on the basis of unpublished accounts.

(b) The emoluments of officers on half-pay which they receive when performing periods of service have been included in this table. The expenditure on half-pay officers outside these periods is included in annexed Table F.4, and not in annexed Table A.1.

(c) All the figures included in Table A also appear in sub-head D of the Model Statement.

(d) Other expenditure, in addition to pay, incurred by the calling up of reservists (food, travelling expenses, etc.), does not appear to have been included in Article 2 of Table A.

*Table B.*

(a) The sum of the two figures entered in Table B is equal to the amount of sub-head L of the Model Statement.

(b) A reconciliation table has been supplied which enables the figures in Table B to be reconstituted.

(c) As regards vessels repairs to which are carried out, not in the dockyards, but at sea, the cost of material only has been included in Table B.

(d) Expenditure on the following articles has been regarded as expenditure on naval construction:

Auxiliary engines,  
Armour,  
Gun mountings,  
Boats and launches,  
Navigating instruments,  
Charts,  
Furniture,  
Electrical and wireless equipment,  
Torpedo tubes and equipment,  
Fire-control apparatus with electric cables,  
Searchlights,  
Optical and sound apparatus of every kind,  
All other equipment, accessories, spare parts, etc., for vessels.

*Table C.*

The Swedish delegation has explained the reason for the " Nil " entry in Table C and for the omission from this table of the amount of reversible credit balances from previous years.

*Table D.*

No observation regarding " Nil " entry.

*Table E.*

No observation regarding " Nil " entry.

*Table F.*

(a) A reconciliation table has been supplied which enables the expenditure inserted in Table F to be ascertained.

(b) Certain expenditure shown in the Model Statement has not been included in Table F.

(c) No difficulty has been experienced in Sweden in adopting the subdivision of Table F contemplated in the report of the Committee of Experts.

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**List of Documents.**

Budgetary System: Reply of the Swedish Government to the Questionnaire of the Technical Committee (Document Conf.D./C.D./C.T.27).

Model Statement, annexed Tables (Document C.541.M.224.1931.IX.) [Conf.D.10]. and Reconciliation Tables (Document Conf.D./C.D./C.T.37).

Budget for the exercise 1929-30 (Budget-Redovisning för Budgetåret).

Closed accounts for the exercise 1929-30 (Riksstat för Budgetåret).

Observations of the Technical Committee (Document Conf.D./C.D./C.T.54).

Reply of the Swedish delegation (Document Conf.D./C.D./C.T.68).

Minutes of the Audition Meetings (Document Conf.D./C.D./C.T./Audition/P.V.4).

Supplementary information (Document Conf.D./C.D./C.T.83).

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## SWITZERLAND.

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### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The national defence budget is drawn up by the Federal departments.

The Head of the Finance Department may examine the budget estimates, which are finally established by the Federal Council (executive authority).

#### 2. *Discussion and voting of the Budget.*

(a) The budget is discussed in public session by the Chambers.

The Government and members of the Federal Assembly may submit proposals regarding expenditure.

(b) National defence expenditure is voted annually.

(c) Expenditure is authorised by a Federal Decree. In the legal sense, a Federal Decree is a law, but the term "law" is reserved for measures submitted for the approval of the people by referendum.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget is published in the form of a message, and contains very detailed information. The budget as voted and the final accounts are published.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) All the credits voted represent actual financial provision.

Excess credits may be voted after the close of the financial year, when the closed accounts are submitted to Parliament.

There are credits which may be carried over. Authorisation to do so is given by the Chambers after the close of the financial year.

(b) Generally speaking, the budget covers only the year to which it refers, but there are block credits voted for a number of years. This practice is disappearing.

The execution of the budget is based on the *exercice* system; the additional period is two months.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The main headings of the budget are few in number, but there are very detailed subdivisions showing clearly the purpose of the expenditure.

(b) The final accounts are submitted in the same form as the budget.

(c) Transfers are not allowed.

#### 6. *Unity of the Budget.*

(a) Almost all the expenditure on national defence is contained in the Federal budget of the Military Department.

Some military expenditure, however, appears in the budgets of the civil Departments and in the cantonal budgets.

There are also numerous special funds and deposit accounts, separate descriptions of which are given in annexes to the closed accounts. The working accounts of the autonomous ammunition and arms factories are not published.

(b) In principle, the budget shows the gross expenditure, but the amount of the credits is sometimes decreased by the amount of revenue earned by the services. In this case, the revenue deducted is generally shown in the budget, so that the gross expenditure can easily be computed.

7. *Supervision during the Execution of the Budget.*

Administrative control during the execution of the budget is ensured:

(a) Within the Military Department, by the supervision exercised by the departmental chiefs and by the accounts office (Central War Commissariat), which is subordinate to the chief of the Military Department;

(b) By supervision of the orders for payment by the Finance Department.

Parliament also controls the execution of the budget by appointing certain of its members to supervise the entire financial administration of the Confederation.

These representatives of the legislature deal with all disputed points brought to the notice of the Federal Council. The final decision is in the hands of the Federal Chambers.

8. *Final Audit.*

Final audit is exercised by Parliament, which examines the final accounts prepared by the Central War Commissariat.

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B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. *Budgetary Year.*

The budgetary year begins on January 1st and ends on December 31st. There is an additional period of two months for payments effected after the close of the budgetary year and which have to be charged to the account of that year.

2. *Budgets and Accounts.*

There is only one Ministry of National Defence. For the most part, expenditure on the land and on the air forces is shown separately in the budget and account. There are no naval forces.

3. *The Model Statement.*

The Model Statement refers to the budgetary year 1930. The tables relating to the two existing forces have been filled in. The figures in the Model Statement represent gross expenditure. This expenditure represents actual disbursements according to the budgetary experts' definition.

The Model Statement was drawn up on the basis of the last closed accounts of the Federal Government.

In addition to the Federal Government, the cantons also incur expenditure for national defence; this is shown in the Model Statement at about three million francs. This expenditure is included in the special accounts of the cantons, which are printed and published. These accounts have not been submitted to the Committee. The Swiss delegation states, however, that it is not always an easy matter to identify in those accounts expenditure connected with national defence. The amounts to be included in the Model Statement have therefore been extracted and verified with the help of the Federal Financial and Statistical Bureau. They have been distributed among the various heads and sub-heads in an approximate manner.

The accounts of the Federal Government and cantons have been published.

4. *Execution of the Budget.*

The military accounts are kept by the War Commissariat, which is responsible to the Finance Department. The Commissariat checks the vouchers, which have to be submitted to it. The Finance Department verifies the payment warrants transmitted to it by the Commissariat.

5. *The Account.*

The closed account of the Federal Government shows all the State expenditure, including that which is met out of special funds. There are no special accounts apart from the State account. The figures show gross expenditure.

The account is drawn up in the same form as the budget.

The constructional workshops at Thun, the powder factory at Wimmis, the ammunition factories at Thun, Altdorf and Berne, and the arms factory at Berne, are establishments possessing budgetary autonomy according to the definition of the budgetary experts.

## 6. *Audit and Publication of the Account.*

The closed account of the military administration is drawn up by the Central War Commissariat of the Federal Military Department and examined by the Finance Department. There is no Court of Audit properly so called, and no certificate is rendered regarding the accuracy of the accounts.

The State account is published and submitted to Parliament usually in May following the expired budgetary year. On Parliament devolves the examination and approval of the State account, during the session which begins in June.

The time-limit within which the closed accounts of the cantons are published varies from the end of February to August.

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## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

(a) The relation between the Model Statement and the accounts has been made clear by means of the reconciliation table.

(b) *Confederation and Cantons.* — The Model Statement includes the military expenditure of the Confederation and the cantons, but not those of the communes, which are, however, insignificant. The expenditure of the cantons has been estimated.

(c) Certain difficulties due to the budgetary system arise as regards the possibility of including all the national defence expenditure of the cantons in the Model Statement.

(d) The instructions regarding universality have not been followed in certain cases which are mentioned below.

### 2. *Military Departments.*

(a) *Military Departments.* — Further investigation has shown that certain receipts which do not appear in the accounts should be added to the figures given.

(b) *Exchange.* — The sums actually expended in the national currency in respect of purchases abroad have been entered in the accounts.

### 3. *Civil Departments.*

Postal facilities are accorded and the railways grant reduced rates to the military authority.

### 4. *Special Questions.*

(a) The Model Statement covers expenditure on the armed forces, including the fort guards. *Formations organised on a military basis*, as interpreted by the Swiss Government, do not exist.

(b) *Special Funds.* — Except for two block credits and one special credit, there are no special budgets or funds administered by the Federal Military Department.

The system of block credits tends to disappear.

Among the various funds is an "Artillery Renewal Fund", the accounts of which are not printed.

(c) *Autonomous Undertakings.* — The remount depot is an autonomous undertaking. It is possible to calculate the exact amount of interest paid on part of the working capital.

There are no printed accounts for the *ammunition and arms factories*. These accounts were formerly published, but their publication was discontinued with the sanction of the Chambers; they are examined by the Government auditors and the Parliamentary commissions.

(d) The Model Statement excludes *pensions*.

(e) *Deductions.* — The instructions of the Committee of Experts have been followed. The only deductions made are those which were necessary in order to avoid including the same amount twice.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure on the Three Forces.*

Though there is only one Ministry of National Defence, it has been possible to separate expenditure on the land forces from expenditure on the air forces, because for the most part the items of expenditure on air services are shown separately both in the budget and in the accounts. In the case of certain services *common* to both forces, however, such as the central administration, justice, medical and recruiting services, etc., the expenditure on the two forces is not shown separately in the accounts.

The whole of the expenditure on these common services has been allocated to the army. The amount relating to air is relatively small, and the Swiss Government is prepared to consider the question of distributing the expenditure on a percentage basis.

### 2. *Coast Defence.*

This question does not arise.

### 3. *Optional Columns.*

The question of dividing expenditure between home and oversea forces does not arise. As regards formations organised on a military basis, the Swiss Government considers that the fort guards should not be shown as such. They have, in fact, been included in the armed forces.

### 4. *Division between the Sub-heads of the Model Statement.*

The following bases have been adopted for the compilation of the figures in the Model Statement:

- (a) The closed and audited accounts of the Federal Government;
- (b) The expenditure by cantons.

None of the latter concerns the air forces.

All the figures included in the Model Statement which are based on the accounts of the Federal Government are either published figures or figures based on internal accounts. None of these figures are estimates. The accounts for the cantons are published, but where this expenditure had to be spread over a number of items recourse could only be had to estimates.

Owing to the nature of the accounts, the pay and allowances of officers cannot be separated from those for men. Sub-heads A and B are therefore amalgamated.

Expenditure on civilian staff and workmen could not be distributed among sub-heads E, F, K, M and M (a) owing to the nature of the accounts. Such expenditure, which should be shown under these sub-heads, has been included under sub-head C.

### 5. *Head IV: Separation from Other Heads of the Model Statement.*

Since the Federal Government purchases its war material either from autonomous establishments or from abroad, the chief difficulty as regards the watertightness of head IV consists in splitting up the expenditure on personnel employed either on the upkeep of war material or of clothing, equipment, etc., amounting to three million francs, between this head and heads I, II and III.

### 6. *Head IV: Division between Sub-heads.*

(See 4 above.)

### 7. *Special Questions.*

(a) *Allowances.* — Allowances other than horse and groom allowances (which are charged to sub-head F) are shown under the sub-head relating to pay.

(b) *Telegraphic and Telephonic Expenses.* — The expenditure on telegraphic and telephonic communications in offices and the cost of transport of documents is regarded as part of office expenditure and as therefore falling under sub-head E.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Table A.*

The entry " Nil " has been inserted in Annexed Table A. In a certain sense, all Swiss military expenditure might be regarded as expenditure on reserves. For reasons of principle, as well as for practical reasons, it is impossible to distribute the total sum given in the Model Statement between items 1 and 2 of Annexed Table A.

*Table B.*

No remarks on the " Nil " entry.

*Table C.*

The figure of 16,530,708 francs, entered in Annexed Table C, consists of:

(1) Balances of block credits voted by Parliament, which can be expended by the Administration without further parliamentary authorisation:

	Francs
(a) Balance of 16,500,000 francs, granted in 1927 for automatic rifles . . . . .	1,149,665
(b) Balance of 20,000,000 francs granted in 1920 for aeroplanes . . . . .	14,797,643
Total . . . . .	15,947,308
(2) Sums carried over from the 1930 budget to the 1931 budget . . . . .	583,400

*Table D.*

No remarks on the " Nil " entry.

*Table F.*

(a) This table includes the pensions paid out of " cover funds " and those paid by the insurance fund for officials, etc.

(b) There has been no difficulty in splitting up expenditure among the subdivisions of Table F.

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**List of Documents.**

- Budgetary system: reply of Swiss delegation to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.7)
  - Model Statement (document C.845.M.424.1931.IX [Conf.D.32]).
  - Annexed tables (Annex to document C.845.M.424.1931.IX [Conf.D.32]).
  - Reconciliation table (document Conf.D./C.D./C.T.11).
  - Budget of the Confederation for 1930 (" Budget de la Confédération ").
  - Message from the Federal Council to the Federal Assembly concerning the budget of the Confederation for 1930 (" Message du Conseil fédéral à l'Assemblée fédérale ").
  - State account of the Confederation for 1930 (" Compte d'Etat de la Confédération ").
  - Financial supervision regulations.
  - Observations of Technical Committee (document Conf.D./C.D./C.T.45).
  - Replies of Swiss delegation (document Conf.D./C.D./C.T.69).
  - Minutes of audition meeting (document Conf.D./C.D./C.T./P.V.3, audition, and *erratum*).
  - Additional information (document Conf.D./C.D./C.F.89).
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## CZECHOSLOVAKIA

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

1. The budget is prepared by the Departments of State. The Minister of Finance centralises all the estimates of expenditure of the various Departments. Being responsible for balancing revenue and expenditure, he may request the other Ministers to effect reductions in their estimates of expenditure. If agreement is not reached between the Minister of Finance and the other Ministers, the question is settled by the Council of Ministers, which draws up the draft budget in its final form.

#### 2. *Discussion and voting of the Budget.*

(a) The draft State budget and the draft Finance Act are submitted together as a Government motion to the Legislature for discussion and approval.

The draft budget, after having been tabled by the Government in the Chamber of Deputies, is referred for examination to the Budget Committee.

A special report is drawn up on the Department of National Defence and a general report on the State budget. These reports are printed.

The budget is debated publicly by the Chamber of Deputies. The deputies are entitled, on the same footing as the Government, to propose measures involving expenditure.

When the budget has been voted by the Chamber of Deputies, it is referred to the Senate and is examined by the Budget Committee of the Senate, which also frames a special report on the Ministry of National Defence and a general report on the State budget.

The State budget is also debated publicly by the Senate.

The public debates in the Chamber of Deputies and in the Senate are reported *in extenso* in an official journal (*Těsnopisné Zprávy Národního Shromáždění*).

(b) National defence expenditure is voted annually. There are no global credits the expenditure of which can be spread over several years without an annual parliamentary vote.

(c) Expenditure is always authorised by law.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget and the budget as adopted are printed and published officially. The final accounts are published.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The credits voted fix the total of the orders for payment (*ordonnancements*) which may be issued during the calendar year. Supplementary credits may be granted during the budgetary year.

(b) The rule of automatic cancellation of unexpended credits (*annulité*) is strictly observed. Credits which have not been drawn upon by orders for payment before December 31st are cancelled.

There are no credits which may be carried forward from one year to another.

Orders for payment in respect of the expenditure of a given budgetary year, which have been issued but not cashed before the end thereof, must be charged to the account of the succeeding year.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The estimates, presented in a single budget for the Ministry of National Defence, are discussed by heads, sub-heads, paragraphs, etc., and voted by heads. The national defence budget constitutes one head; the sub-heads and paragraphs are relatively numerous compared with the size of the budget. The subdivisions of the national defence budget are very detailed.

(b) The final accounts are drawn up in the same form as the budget.

(c) Transfers are possible in the national defence budget between paragraphs of the same head and between sub-heads, but in the latter case they must be authorised by the Minister of Finance and by the High Court of Audit.

#### 6. *Unity of the Budget.*

(a) All the national defence expenditure is shown in the budget of the State; there is no special account or special fund relating to this category of expenditure.

Certain items of national defence expenditure appear, however, in the budgets of the civilian Ministries. There is, more particularly at the Ministry of Finance, a fund for material required for purposes of national defence, which amounted in 1930 to 315 million crowns.

The proportion of such expenditure to the total amount of the expenditure on national defence is about one-sixth.

There is a single budget for national defence. Provision for the air force is shown separately as regards material, but is bulked with provision for the land forces in respect of personnel.

#### 7. *Supervision during the Execution of the Budget.*

The regularity of the execution of the budget is ensured by the continuous supervision of the Minister of Finance and of the High Court of Audit.

Concurrent supervision during the execution of the budget is carried out:

(a) By the supervision of the heads of the responsible departments;

(b) By a staff of accountants, responsible to the Minister of National Defence, who are required to check the regularity of all warrants for payment by examining the relevant vouchers;

(c) By a supervisory body, the members of which report direct to the Minister of National Defence and are entirely independent of the authorities responsible for the execution of the budget.

#### 8. *Final Audit.*

Final audit is ensured:

(a) By the High Court of Audit. This important body is independent of the public departments, but its members are bound by the same regulations as other Government officials. The President is appointed by the President of the Republic, like other high officials; the members of the High Court are not permanent.

The High Court is charged with the audit of the State accounts, but possesses no right of jurisdiction. It audits the accounts of all public departments, of State undertakings, and organisations in receipt of a Government subsidy, all of which are bound to submit on demand all documents requisite for its investigations. It has the right to make periodical inspection of the work of the accounting sections and to check vouchers and cash in hand.

Not later than eighteen months after the expiration of the budgetary *exercice*, it must submit the closed accounts to the National Assembly for examination and approval.

The High Court of Audit is the highest organ for the auditing of departmental accounts.

(b) By Parliament, which, having considered the final accounts of the Departments and the observations of the High Court of Audit, passes judgement on the administration of the various Departments and may ultimately call the Ministers concerned to account.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year extends from January 1st to December 31st.

There is no additional period.

Orders for payment issued before December 31st can, however, be cashed up to January 10th at latest.

### 2. *Budgets and Accounts.*

There is only one Ministry of National Defence for Land and Air Forces. There are no naval forces.

The budget and the closed account of the Ministry of National Defence do not distinguish between expenditure on land and air forces, except for certain expenditure on air force material.

### 3. *The Model Statement.*

The Model Statement is based on the last available closed accounts which refer to the budgetary year beginning on January 1st and ending on December 31st, 1930.

The tables relating to the two forces have been completed. The Model Statement shows gross expenditure. It has been drawn up on the basis of the totals of orders for payment, as the Czechoslovak delegation considers that this method accords with the instructions of the budgetary experts. The Czechoslovak delegation points out that all the actual payments relating to a given budgetary year can be found in the closed accounts, and that it would therefore be possible to insert in the Model Statement the totals of the disbursements effected, instead of those of the orders for payment issued, in respect of the said year. But it should be noted that the exact figures of the balance remaining to be paid on account of the said budgetary year can only be found in the closed accounts of the following year—*i.e.*, twelve months after the accounts of the year in question have been drawn up.

The closed accounts of the various administrative departments are certified by the responsible Ministers. The general closed account, which contains the individual closed accounts, is certified correct by the President of the High Court of Audit.

The general closed account for 1930 has been published.

### 4. *Execution of the Budget.*

Orders for payment are issued by the administrative authorities in whom the expenditure of budgetary credits vests. They are countersigned by the accounting staff attached to these bodies. Payments are almost exclusively effected through the medium of the Post Office Savings Bank or, in exceptional cases, of the National Bank or out of funds in the custody of the Department.

Concurrent supervision of the execution of the budget is dealt with under A.

### 5. *The Accounts.*

The Czechoslovak accounts indicate both the issue of payment warrants and actual payments. All orders for payment issued during the twelve months of a budgetary year (up to December 31st) which are presented to the Accounting Office up to January 5th and for which cheques are received by the cashier before January 10th, are charged to the accounts of the past year (*nalezitos*). All disbursements made in the course of the twelve months are also charged to the accounts of that year. Payments effected after January 10th, even in settlement of orders for payment issued before December 31st (uncleared debit balances) are charged to the accounts of the new year according to the financial system of Czechoslovakia, which is based on an accounting period of twelve months.

It is impossible to reconcile the total orders for payment issued during a budgetary year with the total expenditure effected within this period by means of the closed accounts, because the latter sum, on the one hand, includes the balance remaining to be paid in respect of the previous year and, on the other hand, does not include the balances remaining to be paid in respect of the current budgetary year.

With the exception of the item for horse-breeding, the figures entered in the closed account are gross figures.

The account is submitted in the same form as the budget.

Expenditure is divided into ordinary and extraordinary expenditure. Ordinary expenditure is that which recurs regularly every year. All other expenditure is extraordinary.

There are no funds or special accounts outside the State budget. The closed accounts include all expenditure relating to national defence.

The military aircraft factory is the only national undertaking which enjoys budgetary autonomy.

The accounts are closed at the conclusion of the budgetary year.

### 6. *Audit and Publication of Accounts.*

The closed account of the Ministry of National Defence is submitted to the High Court of Audit at latest at the end of March following the expiration of the budgetary year. This Court checks and examines the accounts and, having embodied them in a general closed account by the end of September at latest, the general account is printed, published and submitted to the National Assembly on that date for discussion and approval.

The time-limit for the submission of the accounts to the Legislature has been shortened from eighteen months to nine months and consequently the closed accounts are at present submitted in September of the following budgetary year. The delegation considers this interval necessary and justifiable.

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## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

(a) The relation between the accounts and the Model Statement has been established by means of a Reconciliation Table.

(b) The Czechoslovak Model Statement contains expenditure relating to *armed forces* only.

(c) The budgetary system has presented no obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) Deviations from the instructions regarding universality of expenditure are mentioned below.

### 2. *Military Departments.*

(a) The Model Statement includes the total (gross) amount of *pay*, salaries and wages without deductions.

(b) Advances of pay, which are only given in exceptional cases, are not included in the amounts representing wages and pay. They are not shown in the actual expenditure, as they have to be refunded.

(c) The national defence account includes expenditure made abroad, if any, expressed in terms of the national currency.

(d) Goods purchased out of the funds provided in the budget of one department cannot be transferred to another department without payment. In the case of such interdepartmental transfers, the price reflects the actual value of the goods concerned.

### 3. *Civil Departments.*

(a) The Czechoslovak delegation states that no expenditure has been devoted to organising *civil aviation* as a reserve for the Air Force.

(b) As regards *railway transport*, expenditure incurred on national defence account is shown in the Model Statement, but does not appear in the closed accounts, for the reason that the Minister of Finance reduces the transport charges of the Ministry of Railways by a total of 37.5 millions kronen, which sum is placed at the disposal of the national defence, in aid of its expenditure.

(c) In the case of *military buildings* which are not State property, expenditure in respect of accommodation and rent is borne by the Military Department. The cost of occupation of State-owned buildings is charged to the Ministry of Public Works. Expenditure on new buildings, shooting ranges and parade grounds is covered by the fund for the material requirements of national defence.

(d) The Model Statement contains, *inter alia*, expenditure on men suffering from the loss of limbs, eleemosynary grants, free treatment, care of orphans, insurance premiums, etc. The Czechoslovak delegation considers that this expenditure is not in the nature of pensions.

(e) Expenditure in respect of the *Red Cross* is not included in the statement. The Czechoslovak delegation would not object to including in the Model Statement the expenditure of Red Cross organisations which could be used in war-time for national defence purposes, provided that the decision on this point applied to all States.

### 4. *Special Questions.*

(a) As regards *formations organised on a military basis*, no expenditure has been entered in the Model Statement. The Czechoslovak delegation stated that it was not able to fill in the tables, the Disarmament Conference having first to decide to which category the various formations should be assigned.

(b) No subsidy to *physical training organisations* is included in the Model Statement. The delegation states that these subsidies have no connection with the military authorities; it has, however, given particulars of the amounts thereof granted by the State and the communes.

(c) The delegation states that no *pre-military training* either compulsory or optional is given in the Czechoslovak schools.

(d) *Shooting clubs* have not received any subsidy from the Military Department apart from the cost of prizes for shooting matches which is included in the Statement. Their own expenditure is not included therein. The Czechoslovak delegation is of opinion that this expenditure should not be included, because the clubs in question have nothing to do with national defence.

(e) No bounties or other forms of subsidies are granted to *lorry-owners*.

(f) *Allowances to soldiers' families* are not included in the Model Statement; the delegation has furnished particulars of the amount of these allowances: it has no objection to this expenditure being included provided that other States follow suit.

(g) Expenditure in respect of *subsidies to industrial undertakings* does not figure in the Model Statement, since the State does not grant such subsidies.

(h) Apart from the general budget, there are no *special funds or accounts*. In addition to the Government accounts properly so called, there are also accounts of various funds belonging to independent corporations. The Czechoslovak delegation states that the purposes of these funds have no connection with national defence; it has, however, drawn up a list of the larger funds.

(i) Mention should be made of the *fund for the material requirements of national defence* (included in the closed accounts). A sum of 315 millions kronen is allocated each year to this fund. This sum, which is entered in the Model Statement, represents both the total amount of items passed for payment and of payments authorised.

(j) No *transfer of credit* has been made to special funds.

(k) There is no procedure by which *outstanding claims* can be debited to a Treasury account.

(l) The only *autonomous establishment manufacturing war material* is the military aircraft factory.

(m) Another autonomous undertaking which should be mentioned is the *military forest administration*, which administers on commercial lines the land occupied by large shooting ranges and military camps. The State remains the owner and provision for upkeep is borne on its military budget. Supplies required by the military authorities are obtained by competitive tendering, in which the forest administration may take part. Up to 1930, the undertaking has not had to pay any interest to the State, but in 1931 it had to pay 6½ per cent on the amount of its loans.

(n) Sums arising out of *capital investment loans* have not been included in the Model Statement. The delegation states that it regards them as short-term advances and refers to the report of the budgetary experts.

(o) Apart from a small contribution made by the province of Bohemia towards the cost of temporary accommodation for soldiers and horses, there is no public or private institution outside the State administration which finances national defence expenditure.

(p) *Deductions*. — The Statement contains gross expenditure, with the exception of expenditure in respect of horse-breeding. Receipts relating to this expenditure not being added thereto do not appear in the Model Statement. Particulars of the amount of these receipts have been supplied by the delegation.

(q) If expenditure is met out of the *proceeds of a loan*, interest and annuities are refunded by the Ministry of Finance, while the Military Administration, which does not receive any loan, pays for the material purchased out of this credit. The total of this payment is therefore included in the expenditure entered in the Statement.

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#### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

##### 1. *Separation of Expenditure on the Three Forces.*

There are no naval forces. Expenditure on army and air is shown separately in the Model Statement, although the expenditure on both forces is combined in the account of the single Ministry of National Defence, except for the part falling on civil budgets. The inclusion of both expenditures in a single account has created certain difficulties in separating expenditure, which have been met by the use of proportional figures. For instance, the proportion of air effectives to military effectives is as 1 : 21, and this ratio has been used in assigning expenditure to sub-head B of each service and elsewhere.

The figures are based upon the audited totals of the closed account. All the expenditure has been divided, notwithstanding certain administrative difficulties. It is proposed for the future that the accounts for the two services shall be kept separately, though there is no intention of separating "common services".

##### 2. *Coast Defence.*

There is no coast defence in Czechoslovakia.

##### 3. *Optional Columns.*

There are no overseas forces. Expenditure on formations organised on a military basis has not been included in the Model Statement, "the Disarmament Conference having first to decide to what category the various forms should be assigned".

4. *Division of Expenditure between the Sub-heads of the Model Statement.*

In drawing up the Model Statement, it has been necessary to separate to some extent the figures of the closed account by the use of internal administrative documents or of calculations based on percentages.

The Czechoslovak Government indicates that certain expenditure, amounting in all to 13,168,074 kronen has not been divided between the chapters of the present Model Statement, but has been provisionally shown in a special Chapter K (*bis*) of the Czechoslovak Model Statement. Of the items included in that chapter, the largest is concerned with social welfare (11.7 million kronen). The Czechoslovak delegation is prepared to include this expenditure in the Pensions Table provided that the other delegations follow suit.

The other expenditure provisionally included in Chapter K (*bis*) represents cost of upkeep of war graves and compensation granted to the civil population after the war of 1919. The Czechoslovak delegation considers that this expenditure does not correspond to any sub-head of the Model Statement, and should be entirely excluded.

5. *Head IV. Separation from Other Heads.*

The allocation of expenditure to Head IV presented no special difficulties.

Certain expenditure relating to clothing which has been assigned to sub-head M (*a*) should be transferred to sub-head E. The delegation has made the necessary corrections.

6. *Head IV. Division between Sub-heads.*

The total audited figures of the closed accounts have been split among the sub-heads of Head IV. It appears, however, that the division of expenditure has been to a large extent based upon internal accounts.

Thus, expenditure for pay and emoluments of officers and civil personnel is shown, not in sub-heads M and M (*a*), but, as undivided expenditure, in sub-head N. The figures relating to this expenditure are taken from statistics regarding pay and emoluments, drawn up on an accounting basis. It would have been impossible to split up the expenditure between sub-heads M and M (*a*) with sufficient accuracy.

7. *Special Questions.*

*Allowances.* — All individual allowances included in expenditure on personnel in paragraphs 1, 2 and 3 of Chapter 5, sub-division II, of the closed accounts have been shown in sub-heads A, B and C of the Model Statement. Lump-sum amounts for upkeep of material and purchase of office furniture appearing in paragraph 4 of sub-head I of the closed accounts have been assigned to sub-head E.

*Telephones and Telegraphs.* — Expenditure on telephones and telegraphs of the Central Administration, appearing in sub-head E, should be transferred to sub-head G. The delegation has indicated the necessary corrections.

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E. ANNEXED TABLES TO THE MODEL STATEMENT.

*Table A.*

(a) The Czechoslovak delegation has said that there is no expenditure which should appear under A, 1.

No special allowance is granted to reservists of any rank outside periods of training, and for this reason no expenditure is put down in item 1 of Table A.

(b) The data for the completion of A. 2 have been supplied by the Czechoslovak delegation as additional supplementary information.

*Table B.*

No remark.

*Table C.*

(a) The credit of 315 million kronen does not comply with the conditions requisite for its inclusion in this table, as it must be voted each year.

(b) The budgetary credits to which Chapter 5 relates cannot be shown in Table C.

*Table E.*

Table E should include the amounts of 1,051,000 kronen and 1,500,000 kronen corresponding respectively to the capital loans for the military aeroplane factory and for the military printing press.

*Table F.*

(a) The accounts do not permit of any differentiation between pensions for the land and for the air forces.

(b) It is not possible to subdivide paragraph 1 into sub-paragraphs (a), (b) and (c).

(c) To set out separately the totals of civil pensions and war pensions, it was necessary to have recourse to estimate.

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**List of Documents.**

Budgetary System: Reply of the Czechoslovak Delegation to the Questionnaire of the Technical Committee (document Conf.D./C.D./C.T.43).

Model Statement (Annex to document C.654.M.266.1931.IX, Conf.D.21 and Errata).

Explanations with regard to the Documentation as a whole. Annexed Tables. Reconciliation Table (document Conf.D./C.D./C.T.53).

Budget for the *exercice* 1930 (" Státní Rozpočet Republiky Československé pro rok 1930. Skupina 1. Kapitola 5. Ministerstvo Národní Obrany ").

Closed Accounts for the *exercice* 1930 (" Státní Závěrečný Účet. Republiky Československé za rok 1930 "), with French translation of extracts therefrom, showing national defence expenditure.

Observations of the Technical Committee (document Conf.D./C.D./C.T.76).

Reply of the Czechoslovak Delegation (document Conf.D./C.D./C.T.92).

Minutes of Audition Meeting (document Conf.D./C.D./C.T./P.V.7. Audition and Corrigendum).

Additional Information (documents Conf.D./C.D./C.T.134 and 134a and Annex to 134a).

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## YUGOSLAVIA

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The budget is prepared by the administrative departments.

The estimates of expenditure of the various Ministries are co-ordinated by the Minister of Finance.

The Council of Ministers draws up the draft budget in its final form.

#### 2. *Discussion and voting of the Budget.*

(a) The draft budget is submitted to the two Chambers for examination. Both Chambers have the same powers in financial matters, but in practice the draft budget is first examined by the Chamber of Deputies.

In each of the two Chambers the draft budget is first submitted to a Financial Commission for examination. These Commissions, whose discussions are private, draw up reports which are not published.

The budget is then debated in plenary session. The debates are public. Reports of the meetings are drawn up and kept in the parliamentary archives; these reports are not published, but are accessible to anybody on demand addressed to the secretariat of the Chamber of Deputies and of the Senate.

Members of Parliament are entitled to initiate proposals for the reduction of expenditure.

The budget is voted by both Chambers. In case of disagreement between the two Chambers, the King arbitrates on the dispute.

(b) Provision for national defence is voted each year, as a general rule before the beginning of the financial year.

If the budget is not voted before the beginning of the financial year, Parliament votes "provisional twelfths" (monthly votes on account). If Parliament is not sitting, the budget of the previous year is re-enacted by Royal Decree with the consent of the Council of State. Such re-enactment is not valid for more than four months. In no case may the current budget be re-enacted for more than twelve months.

(c) Generally speaking, expenditure must always be authorised by law. Expenditure may, however, be effected out of the Treasury funds during the financial year (Treasury Working Capital Fund) for a specified object not included in the budget. Such expenditure may be authorised by law or by a decision of the Executive, subject to covering sanction in the following year's budget.

Expenditure effected out of the Treasury Working Capital Fund is accounted for separately in the closed accounts, but only unanalysed totals are shown.

In the event of a convention for limiting expenditure, the Yugoslav delegation would consider the possibility of giving a detailed account of national defence expenditure effected out of the Treasury funds outside the budget.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

(a) The draft budget and the budget as voted are published as an official document.

(b) The final accounts are also published.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The vote of a credit defines the amount of payments which may be effected during the financial year.

(b) The rule of *annuité* applies—that is, credit balances outstanding at the end of the year are cancelled.

Credits cannot be carried forward from one year to another.

Commitments may not be incurred in anticipation of a credit to be provided in a future year.

Payments relating to commitments incurred during the financial year of twelve months may be effected during an additional period of five months.

Claims outstanding at the end of the additional period are paid out of the Treasury Working Capital Fund and charged to the account thereof, which appears in the General Account.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The estimates of national defence expenditure are set out under fairly numerous divisions and subdivisions. Some items of expenditure on material, however, are shown in aggregate totals covering various unrelated services.

(b) The final accounts are drawn up in the same form as the budget.

(c) Transfers are authorised between the subdivisions of expenditure on personnel which are voted by Parliament. On the contrary, transfers between the subdivisions relating to expenditure on material are, in general, prohibited. Paragraph 38 of the Finance Law for the financial year 1932-33, however, authorised transfers between all items relating to expenditure on material for the army and the navy; these transfers must be submitted to the Court of Audit for approval.

The closed accounts indicate the budgetary headings and sub-headings which have been increased by means of transfers, the amount of the increase and the decision by which the transfer was authorised.

Three special categories of expenditure—namely, expenditure in excess of the estimated provision for the object in question, minor unforeseen expenditure and extraordinary expenditure—are respectively covered by means of three budgetary reserves which may be utilised as required by the Ministers concerned with the authorisation of the Ministry of Finance or the Council of Ministers, and subject to the sanction of the Court of Audit. Expenditure met from either of the first two of these reserves—*i.e.*, expenditure in excess of estimated provision and minor unforeseen expenditure—is accounted for under the appropriate budgetary headings which benefit by these transfers. Expenditure effected by means of the third budgetary reserve—*i.e.*, extraordinary expenditure—is accounted for in the budgetary reserve account for extraordinary expenditure.

Supplementary and extraordinary credits may also be opened by a decision of the Council of Ministers (in 1929-30, President of the Council), subject to the subsequent approval of Parliament.

#### 6. *Unity of the Budget.*

(a) All national defence expenditure is, generally speaking, included in the State budget. There are, however, certain special accounts and funds relating to national defence outside the budget and closed accounts (the Fund for Remounts and the Army Transport Corps and the Fund for the Construction and Repair of Houses for Military Personnel).

Some items of national defence expenditure are included in the budgets of the Civil Ministry (Public Works). The proportion of this expenditure to the total expenditure on national defence is less than 1.8 per cent.

An insignificant fraction of the national defence expenditure is provided in local budgets.

As there is only one Ministry of National Defence, certain classes of expenditure for the navy and army are provided under joint items. Expenditure on the Air Force is only provided for separately in the case of certain items for material.

(b) In principle the budgets and accounts show gross expenditure. The Ministry of National Defence cannot increase the amount of credits granted by Parliament out of private resources.

#### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is provided:

- (a) By the competent officials of the Departments concerned;
- (b) By the Court of Audit acting through a permanent representative of that Court, attached to each of the Ministries, whose duty it is to check all operations in settlement of expenditure;
- (c) By the public paymasters, who check all orders for payment;
- (d) By the staff of accountants representing and responsible to the Ministry of Finance, who are attached to each Ministerial Department;
- (e) By the Minister of Finance, who has under his orders a department charged with the audit of accounts. The Minister of Finance in Yugoslavia enjoys very wide powers of supervision over the execution of the budget.

#### 8. *Final Audit.*

Final audit is carried out by the Court of Audit, which verifies the correctness of the accounts submitted by each Ministerial Department.

The members of the Court of Audit may be removed from office. They do not enjoy any greater privileges than other State officials. They are, however, independent of the various Ministries.

The Court of Audit is the supreme organ for the audit of accounts. It addresses a report to Parliament containing the observations resulting from its examination of the public accounts.

The Court of Audit is not vested with any power of jurisdiction over persons. It passes judgments on the accounts, not on the accountants.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from April 1st to March 31st of the following year. No further commitments can be incurred on the account of a budgetary year after March 31st, on which date the unused credits are cancelled.

There is an additional period of four months for the issue of payment orders and a further period of one month for their encashment.

### 2. *Budgets and Accounts.*

There is only one Ministry of National Defence. National defence expenditure is included in one budget and one account; there are, however, to some extent, separate chapters for army, navy and air expenditure.

### 3. *The Model Statement.*

The Model Statement relates to the budgetary year 1929-30.

The tables relating to the three forces have been filled in.

The Model Statement shows gross expenditure, with the exception of expenditure effected out of the two special funds.

The Model Statement has been compiled from figures appearing in the closed accounts of the Ministry of the Army and Navy, the Ministry of Public Works and the Working Capital Fund of the Principal State Treasury for the year 1929-30, which have been enacted and therefore published. The Model Statement also includes some national defence expenditure of trifling importance entered in the local budgets and accounts. These accounts are audited by the Court of Audit but not published.

### 4. *Execution of the Budget.*

Payments are made by the competent officials of the Department concerned out of credits placed at its disposal by the Treasury. Each payment order must receive the visa of the competent officials of the Treasury and of the Court of Audit. The financial operations of the administration are supervised by the Court of Audit throughout the entire budgetary year.

Deficits in the budget and expenditure in respect of urgent requirements not therein provided for are met from the Working Capital Fund of the principal State Treasury, on the authority of the Executive, subject to covering sanction by Parliament by means of special enactment or inclusion in the Finance Act of the following year.

### 5. *The Accounts.*

The figures of the account represent disbursements in cash, as defined by the budgetary experts, effected between April 1st, 1929, and August 1st, 1930, for services provided during the year from April 1st to March 31st, 1930. The expenditure shown in the accounts is gross expenditure. The accounts are drawn up in the same form as the budget. The expenditure is divided into two categories—namely:

(a) *Ordinary expenditure on personnel—i.e., normal expenditure recurring each year—*and,

(b) *Expenditure on material, which may be either ordinary or extraordinary according as it corresponds to normal requirements recurring each year or to exceptional and temporary requirements.*

The national defence services have two special funds at their disposal—the “Fund for Remounts and the Army Transport Corps”, and the “Fund for the Construction and Repair of Houses for Military Personnel”.

The accounts of these two funds are audited by the Court of Audit and included in the closed accounts. The balances of the funds are not shown in Annexed Table C, but the Yugoslav delegation would be prepared to defer to a majority vote of the Conference in this matter.

There are no State undertakings for the production of war material, which possess autonomous budgets.

The accounts are closed on August 31st.

## 6. *Audit and Publication of the Accounts.*

The accounts are prepared and certified correct by the Minister of Finance. They are then submitted to the Court of Audit and, after being duly approved by the latter, must by law be submitted to Parliament at the same time as the draft budget of the second year following the year to which they relate, and are finally enacted. Thus the closed accounts for 1929-30 should normally be submitted together with the draft budget of the year 1931-32. The last closed accounts approved by the competent authorities are those for 1930-31, but they have not yet received the form of a law. The closed accounts are published in the same way as the State budget and, like any public document, can be consulted by anyone.

The Yugoslav delegation has given an assurance that it will be possible, apart from unforeseen circumstances, to draw up the Model Statement on the appropriate closed accounts within a period of twenty-six months from the beginning of the budgetary year to which the accounts relate.

## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

(a) The relation between the accounts and the Model Statement is established by means of the Reconciliation Tables.

(b) The Yugoslav Model Statement contains the expenditure on the *Armed Forces*.

(c) The budgetary system presents no obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) Exceptions to the rules regarding universality of expenditure have been found in the cases specified below.

### 2. *Military Departments.*

(a) The Model Statement shows the total amount of salaries, *pay*, and allowances, without deduction in respect of taxation or of the contributions paid by personnel for pensions or social insurance purposes.

(b) No *advances* of pay are made.

(c) The foreign currency required by the National Defence Ministry is bought by the Treasury and transferred to the Ministry at the *rate of exchange* at which it was purchased.

### 3. *Civil Departments.*

(a) *Civil aviation* comes under the Defence Ministry: certain expenditure thereon, including grants to operating undertakings, are shown separately in Items 7 and 8 of Section 588 of the Budget, and of the Account for the Land Forces. The total of these items, amounting to 7,290,489 dinars, is not shown in the Model Statement. Other expenditure on civil aviation amounting altogether to 9,824,000 dinars has not been separated from similar provision for national defence and is included in the Model Statement.

(b) The Army and Navy are exempt from *postal* and *telegraphic* charges in the same way as other departments. The delegation states that their value cannot be estimated.

(c) The railway administration allows tariff rebates of about 50 per cent in respect of the *conveyance of military personnel*. In the view of the delegation, these privileges resemble those which it is the common commercial practice to grant to big regular customers.

(d) The amount of 48,300,000 dinars is entered in the Model Statement for repair and upkeep of *bridges* and *roads* for national defence purposes. The amount is an estimate.

(e) The subsidies paid to the *Adriatic Society* and to the *Oceanographical Institute* are shown in the Model Statement. According to the delegation, these bodies have no connection with national defence.

(f) The cost of the *supervision* and *audit* carried out by the Court of Audit and the Finance Ministry is entered in the Model Statement.

(g) There are no *private organisations* which are concerned with national defence. The *Red Cross* received no grant during 1929-30. This society will be used for military purposes in war-time.



#### 4. Special Questions.

(a) There are no formations organised on a military basis. The Yugoslav delegation is of opinion that the frontier guard and the gendarmerie do not constitute formations of this nature as defined in Article 4 of the draft Convention, as neither force can be used at short notice for military purposes, seeing that previous preparation in the matter of organisation and of mobilisation would be required. The frontier guards come under the Ministry of War and Marine. A description of the nature of the frontier guard is given in the documentation.

(b) There is no physical training institution the principal aim of which is to provide pre-military instruction. Consequently, the delegation has not entered expenditure on physical education in the Model Statement.

(c) Grants to *Sokols*, rifle clubs, riding clubs, etc., amounting to 200,000 dinars altogether, have been entered in the Model Statement, but not the expenditure incurred by these clubs, as the Yugoslav delegation considers that the latter should not be therein included.

(d) The Model Statement includes certain expenditure for "labour and material employed on production in the military arsenal for private account". The Yugoslav delegation thinks that this expenditure should be excluded from the Model Statement.

(e) The Yugoslav delegation confirms that the expenditure chargeable to *autonomous State undertakings* (monopolies) does not relate to military expenditure.

(f) The Yugoslav Government has distributed arms to civilians. The cost of transporting and distributing these arms is entered in the Model Statement, but not the cost of the weapons, which remain the property of the Ministry of War and Marine.

(g) The closed accounts of the *Banovines* (local authorities) are audited and certified by the Court of Audit and approved by the Finance Ministry. The accounts of the Road Committees are also audited by the Court of Audit. These accounts, however, are not published.

(h) Orders executed on account of a budgetary credit may be utilised by the Ministry concerned for purposes other than those for which the credit was originally provided, without financial adjustment. Credits, on the other hand, cannot be transferred from one Ministry to another.

(i) There are only two special funds which have a bearing on national defence: "Fund for Remounts and the Army Transport Corps" and "Fund for the Construction and Repair of Houses for Military Personnel". These funds are financed by credits from the State and by special receipts.

(j) The Model Statement includes the sums transferred from the State credits to the special funds and not the expenditure of the latter.

(k) The following expenditure was incurred during the budgetary year 1929-30 by the "Fund for Remounts and Army Transport Corps": 8,481,554 dinars for the purchase of horses and 1,808,105.60 dinars for buying harness for the horses. This expenditure is not shown in the Model Statement.

(l) All sums accruing from the lease of public buildings or lands to military personnel are paid into the account of the Ministry of War and Marine; the money thus received serves to create a fund which is applied to the construction and repair of houses for members of the defence forces. The fund may be employed as a guarantee for the purpose of obtaining a loan from the State Land Bank up to an amount of 35,000,000 dinars, repayable within twenty-five years, for the construction of new buildings (between January and December 1929, 7,015,879.15 dinars were received on account of this fund).

Receipts from the sale of unserviceable motor-cars and spare parts and tools are credited to the "Fund for Remounts and Army Transport Corps" for renewals and replacements affecting the automobile park.

Outgoings from both these funds are excluded from the Model Statement, which, however, includes the sums transferred to the credit thereof.

All the expenditure shown in the Model Statement is, with the above exceptions, gross expenditure. The Ministry of War and Marine owes the Ministry of Communications about 103,000,000 dinars for effecting certain transport. This amount is not shown in the Model Statement, but, in the Yugoslav delegation's opinion, should be included therein.

(m) If a convention for the limitation of military expenditure were adopted, the Yugoslav Government would observe the principles of *annuité* and universality in regard to the budget—i.e., all military expenditure for a given *exercice* would be included in the closed accounts for that *exercice*. In that case, the Yugoslav Government would also be prepared to recast the statement extracted from the working capital account of the principal State Treasury.

(n) All payments made during 1929-30 are shown in the Model Statement and there were no claims outstanding for settlement at the end of that year, except as indicated under 4 (l).

The Yugoslav delegation holds that expenditure should be shown in the Model Statement for the financial *exercice* during which commitments were incurred, irrespective of the budgetary year in which the corresponding payments were effected.

(o) No expenditure has been met out of the proceeds of a loan.

(p) Pensions. — The following have, in principle, been excluded from the Model Statement—pensions and allowances for loss of employment in the case of retirement or premature discharge.

Expenditure, however, on gratuities and eleemosynary grants awarded in the case of the death of a member of the military forces or the retirement of a civil official are entered in the Model Statement.

#### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

##### 1. *Separation of Expenditure on the Three Forces.*

There is a single Ministry of Defence which draws up a common budget for the army, navy and air force. In the budget and accounts of the year 1929-30, heads 556 to 595 are appropriated to the land forces, including their associated air force, and heads 596 to 635 to the navy, including the naval air service.

Air force expenditure, both military and naval, is frequently merged, under the same part or item of the budget and closed account, with similar expenditure for the parent forces. Thus, expenditure relating to pay, equipment and supplies, though shown separately for the army and navy, is not further subdivided in the budget or account as between these forces and their associated air services.

As the closed accounts do not contain sufficient data for subdivision of the parts and items, such subdivision has been effected by the use of the internal closed accounts of the army, navy and air force (prepared from administrative documents for the information of the supervisory section of the Ministry of National Defence) on the basis of the numerical strength of the effectives in sub-heads A, B and C of the Model Statement.

While the expenditure of the three forces together accurately represents defence expenditure as a whole and is based on audited and published accounts, 505 million dinars, or nearly one-fifth of the entire total for national defence, and as much as 44 per cent of the respective naval and air force totals, have been allocated on an estimated or approximate basis.

No attempt has been made to divide, as between the forces concerned, expenditure on the following common departments and services:

- Minister of National Defence and personal staff (except naval officers);
- The Staff of the three Forces (except naval officers);
- The Administrative Department common to the Land Forces and their associated Air Force;
- The Recruiting Service;
- Military Justice;
- Military Geographical Institute;
- Inspectorate of National Defence;
- Budget and Supervisory Services;
- Veterinary Service.

All this expenditure has been shown under the heading "Land Forces" in the Model Statement. The administrative department for the navy and naval air force has been shown under the heading "Naval Forces" in the Model Statement.

##### 2. *Coast Defence.*

Expenditure on coast defence (fortress artillery) has been shown under the heading "Land Forces" in the Model Statement.

##### 3. *Optional Columns.*

The optional columns relating to oversea expenditure have not been filled up, since Yugoslavia has no colonies; nor has any expenditure on forces organised on a military basis been included in the Model Statement.

##### 4. *Division of Expenditure between the Sub-heads of the Model Statement.*

The divisions and subdivisions of the budget and accounts are established on a different basis from those of the Model Statement, and for the most part cannot readily be distributed between the heads and sub-heads of the latter. This distribution has been made by means of internal documents and, when such documents do not exist, has been estimated.

As the figures for pay and cash allowances in the army and navy budgets do not distinguish

between military and naval personnel on the one hand, and civilians on the other, it has been necessary to split the respective totals on a percentage basis as follows:

*Pay.* — Officers 88.59 per cent; civilian employees of equivalent rank 11.41 per cent; non-commissioned officers 97.95 per cent; civilian employees of equivalent rank 2.05 per cent.

*Lodging allowances.* — The percentages for officers, non-commissioned officers and civilians are 75 per cent, 15 per cent, and 10 per cent respectively, and, in the case of all other cash allowances, 53 per cent, 16 per cent and 31 per cent respectively.

#### 5. *Head IV: Separation from Other Heads.*

Material other than that obtained from abroad and from private enterprises is manufactured and repaired in State factories, which do not possess budgetary autonomy. Cost accounts of these factories are kept but are not published. Since, however, the factories produce all the material required by the national defence services, including material of a non-warlike character, and since their staffs are not differentiated on the basis of the various kinds of stores on which they are employed, exact allocation of the expenditure of the establishments to Head IV and to the other heads of the Model Statement is at present difficult. It is considered, however, that the sum shown under Head IV represents the full cost of the labour and material employed in Government establishments manufacturing war material.

In certain cases, expenditure admittedly appropriate to Head IV has been charged to other heads of the Model Statement—*e.g.*, Part 621 (1 and 2) (new construction and maintenance of buildings at the naval arsenal), now shown under sub-head K of Table C; Part 622 (2 and 3) (expenditure on transport and building works at naval air force establishments), now shown under sub-heads G and K of Table D; Part 623 (signal stores for defence purposes of the naval air force), at present shown under sub-head K of Table D.

On the other hand, a sum of 13,269,999 dinars, provided in Part 593 (5) for expenditure on depots for war material for the navy and therefore more appropriate to sub-head K, has been charged to sub-head M(a) of Table C.

#### 6. *Head IV: Division between Sub-heads.*

Separation of expenditure on new construction of ships as between sub-heads L and M of Table C has not been carried out; the total figure—*i.e.*, 75,469,308 dinars—has been posted to sub-head L, whereas some 11 millions of that amount relate to provision of torpedoes and other equipment chargeable to sub-head M.

#### 7. *Special Questions.*

(a) *Insurance of civilian employees.* — Expenditure on insurance of civilian employees is regarded by the Yugoslav delegation as an addition to the remuneration of the employees in question and, as such, chargeable to sub-head C of the Model Statement.

(b) *Allowances.* — Allowances have been charged to the sub-heads of the Model Statement relating to pay. There are, however, certain exceptions to this rule: (1) certain allowances to personnel employed in Head IV establishments; in this case the allowances have been posted to the appropriate sub-head of that head; (2) maintenance allowances (contrary to the procedure in respect of ration allowances and cost-of-living allowances), which have been charged to sub-head E.

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## E. ANNEXED TABLES TO THE MODEL STATEMENT.

### *Table A.*

(a) No expenditure is included under 1. Apart from training periods, reservists (officers, non-commissioned officers and men) do not receive any remuneration.

(b) Under 2, the expenditure for reservists of the gendarmerie and frontier guards called up for service has been deducted, because expenditure on the gendarmerie and the frontier guards is not included in the Model Statement.

There is no mention of expenditure for reserve officers' schools, since there are no schools of this kind in Yugoslavia.

### *Table B.*

(a) The amount appearing in this table corresponds to sub-head L of the Model Statement.

(b) The distribution between headings 1 and 2 is quite approximate; it cannot be exactly stated under the Yugoslav budgetary system.

(c) Expenditure on the upkeep of ships which are not at the arsenal is not included, since this expenditure cannot be exactly determined.

*Table C.*

(a) The remark "nil" was inserted in this table because the credits provided for work and orders to be carried out over a period of several years are voted for each budgetary year, and only actual expenditure under the credit voted during the year figures in the closed account.

Since the Model Statement only contains sums shown in the closed account of this budgetary year, the sums which have to be voted by Parliament in the following years could naturally not be shown in Annexed Table C for the financial year 1929-30. These sums cannot appear in the annexed table for the same reason—namely, that it is not certain that they will be included in the following budget, as this depends, not only on the general position of the country, but also on the authorisation of Parliament. Neither in law nor in practice, therefore, are these credits voted to cover several years; they merely represent the internal programme, which has not received legal sanction. The quotas authorised in each budgetary year are employed, as far as possible, along the lines indicated in the said programme. Long-term credits in the above sense, for the financial year 1929-30, according to the army and navy budget, are provided under the following "parts":

	Dinars
627 . . . . .	300,000
628 . . . . .	3,000,000
629 . . . . .	10,000,000
630 . . . . .	2,000,000
631 . . . . .	360,000
632 . . . . .	100,000
635 . . . . .	2,000,000
	17,760,000

The Committee asked the following question: "As the balance of commitments over payments is paid in succeeding years without the necessity of a fresh vote, since settlement can be made from the working capital fund, should not these amounts be mentioned in Table C?" In reply, the Yugoslav delegation stated that, in its opinion, this balance should not appear in Table C. It did not, however, object to inserting it, if the Committee so decided.

*Table D.*

(a) The Yugoslav delegation is of opinion that the 102,646,349 dinars representing transport charges credited for the 1929-30 financial year, should not appear in Annexed Table D. Sub-Committee A had suggested that this sum should be entered in Table D; but, after the explanations given by the Yugoslav delegation, it would appear more logical to exclude it.

(b) During the budgetary year 1929-30, there were no credit purchases which, although not involving any expenditure, would bring about an increase in the stocks of material.

*Table E.*

(a) No part of the grants to air navigation companies should be included in Annexed Table E, as these companies do not provide any material for, or render any service to, the military power.

If the Conference for the Limitation and Reduction of Armaments were to decide that civil aviation represents service of a military character, the Yugoslav delegation would naturally accept this decision and would enter the amount of these grants in Table E.

*Table F.*

(a) It is impossible to subdivide the amount of pensions, as provided in the draft annex to the Budgetary Experts' report. A part of the pensions (4,724,280 dinars) is paid out of the war and navy budget, and the greater part by the Ministry of Finance.

(b) Certain grants in relief, amounting to 291,868 dinars, have been included in the Model Statement and excluded from Table F. The Yugoslav delegation has no objection to these parts being regarded as pensions.

(c) The pensions include certain charitable awards, the nature of which is clearly stated in the documents.

(d) The Yugoslav delegation would not object to the inclusion in Table F, IV, of the amount of part 34 of the closed account for 1929-30 (relief granted to disabled soldiers and the families of men killed in the war).

**List of Documents.**

- Budgetary System: Reply of the Yugoslav Delegation to the Questionnaire of the Technical Committee (document Conf.D./C.D./C.T.17 and Addendum).
- Model Statement and Annexed Tables. Explanations in regard to the method followed in filling up the Model Statement and with regard to the derogations made, together with translation of certain parts of the budget and closed accounts of the Ministry of Public Works and certain legislative provisions referred to in the documents. Reconciliation Tables (document Conf.D./C.D./C.T.100).
- Budget of expenditure and revenues of the State for the *exercice* 1929-30 (" Budžet državnih rashoda i prihoda ").
- Closed Accounts of revenues and expenditure of the State for the *exercice* 1929-30 (" Završni račun državnih prihoda i rashoda "), with French translation of extracts therefrom, showing national defence expenditure.
- Observations of the Technical Committee (document Conf.D./C.D./C.T.111).
- Reply of the Yugoslav Delegation (document Conf.D./C.D./C.T.122).
- Annexes to the Replies of the Yugoslav Government (document Conf.D./C.D./C.T.122a).
- Minutes of the Audition Meeting (document Conf.D./C.D./C.T./P.V.16. Audition and Corrigendum).
- Additional Information (document Conf.D./C.D./C.T.131).
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ANNEX 1.

**RECAPITULATORY TABLES  
OF THE MODEL STATEMENTS**

of countries the documentation of which  
has been examined by the Technical Committee.<sup>1</sup>

This collection includes figures given in the last column of the Model Statements of the twenty-eight countries the documentation of which has so far been examined by the Technical Committee.

In the case of India (all tables) and France (table of Air Forces), the changes made in the Model Statements by the respective delegations after these had been examined by the Committee have been included in the figures given in the tables.

The data furnished by the other countries have not, up to the present, been revised in any way.

**LIST OF DOCUMENTS**

**FROM WHICH THE FIGURES ATTACHED HAVE BEEN EXTRACTED.**

<i>Albania</i> . . . . .	Conf.D.133, pages 3-5.
<i>Australia</i> . . . . .	Conf.D.65, pages 9-11.
<i>Austria</i> . . . . .	Conf.D./C.D./C.T.108, page 1.
<i>Belgium</i> . . . . .	Conf.D.4. (Annex), page 4; Conf.D./C.D./C.T.65, pages 2-4.
<i>United Kingdom</i> . . . . .	Conf.D.6, pages 19-20, 39, 49; Conf.D.49, pages 3, 5 and 6 (British colonies, etc.).
<i>Bulgaria</i> . . . . .	Conf.D./C.D./C.T.94, page 2.
<i>Canada</i> . . . . .	Conf.D.26, pages 5-8.
<i>Czechoslovakia</i> . . . . .	Conf.D.21, pages 1-2 (with Erratum).
<i>Denmark</i> . . . . .	Conf.D.12, pages 8-10.
<i>Finland</i> . . . . .	Conf.D./C.D./C.T.119, pages 2-8.
<i>France</i> . . . . .	Conf.D./C.D./C.T.38, pages 6, 8, 78; Conf.D./C.D./C.T. 38, 2—Addendum, page 5.
<i>Germany</i> . . . . .	Conf.D.9, pages 1-4.
<i>India</i> . . . . .	Conf.D./C.D./C.T.31A, pages 2-3, 23 and 29.
<i>Irish Free State</i> . . . . .	Conf.D./C.D./C.T.80, pages 3-6.
<i>Italy</i> . . . . .	Conf.D./C.D./C.T.75, pages 7-9, 41-42, 52.
<i>Japan</i> . . . . .	Conf.D./C.D./C.T.46, pages 1-7.
<i>Netherlands</i> . . . . .	Conf.D./C.D./C.T.73, pages 1-2 bis, 5, 8.
<i>New Zealand</i> . . . . .	Conf.D.41, pages 6-8.
<i>Norway</i> . . . . .	Conf.D./C.D./C.T.87, pages 9-15.
<i>Poland</i> . . . . .	Conf.D./C.D./C.T.158, pages 2-14.
<i>Portugal</i> . . . . .	Conf.D./C.D./C.T.52, pages 4-7.
<i>Roumania</i> . . . . .	Conf.D./C.D./C.T.91, pages 4-10.
<i>South Africa</i> . . . . .	Conf.D.37, pages 9-11.
<i>Spain</i> . . . . .	Conf.D./C.D./C.T.165, pages 3-8.
<i>Sweden</i> . . . . .	Conf.D.10, pages 7-10.
<i>Switzerland</i> . . . . .	Conf.D.32, pages 4-6.
<i>United States of America</i> . . . . .	Conf.D./C.D./C.T.12, pages 5-8; Conf.D./C.D./C.T.66, page 7.
<i>U.S.S.R.</i> . . . . .	Conf.D./C.D./C.T.96, pages 5-11.
<i>Yugoslavia</i> . . . . .	Conf.D./C.D./C.T.100, pages 9-12.

<sup>1</sup> Note by the Secretariat. — In order to facilitate the examination of the model statements, whose figures are given in the national currencies of the several countries, a table has been established indicating the coefficients for the rough conversion of these currencies into dollars, swiss francs, and French francs (See Annex 2, page 106).

**TABLE A.**

**TOTAL OF NATIONAL DEFENCE EXPENDITURE**

(Figures in national money)

	National Money	Land forces	Naval forces	Air forces	Total
Albania (1930-31) . . . . .	Gold francs	14,410,813	118,800	néant	14,529,613
Australia (1929-30) . . . . .	£	1,632,809	2,591,479	537,371	4,761,659
Austria (1930) . . . . .	Schilling	108,060,391	néant	néant	108,060,391
Belgium (1930) . . . . .	Belg. fr.	1,301,918,404	néant	142,214,609	1,444,133,103
United Kingdom (1929) . . . . .	£	43,377,077	49,902,540	19,277,049	112,556,666
Bulgaria (1930-31) . . . . .	Leva	1,033,422,538	néant	néant	1,033,422,538
Canada (1930-31) . . . . .	\$	12,066,704	3,798,466	3,409,227	19,274,397
Czechoslovakia (1930) . . . . .	Koruna	1,585,261,598	néant	227,998,523	1,813,260,121
Denmark (1930-31) . . . . .	Krone	28,164,269	14,267,923	2,932,935	45,265,127
Finland (1930) . . . . .	Markkaa	338,924,364	166,542,553	83,773,778	589,240,695
France (1930-31) . . . . .	Francs	8,503,664,000	2,939,627,000	1,979,756,483	13,423,047,483
Germany (1930-31) . . . . .	RM.	520,728,331	186,994,293	néant	707,722,624
India (1929-30) . . . . .	Rupees	51,47,50,047	74,72,168	2,58,52,089	54,80,74,304
Irish Free State (1930-31) . . . . .	£	1,188,485	néant	78,165	1,266,650
Italy (1930-31) . . . . .	Lire	3,847,317,593	1,427,431,338	946,069,236	6,220,818,167
Japan (1929) . . . . .	Yen	211,072,814 <sup>1</sup>	256,227,026 <sup>1</sup>	(58,317,933 <sup>2</sup> )	467,299,840
Norway (1930-31) . . . . .	Kroner	22,958,133	13,230,834	2,302,160	38,491,127
New Zealand (1930-31) . . . . .	£	286,984	506,463	66,359	859,806
Netherlands (1929) . . . . .	Gulden	134,095,540	44,858,140	12,761,598	191,715,278
Poland (1929-30) . . . . .	Zloty	773,734,779	35,522,791	70,846,817	880,104,387
Portugal (1930-31) . . . . .	Escudo	372,099,971	133,561,945	20,729,626	526,391,542
Roumania (1931) . . . . .	Lei	7,966,789,033	224,547,887	867,682,564	9,059,019,484
South Africa (1930-31) . . . . .	£	592,921	139,679	134,494	867,094
Spain (1930) . . . . .	Pesetas	572,424,601	180,349,308	55,906,172	308,680,081
Sweden (1929-30) . . . . .	Kronor	79,213,302	48,831,252	9,651,455	137,696,009
Switzerland (1930) . . . . .	Swiss francs	106,720,996	néant	6,865,211	113,586,207
United States (1930) . . . . .	\$	266,665,980	324,504,716	109,066,495 <sup>3</sup>	700,237,191
U.S.S.R. (1929-30) . . . . .	Rubles	855,780,301	115,594,629	124,572,396	1,095,947,325
Yugoslavia (1929-30) . . . . .	Dinar	2,131,128,374	264,796,178	303,584,131	2,699,508,683

<sup>1</sup> Including air forces attached to the Army and Navy.

<sup>2</sup> Including administration and instruction expenses (this figure is included in the land and naval expenses).

<sup>3</sup> Approximate figures.

**TABLE B.**  
**EXPENDITURE FOR LAND FORCES.**

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	South Africa	Albania	Germany	Australia	Austria
	<b>HEAD I. — Effectives.</b>	£	Gold francs	RM.	£	Schilling
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds:					
	Officers . . . . .	60.1	2,704	36,522	230.3	10,254
B	Ditto: N.C.O.s and men . .	175.8	3,750	175,507	383.0	49,374
C	Ditto: Civilian personnel . .	69.5	303	35,241	254.7	6,905
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations	39.9	357	—	35.8	—
E	Maintenance of personnel referred to in sub-heads A to D . . . .	81.1	3,990	39,357	146.4	13,163
E(a)	Miscellaneous expenses. . . . .	—	—	—	—	—
	<b>HEAD II. — Transport.</b>					
F	Horses and other animals, forage, harness and shoeing . .	14.7	973	27,613	27.0	2,779
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	26.7	272	14,721	59.6	1,409
	<b>HEAD III. — Buildings.</b>					
H	Construction of new fortifications and defence works . .	—	200	1,603	—	—
K	Barracks, other buildings, upkeep, furniture . . . . .	61.0	890	66,841	109.6	9,046
K(a)	Expenditure not divisible between chapters A to K . . . .	—	—	—	—	—
	<b>TOTAL: HEADS I TO III . . . .</b>	<b>528.8</b>	<b>13,439</b>	<b>397,405</b>	<b>1,246.4</b>	<b>92,930</b>
	<b>HEAD IV. — War Material.</b>					
M	Arms, ammunition and fighting material . . . . .	62.3	193	73,903	360.4	7,517
M(a)	Engineer and other warlike stores . . . . .	1.8	779	49,420	26.0	2,943
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads M and M (a)) . . . .	—	—	—	—	4,670
	<b>TOTAL: HEAD IV . . . . .</b>	<b>64.1</b>	<b>972</b>	<b>123,323</b>	<b>386.4</b>	<b>15,130</b>
	<b>GRAND TOTAL . . . . .</b>	<b>592.9</b>	<b>14,411</b>	<b>520,728</b>	<b>1,632.8</b>	<b>108,060</b>



Table B. — EXPENDITURE FOR LAND FORCES (continued).

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	Belgium	United Kingdom	Bulgaria	Canada	Denmark
		Belg. fr.	£	Leva	\$	Kroner
	<b>HEAD I. — Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds:					
	Officers . . . . .	200,375	5,179.8	99,448	1,340	6,373
B	Ditto: N.C.O.s and men . . . . .	393,517	12,249.5	320,175	3,293	2,532
C	Ditto: Civilian personnel . . . . .	41,298	2,286.2	41,656	637	1,503
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations . . . . .	24,259	4,581.3	—	2,188	957
E	Maintenance of personnel referred to in sub-heads A to D . . . . .	141,917	6,003.2	408,292	738	5,811
E(a)	Miscellaneous expenses . . . . .	102,889	—	—	—	—
	<b>HEAD II. — Transport.</b>					
F	Horses and other animals, forage, harness and shoeing . . . . .	66,347	879.1	88,713	90	1,311
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	13,464	2,057.7	19,448	196	882
	<b>HEAD III. — Buildings.</b>					
H	Construction of new fortifications and defence works . . . . .	18,583	146.4	—	100	—
K	Barracks, other buildings, upkeep, furniture . . . . .	76,856	5,498.8	11,501	2,200	2,761
K(a)	Expenditure not divisible between chapters A to K . . . . .	—	—	—	—	—
	<b>TOTAL: HEADS I TO III . . . . .</b>	<b>1,079,505</b>	<b>38,882.0</b>	<b>989,233</b>	<b>10,782</b>	<b>22,130</b>
	<b>HEAD IV. — War Material.</b>					
M	Arms, ammunition and fighting material . . . . .	148,393	2,387.7	8,009	417	1,108
M(a)	Engineer and other warlike stores . . . . .	63,977	1,371.8	3,500	281	70
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads M and M (a)) . . . . .	10,043	735.5	32,681	587	4,856
	<b>TOTAL: HEAD IV . . . . .</b>	<b>222,413</b>	<b>4,495.0</b>	<b>44,190</b>	<b>1,285</b>	<b>6,034</b>
	<b>GRAND TOTAL . . . . .</b>	<b>1,301,918</b>	<b>43,377.0</b>	<b>1,033,423</b>	<b>12,067</b>	<b>28,164</b>

Table B. — EXPENDITURE FOR LAND FORCES (continued).

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	Spain	United States <sup>1</sup>	Finland	France	India
		Peseta	\$	Markkaa	Francs	Rupees
	<b>HEAD I. — Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds: Officers . . . . .	135,476	63,685	48,520	1,214,876	91,412
B	Ditto: N.C.O.s and men . . .	73,149	68,510	61,675	2,032,920	163,471
C	Ditto: Civilian personnel . . .	28,461	17,797	24,133	342,362	32,649
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations	330	20,502	716	86,309	6,329
E	Maintenance of personnel referred to in sub-heads A to D . . .	165,084	44,206	78,641	1,729,871	64,344
E(a)	Miscellaneous expenses . . . . .	—	—	—	—	—
	<b>HEAD II. — Transport.</b>					
F	Horses and other animals, forage, harness and shoeing . .	55,716	6,154	13,936	425,902	25,184
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	30,023	19,201	5,380	387,090	33,546
	<b>HEAD III. — Buildings.</b>					
H	Construction of new fortifications and defence works . .	21,529	438	—	173,602	180
K	Barracks, other buildings, upkeep, furniture . . . . .	22,725	31,634	51,936	656,975	57,441
K(a)	Expenditure not divisible between chapters A to K . . .	—	—	—	—	—
	<b>TOTAL: HEADS I TO III . . .</b>	<b>532,493</b>	<b>272,127</b>	<b>284,937</b>	<b>7,049,907</b>	<b>474,556</b>
	<b>HEAD IV. — War Material.</b>					
M	Arms, ammunition and fighting material . . . . .	32,841	43,861	42,548	993,436	24,421
M(a)	Engineer and other warlike stores . . . . .	6,141	8,957	11,439	456,145	13,790
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads M and M (a)) . . . . .	949	—	—	4,176	1,983
	<b>TOTAL: HEAD IV . . . . .</b>	<b>39,931</b>	<b>52,818</b>	<b>53,987</b>	<b>1,453,757</b>	<b>40,194</b>
	<b>GRAND TOTAL . . . . .</b>	<b>572,424</b>	<b>324,945</b>	<b>338,924</b>	<b>8,503,664</b>	<b>514,750</b>

<sup>1</sup> Including air expenses of a total value of \$58,279,383 (approximative figures).

Table B. — EXPENDITURE FOR LAND FORCES (continued).

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	Irish Free State <sup>1</sup>	Italy	Japan	Norway	New Zealand
		£	Lire	Yen	Kroner	£
	<b>HEAD I. — Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds:					
	Officers . . . . .	232.4	645,971	33,448	8,015	51.7
B	Ditto: N.C.O.s and men . . . . .	426.8	931,218	26,539	3,064	126.6
C	Ditto: Civilian personnel . . . . .	119.9	58,261	7,692	756	15.8
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations . . . . .	94.4	104,150	1,649	1,106	13.7
E	Maintenance of personnel referred to in sub-heads A to D . . . . .	165.6	768,490	56,981	3,926	19.1
E(a)	Miscellaneous expenses . . . . .	—	—	—	—	—
	<b>HEAD II. — Transport.</b>					
F	Horses and other animals, forage, harness and shoeing . . . . .	14.2	180,438	13,212	1,020	0.4
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	20.5	137,045	4,121	493	20.0
	<b>HEAD III. — Buildings.</b>					
H	Construction of new fortifications and defence works . . . . .	—	65,665	2,051	—	—
K	Barracks, other buildings, upkeep, furniture . . . . .	110.3	324,547	17,908	1,082	12.9
K(a)	Expenditure not divisible between chapters A to K . . . . .	—	—	—	—	—
	<b>TOTAL: HEADS I TO III . . . . .</b>	<b>1,184.1</b>	<b>3,215,785</b>	<b>163,601</b>	<b>19,462</b>	<b>260.2</b>
	<b>HEAD IV. — War Material.</b>					
M	Arms, ammunition and fighting material . . . . .	69.4	466,247	21,625	3,349	26.8
M(a)	Engineer and other warlike stores . . . . .	13.1	165,286	7,901	147	—
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads M and M (a)) . . . . .	—	—	17,946	—	—
	<b>TOTAL: HEAD IV . . . . .</b>	<b>82.5</b>	<b>631,533</b>	<b>47,472</b>	<b>3,496</b>	<b>26.8</b>
	<b>GRAND TOTAL . . . . .</b>	<b>1,266.6</b>	<b>3,847,318</b>	<b>211,073</b>	<b>22,958</b>	<b>287.0</b>

<sup>1</sup> Including air expenses of a total value of £78,165.

Table B. — EXPENDITURE FOR LAND FORCES (continued).

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	Netherlands	Poland	Portugal	Roumania	Sweden
		Gulden	Zloty	Escudos	Lei	Kronor
	<b>HEAD I. — Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds:					
	Officers . . . . .	20,733	135,698	92,905	2,907,181	13,269
B	Ditto: N.C.O.s and men . .	38,389	129,188	115,767	1,035,982	18,390
C	Ditto: Civilian personnel . .	6,873	25,861	2,238	198,129	1,643
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations . . . . .	3,810	2,968	1,890	32,578	2,735
E	Maintenance of personnel referred to in sub-heads A to D . . .	24,655	157,896	99,026	2,374,275	19,525
E(a)	Miscellaneous expenses . . .	—	—	—	—	747
	<b>HEAD II. — Transport.</b>					
F	Horses and other animals, forage, harness and shoeing . .	3,194	44,858	20,602	350,620	4,742
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	9,513	11,522	4,274	57,356	3,169
	<b>HEAD III. — Buildings.</b>					
H	Construction of new fortifications and defence works . .	200	1,520	54	—	130
K	Barracks, other buildings, upkeep, furniture . . . . .	10,009	44,388	11,951	186,828	6,227
K(a)	Expenditure not divisible between chapters A to K . . .	—	—	—	—	—
	<b>TOTAL: HEADS I TO III . .</b>	<b>117,376</b>	<b>553,899</b>	<b>348,777</b>	<b>7,142,949</b>	<b>70,577</b>
	<b>HEAD IV. — War Material.</b>					
M	Arms, ammunition and fighting material . . . . .	13,267	190,481	22,306	781,572	6,004
M(a)	Engineer and other warlike material . . . . .	1,708	28,106	1,016	42,268	1,457
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads M and M(a)) . . . . .	1,744	1,249	—	—	1,175
	<b>TOTAL: HEAD IV . . . . .</b>	<b>16,719</b>	<b>219,836</b>	<b>23,322</b>	<b>823,840</b>	<b>8,636</b>
	<b>GRAND TOTAL . . . . .</b>	<b>134,095</b>	<b>773,735</b>	<b>372,099</b>	<b>7,966,789</b>	<b>79,213</b>

Table B. — EXPENDITURE FOR LAND FORCES (concluded).

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	Switzerland	Czechoslovakia	U.S.S.R.	Yugoslavia
	<b>HEAD I. — Effectives.</b>	Swiss francs	Koruna	Rubles	Dinar
	<i>Personnel normally forming part of formations and services:</i>				
A	Pay and allowances of all kinds:				
	Officers . . . . .		287,919	115,082	300,850
B	Ditto: N.C.O.s and men . .	16,179 <sup>1</sup>	207,829	36,619	79,984
C	Ditto: Civilian personnel . .	12,564	37,393	7,852	104,322
	<i>Personnel not normally forming part of formations and services:</i>				
D	Persons undergoing preparatory military training, reservists and reserve organisations . . . . .	2,759	13,441	3,112	2,090
E	Maintenance of personnel referred to in sub-heads A to D . . .	33,505	403,722	297,853	722,206
E(a)	Miscellaneous expenses . . .	—	—	—	—
	<b>HEAD II. — Transport.</b>				
F	Horses and other animals, forage, harness and shoeing . .	12,445	108,350	59,429	135,627
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	2,947	64,281	37,549	35,367
	<b>HEAD III. — Buildings.</b>				
H	Construction of new fortifications and defence works . .	—	—	2,965	42,427
K	Barracks, other buildings, upkeep, furniture . . . . .	4,165	119,713	170,135	180,009
K(a)	Expenditure not divisible between chapters A to K . . .	—	17,428	—	—
	<b>TOTAL: HEADS I TO III . .</b>	<b>84,564</b>	<b>1,260,076</b>	<b>730,596</b>	<b>1,602,882</b>
	<b>HEAD IV. — War Material.</b>				
M	Arms, ammunition and fighting material . . . . .	15,102	233,932	83,777	399,323
M(a)	Engineer and other warlike stores . . . . .	7,055	81,962	41,407	99,782
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads M and M(a)) . . . . .	—	9,292	—	29,141
	<b>TOTAL: HEAD IV . . . . .</b>	<b>22,157</b>	<b>325,186</b>	<b>125,184</b>	<b>528,246</b>
	<b>GRAND TOTAL . . . . .</b>	<b>106,721</b>	<b>1,585,262</b>	<b>855,780</b>	<b>2,131,128</b>

<sup>1</sup> Total amount for Chapters A and B.

**TABLE C.**  
**EXPENDITURE FOR NAVAL FORCES.<sup>1</sup>**

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	South Africa	Albania	Germany	Australia	United Kingdom
		£	Gold francs	RM.	£	£
	<b>HEAD I. — Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds:					
	Officers . . . . .	17.4	13 <sup>2</sup>	7,017	287.8	4,125.1
B	Ditto: N.C.O.s and men . .	65.5	36 <sup>2</sup>	24,813	942.5	12,914.5
C	Ditto: Civilian personnel . .	1.7	—	21,698	176.1	2,542.8
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations . . . . .	3.6	—	—	11.5	398.8
E	Maintenance of personnel referred to in sub-heads A to D . . .	12.5	50	12,293	172.4	2,171.4
E(a)	Miscellaneous expenses . . .	—	—	—	—	—
	<b>HEAD II. — Transport.</b>					
F	Horses and other animals, forage, harness and shoeing . .	—	—	—	—	—
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	6.5	8	17,389	126.0	2,679.1
	<b>HEAD III. — Buildings.</b>					
H	Construction of new fortifications and defence works . .	—	2	—	—	—
K	Barracks, other buildings, upkeep, furniture . . . . .	14.5	3	14,816	104.0	1,624.4
	<b>TOTAL: HEADS I TO III . .</b>	<b>121.7</b>	<b>112</b>	<b>98,026</b>	<b>1,820.3</b>	<b>26,456.2</b>
	<b>HEAD IV. — War Material.</b>					
L	Ships: new construction and maintenance . . . . .	15.3	4	59,948	624.8	19,327.2
M	Arms, ammunition and fighting material . . . . .	2.7	3	29,020	146.4	4,119.1
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads L and M) . . . . .	—	—	—	—	—
	<b>TOTAL: HEAD IV . . . . .</b>	<b>18.0</b>	<b>7</b>	<b>88,968</b>	<b>771.2</b>	<b>23,446.3</b>
	<b>GRAND TOTAL . . . . .</b>	<b>139.7</b>	<b>119</b>	<b>186,994</b>	<b>2,591.5</b>	<b>49,902.5</b>

<sup>1</sup> The following countries have not filled up the table for naval forces: Austria, Belgium, Bulgaria, Czechoslovakia, Irish Free State and Switzerland.

<sup>2</sup> Pay and allowances for the personnel of the port administrations are charged on the budget of the Ministry of the Interior.

Table C. — EXPENDITURE FOR NAVAL FORCES (continued).

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	Canada	Denmark	Spain	United States <sup>1</sup>	Finland
		\$	Kroner	Peseta	\$	Markkaa
	<b>HEAD I. — Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds:					
	Officers . . . . .	234	3,346	18,289	43,201	12,130
B	Ditto: N.C.O.s and men . .	598	2,483	25,057	78,128	15,419
C	Ditto: Civilian personnel . .	179	54	8,709	—	5,993
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations	204	70	—	14,933	—
E	Maintenance of personnel referred to in sub-heads A to D . . .	296	1,339	15,502	45,475	19,644
E(a)	Miscellaneous expenses . . . . .	—	—	—	—	—
	<b>HEAD II. — Transport.</b>					
F	Horses and other animals, forage, harness and shoeing . .	—	—	—	—	—
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	101	1,244	13,595	15,382	4,656
	<b>HEAD III. — Buildings.</b>					
H	Construction of new fortifications and defence works . .	—	—	—	—	1,534
K	Barracks, other buildings, upkeep, furniture . . . . .	130	635	4,563	7,914	14,194
	<b>TOTAL: HEADS I TO III . .</b>	<b>1,742</b>	<b>9,171</b>	<b>85,715</b>	<b>205,033</b>	<b>73,570</b>
	<b>HEAD IV. — War Material.</b>					
L	Ships: new construction and maintenance . . . . .	1,773	4,137	86,499	68,493	83,053
M	Arms, ammunition and fighting material . . . . .	94	847	8,135	101,766	9,920
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads L and M) . . . . .	189	113	—	—	—
	<b>TOTAL: HEAD IV . . . . .</b>	<b>2,056</b>	<b>5,097</b>	<b>94,634</b>	<b>170,259</b>	<b>92,973</b>
	<b>GRAND TOTAL . . . . .</b>	<b>3,798</b>	<b>14,268</b>	<b>180,349</b>	<b>375,292</b>	<b>166,543</b>

<sup>1</sup> Including air expenses of a total value of \$50,787,112 (approximate figures).

**Table C. — EXPENDITURE FOR NAVAL FORCES (continued).**

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	France	India	Italy	Japan	Norway
		Francs	Rupees	Lire	Yen	Kroner
	<b>HEAD I. — Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds:					
	Officers . . . . .	140,499	893	93,769	17,494	3,429
B	Ditto: N.C.O.s and men . . .	280,008	540	196,139	24,603	1,483
C	Ditto: Civilian personnel . .	35,932	378	17,098	3,170	775
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations	1,131	—	4,802	119	79
E	Maintenance of personnel referred to in sub-heads A to D . . .	236,577	576	110,361	24,670	393
E(a)	Miscellaneous expenses . . . .	—	—	—	—	—
	<b>HEAD II. — Transport.</b>					
F	Horses and other animals, forage, harness and shoeing . .	—	—	—	—	2
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	176,724	1,402	43,499	24,899	1,060
	<b>HEAD III. — Buildings.</b>					
H	Construction of new fortifications and defence works . .	28,072	—	—	203	—
K	Barracks, other buildings, upkeep, furniture . . . . .	184,745	469	76,712	8,921	1,584
	<b>TOTAL: HEADS I TO III . . .</b>	<b>1,083,688</b>	<b>4,258</b>	<b>542,380</b>	<b>104,079</b>	<b>8,805</b>
	<b>HEAD IV. — War Material.</b>					
L	Ships: new construction and maintenance . . . . .	1,229,827	3,139	572,644	121,243	3,524
M	Arms, ammunition and fighting material . . . . .	626,112	75	312,407	24,175	902
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads L and M) . . . . .	—	—	—	6,730	—
	<b>TOTAL: HEAD IV . . . . .</b>	<b>1,855,939</b>	<b>3,214</b>	<b>885,051</b>	<b>152,148</b>	<b>4,426</b>
	<b>GRAND TOTAL . . . . .</b>	<b>2,939,627</b>	<b>7,472</b>	<b>1,427,431</b>	<b>256,227</b>	<b>13,231</b>



Table C. — EXPENDITURE FOR NAVAL FORCES (*continued*).

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	New Zealand	Netherlands	Poland	Portugal
		£	Gulden	Zloty	Escudos
	<b>HEAD I. — Effectives.</b>				
	<i>Personnel normally forming part of formations and services:</i>				
A	Pay and allowances of all kinds:				
	Officers . . . . .	29.6	2,837	2,987	14,208
B	Ditto: N.C.O.s and men . .	158.3	10,666	3,352	21,333
C	Ditto: Civilian personnel . .	4.4	760	655	8,909
	<i>Personnel not normally forming part of formations and services:</i>				
D	Persons undergoing preparatory military training, reservists and reserve organisations . . . . .	5.9	439	—	—
E	Maintenance of personnel referred to in sub-heads A to D . . .	47.9	3,010	3,619	26,831
E(a)	Miscellaneous expenses . . .	—	—	—	—
	<b>HEAD II. — Transport.</b>				
F	Horses and other animals, forage, harness and shoeing . .	—	—	—	—
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	47.8	4,054	3,386	7,656
	<b>HEAD III. — Buildings.</b>				
H	Construction of new fortifications and defence works . .	—	284	—	—
K	Barracks, other buildings, upkeep, furniture . . . . .	9.7	1,462	3,769	10,777
	<b>TOTAL: HEADS I TO III . . .</b>	<b>303.6</b>	<b>23,512</b>	<b>17,768</b>	<b>86,714</b>
	<b>HEAD IV. — War Material.</b>				
L	Ships: new construction and maintenance . . . . .	185.3	14,309	15,875	24,772
M	Arms, ammunition and fighting material . . . . .	17.6	6,782	1,879	2,025
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads L and M) . . . . .	—	255	—	17,051
	<b>TOTAL: HEAD IV . . . . .</b>	<b>202.9</b>	<b>21,346</b>	<b>17,754</b>	<b>43,848</b>
	<b>GRAND TOTAL . . . . .</b>	<b>506.5</b>	<b>44,858</b>	<b>35,522</b>	<b>133,562</b>

Table C. — EXPENDITURE FOR NAVAL FORCES (*concluded*).

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	Roumania	Sweden	U.S.S.R.	Yugoslavia
		Lei	Kronor	Rubles	Dinar
	<b>HEAD I. — Effectives.</b>				
	<i>Personnel normally forming part of formations and services:</i>				
A	Pay and allowances of all kinds:				
	Officers . . . . .	59,101	3,836	11,723	18,483
B	Ditto: N.C.O.s and men . . .	37,321	8,770	5,862	9,580
C	Ditto: Civilian personnel . . .	6,955	1,148	4,486	5,207
	<i>Personnel not normally forming part of formations and services:</i>				
D	Persons undergoing preparatory military training, reservists and reserve organisations	—	711	36	4
E	Maintenance of personnel referred to in sub-heads A to D . . .	30,191	8,098	23,247	52,573
E(a)	Miscellaneous expenses. . . . .	—	13	—	—
	<b>HEAD II. — Transport.</b>				
F	Horses and other animals, forage, harness and shoeing . .	—	—	—	—
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	3,905	1,976	15,445	38,245
	<b>HEAD III. — Buildings.</b>				
H	Construction of new fortifications and defence works . .	—	13	3,513	—
K	Barracks, other buildings, upkeep, furniture . . . . .	652	1,002	25,841	20,536
	<b>TOTAL: HEADS I TO III . .</b>	<b>138,125</b>	<b>25,567</b>	<b>90,153</b>	<b>144,628</b>
	<b>HEAD IV. — War Material.</b>				
L	Ships: new construction and maintenance . . . . .	15,138	16,259	—	102,468
M	Arms, ammunition and fighting material . . . . .	71,285	3,826	—	17,700
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads L and M) . . . . .	—	3,179	—	—
	<b>TOTAL: HEAD IV . . . . .</b>	<b>86,423</b>	<b>23,264</b>	<b>25,442</b>	<b>120,168</b>
	<b>GRAND TOTAL . . . . .</b>	<b>224,548</b>	<b>48,831</b>	<b>115,595</b>	<b>264,796</b>

**TABLE D.**  
**EXPENDITURE FOR AIR FORCES.<sup>1</sup>**

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	South Africa	Australia	Belgium	United Kingdom	Canada
		£	£	Belg. francs	£	\$
	<b>HEAD I. — Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds:					
	Officers . . . . .	17.1	78.1	10,590	1,606.5	541
B	Ditto: N.C.O.s and men . .	70.9	198.4	28,853	2,586.9	1,031
C	Ditto: Civilian personnel . .	5.2	20.3	72	1,701.1	178
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations	1.1	—	219	296.4	under A
E	Maintenance of personnel referred to in sub-heads A to D . . . .	8.6	20.1	5,536	1,118.5	157
E(a)	Miscellaneous expenses. . . . .	—	—	—	—	—
	<b>HEAD II. — Transport.</b>					
F	Horses and other animals, forage, harness and shoeing. .	—	—	—	—	—
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	10.5	29.5	3,926	1,115.1	143
	<b>HEAD III. — Buildings.</b>					
K	Barracks, other buildings, upkeep, furniture . . . . .	3.4	50.7	2,792	2,796.6	638
	<b>TOTAL: HEADS I TO III . .</b>	<b>116.8</b>	<b>397.1</b>	<b>48,988</b>	<b>11,221.1</b>	<b>2,688</b>
	<b>HEAD IV. — War Material.</b>					
M	Arms, ammunition and fighting material . . . . .	17.7	140.3	93,227	8,056.0	721
M(a)	Engineer and other warlike stores . . . . .	—	—	—	—	—
N	Manufacture of war material in "non-autonomous" State establishments . . . . .	—	—	—	—	—
	<b>TOTAL: HEAD IV . . . . .</b>	<b>17.7</b>	<b>140.3</b>	<b>93,227</b>	<b>8,056.0</b>	<b>721</b>
	<b>GRAND TOTAL . . . . .</b>	<b>134.5</b>	<b>537.4</b>	<b>142,215</b>	<b>19,277.1</b>	<b>3,409</b>

<sup>1</sup> The following countries have not filled up the table for air forces: Albania, Germany, Austria and Bulgaria.

**Table D. — EXPENDITURE FOR AIR FORCES (continued).**

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	Denmark	Spain	United States	Finland	France
		Kroner	Peseta	\$	Markkaa	Francs
	<b>HEAD I. — Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds:					
	Officers . . . . .	375	5,163	10,733	8,664	143,276
B	Ditto: N.C.O.s and men . .	197	4,429	13,539	11,013	162,058
C	Ditto: Civilian personnel . .	65	384	6,361	4,281	36,068
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations	40	—	702	—	38,171
E	Maintenance of personnel referred to in sub-heads A to D . . . .	153	6,681	6,726	13,631	98,924
E(a)	Miscellaneous expenses . . . .	—	—	—	—	—
	<b>HEAD II. — Transport.</b>					
F	Horses and other animals, forage, harness and shoeing . .	—	10	—	—	—
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	190	5,297	6,619	5,232	104,912
	<b>HEAD III. — Buildings.</b>					
K	Barracks, other buildings, upkeep, furniture . . . . .	178	6,799	6,062	12,093	179,840
	<b>TOTAL: HEADS I TO III . . . .</b>	<b>1,198</b>	<b>28,763</b>	<b>50,742</b>	<b>54,914</b>	<b>763,249</b>
	<b>HEAD IV. — War Material.</b>					
M	Arms, ammunition and fighting material . . . . .	1,635	—	58,324	28,860	1,216,507
M(a)	Engineer and other warlike stores . . . . .	—	27,143	—	—	—
N	Manufacture of war material in "non-autonomous" State establishments . . . . .	—	—	—	—	—
	<b>TOTAL: HEAD IV . . . . .</b>	<b>1,635</b>	<b>27,143</b>	<b>58,324</b>	<b>28,860</b>	<b>1,216,507</b>
	<b>GRAND TOTAL . . . . .</b>	<b>2,833</b>	<b>55,906</b>	<b>109,066</b>	<b>83,774</b>	<b>1,979,756</b>

Table D. — EXPENDITURE FOR AIR FORCES (continued).

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	India	Irish Free State	Italy	Japan <sup>1</sup>	Norway
		Rupees	£	Lire	Yen	Kroner
	<b>HEAD I. — Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds:					
	Officers . . . . .	2,876	12.7	65,016	3,089	466
B	Ditto: N.C.O.s and men . .	5,345	10.3	77,850	2,058	140
C	Ditto: Civilian personnel . .	915	5.3	28,083	1,130	52
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations	—	0.6	1,723	14	— <sup>2</sup>
E	Maintenance of personnel referred to in sub-heads A to D. . . .	1,148	5.9	75,798	4,620	194
E(a)	Miscellaneous expenses . . . .	—	—	—	—	—
	<b>HEAD II. — Transport.</b>					
F	Horses and other animals, forage, harness and shoeing . .	—	—	—	—	—
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	2,090	1.8	48,771	3,587	175
	<b>HEAD III. — Buildings.</b>					
K	Barracks, other buildings, upkeep, furniture . . . . .	2,121	14.7	208,806	3,511	71
	<b>TOTAL: HEADS I TO III. . . .</b>	<b>14,495</b>	<b>51.3</b>	<b>506,047</b>	<b>18,009</b>	<b>1,098</b>
	<b>HEAD IV. — War Material.</b>					
M	Arms, ammunition and fighting material . . . . .	11,357	26.8	440,022	40,309	1,204
M(a)	Engineer and other warlike stores . . . . .	—	—	—	—	—
N	Manufacture of war material in "non-autonomous" State establishments . . . . .	—	—	—	—	—
	<b>TOTAL: HEAD IV . . . . .</b>	<b>11,357</b>	<b>26.8</b>	<b>440,022</b>	<b>40,309</b>	<b>1,204</b>
	<b>GRAND TOTAL . . . . .</b>	<b>25,852</b>	<b>78.1</b>	<b>946,069</b>	<b>58,318</b>	<b>2,302</b>

<sup>1</sup> Not including administration and instruction expenses.  
<sup>2</sup> A sum of 500 kroner has been allocated to Chapter D.

Table D. — EXPENDITURE FOR AIR FORCES (continued).

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	New Zealand	Netherlands	Poland	Portugal	Roumania
		£	Gulden	Zloty	Escudos	Lei
	<b>HEAD I. — Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds:					
	Officers . . . . .	7.6	818	6,351	4,173	146,330
B	Ditto: N.C.O.s and men . .	11.0	1,890	5,384	1,958	76,875
C	Ditto: Civilian personnel . .	0.2	475	442	1,939	15,788
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations	2.2	148	—	—	—
E	Maintenance of personnel referred to in sub-heads A to D . . .	1.8	323	4,338	3,104	59,306
E(a)	Miscellaneous expenses . . .	—	—	—	—	—
	<b>HEAD II. — Transport.</b>					
F	Horses and other animals, forage, harness and shoeing . .	—	—	—	—	—
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	4.9	663	2,263	1,572	16,318
	<b>HEAD III. — Buildings.</b>					
K	Barracks, other buildings, upkeep, furniture . . . . .	16.4	1,305	9,607	2,000	3,782
	<b>TOTAL: HEADS I TO III . . .</b>	<b>44.1</b>	<b>5,622</b>	<b>28,385</b>	<b>14,746</b>	<b>318,399</b>
	<b>HEAD IV. — War Material.</b>					
M	Arms, ammunition and fighting material . . . . .	22.2	6,991	42,462	5,984	549,283
M(a)	Engineer and other warlike stores . . . . .	—	—	—	—	—
N	Manufacture of war material in "non-autonomous" State establishments . . . . .	—	149	—	—	—
	<b>TOTAL: HEAD IV . . . . .</b>	<b>22.2</b>	<b>7,140</b>	<b>42,462</b>	<b>5,984</b>	<b>549,283</b>
	<b>GRAND TOTAL . . . . .</b>	<b>66.3</b>	<b>12,762</b>	<b>70,847</b>	<b>20,730</b>	<b>867,682</b>

Table D. — EXPENDITURE FOR AIR FORCES (*concluded*).

Figures in national money (ooo's omitted).

Sub-head	Category of Expenditure	Sweden	Switzerland	Czechoslovakia	U.S.S.R.	Yugoslavia
		Kronor	Swiss francs	Koruna	Rubles	Dinar
	<b>HEAD I. — Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds:					
	Officers . . . . .	871	1,275 <sup>1</sup>	13,851	19,930	20,426
B	Ditto: N.C.O.s and men . . .	764		12,839	4,054	5,878
C	Ditto: Civilian personnel . .	193	1,228	557	1,992	6,304
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations	63	—	485	118	160
E	Maintenance of personnel referred to in sub-heads A to D . . .	1,166	362	18,951	22,208	17,504
E(a)	Miscellaneous expenses . . . .	9	—	—	—	—
	<b>HEAD II. — Transport.</b>					
F	Horses and other animals, forage, harness and shoeing . .	—	—	—	—	44
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .	521	504	13,187	13,199	32,474
	<b>HEAD III. — Buildings.</b>					
K	Barracks, other buildings, upkeep, furniture . . . . .	539	196	23,609	22,818	46,554
	<b>TOTAL: HEADS I TO III . . .</b>	<b>4,126</b>	<b>3,565</b>	<b>83,479</b>	<b>84,319</b>	<b>129,344</b>
	<b>HEAD IV. — War Material.</b>					
M	Arms, ammunition and fighting material . . . . .	5,526	3,300	134,283	40,253	174,240
M(a)	Engineer and other warlike stores . . . . .	—	—	9,116	—	—
N	Manufacture of war material in "non-autonomous" State establishments . . . . .	—	—	1,120	—	—
	<b>TOTAL: HEAD IV . . . . .</b>	<b>5,526</b>	<b>3,300</b>	<b>144,519</b>	<b>40,253</b>	<b>174,240</b>
	<b>GRAND TOTAL . . . . .</b>	<b>9,652</b>	<b>6,865</b>	<b>227,998</b>	<b>124,572</b>	<b>303,584</b>

<sup>1</sup> Total amount for Chapters A and B.

**Appendix: Annexed Tables to the Model Statement.**

It seemed advisable to give hereunder a statement of the wording of the tables annexed to the Model Statements submitted by the various countries.

**TABLE A. <sup>1</sup> — EXPENDITURE ON PAY OF RESERVES FOR THE YEAR . . . .**

- 1. Remuneration outside periods of training of personnel not employed \_\_\_\_\_
- 2. Remuneration during training of reservists called up. \_\_\_\_\_

**TABLE B. <sup>1</sup> — EXPENDITURE ON SHIPBUILDING FOR THE YEAR . . . .**

- 1. New construction. \_\_\_\_\_
- 2. Maintenance and repairs. . . . . \_\_\_\_\_

**TABLE C. <sup>1</sup> — STATEMENT OF THE AMOUNT OUTSTANDING, AT THE END OF THE FINANCIAL YEAR . . . OF BLOCK CREDITS VOTED IN RESPECT OF EXPENDITURE FOR MORE THAN ONE YEAR.** \_\_\_\_\_

**TABLE D. <sup>2</sup> — STATEMENT OF THE AMOUNT OUTSTANDING ON THE . . . (DATE) IN RESPECT OF PURCHASES ON CREDIT OR DEFERRED PAYMENTS RELATING TO GOODS DELIVERED OR SERVICES RENDERED, IN CASES WHERE THE DUE DATES OF PAYMENT ARE LATER THAN THOSE CUSTOMARY IN CONTRACTS OF THE SAME KIND WHICH DO NOT PROVIDE ANY SPECIAL CREDIT FACILITIES.** \_\_\_\_\_

**TABLE E. <sup>2</sup> — STATEMENT FOR THE FINANCIAL YEAR . . . OF LOANS MADE TO, OR PARTICIPATIONS ACQUIRED IN, ENTERPRISES HAVING AMONG THEIR OBJECTS THE FURNISHING OF GOODS OR SERVICES FOR ARMAMENT PURPOSES, WHERE THESE HAVE BEEN EXCLUDED FROM THE RETURN ON THE GROUND THAT THEY ARE NOT REGARDED AS ARMAMENT EXPENDITURE.** \_\_\_\_\_

**TABLE F. <sup>1</sup> — EXPENDITURE IN RESPECT OF PENSIONS FOR THE YEAR . . . .**

- I. Military personnel:
  - (a) Service pensions; \_\_\_\_\_
  - (b) Invalidity pensions; \_\_\_\_\_
  - (c) Mixed pensions; \_\_\_\_\_
- II. Civil personnel: pensions; \_\_\_\_\_
- III. War pensions, if a distinction is made in the national budget between ordinary pensions and war pensions (if not, these pensions must appear under headings I and II); \_\_\_\_\_
- IV. Pensions or other compensation granted, apart from the regulations regarding normal pensions, for premature retirement, discharge or loss of office resulting from a reduction of the forces. \_\_\_\_\_

**TABLE G. <sup>1</sup> — PRINCIPAL MODIFICATIONS MADE SINCE THE LAST RETURN IN:**

- 1. Provisions relating to the grant of pensions of any contributions made by the personnel towards the cost of these pensions. \_\_\_\_\_
- 2. Provisions relating to the taxation of the pay or pensions of the personnel. \_\_\_\_\_
- 3. Provisions relating to social insurance or analogous benefits of the personnel, and to the contributions made by the personnel for this purpose. \_\_\_\_\_

<sup>1</sup> See Chapter 20 of the Report of Budgetary Experts (page 22).  
<sup>2</sup> See Chapters 6 and 20 of the Report of Budgetary Experts (pages 10 and 22).  
<sup>3</sup> See Chapters 8 and 20 of the Report of Budgetary Experts (pages 11 and 22).



ANNEX 2.

TABLE FOR ROUGH CONVERSION OF CURRENCIES <sup>1</sup>

ACCORDING TO THE AVERAGE EXCHANGE RATES FOR THE PERIODS TO WHICH THE MODEL STATEMENTS OF THE VARIOUS COUNTRIES RELATE.

Pays	Années Years	Unité monétaire Monetary Unit	\$1	1 franc suisse 1 Swiss franc	1 franc français 1 French franc	Countries
Afrique du Sud . . .	1930-31	£	4.8	24.8	123	South Africa
Albanie . . . . .	1930-31	Franc	0.2	1	4.9	Albania
Allemagne . . . . .	1930-31	RM.	0.24	1.2	6.1	Germany
Australie . . . . .	1929-30	£	4.7	24.4	120	Australia
Autriche . . . . .	1930	Schilling	0.14	0.7	3.6	Austria
Belgique . . . . .	1930	Franc	0.14	0.7	3.6	Belgium
Royaume-Uni. . . .	1929	£	4.9	25	124	United Kingdom
Bulgarie . . . . .	1930-31	Lev	0.007	0.04	0.2	Bulgaria
Canada. . . . .	1930-31	\$	1	5.2	25	Canada
Danemark . . . . .	1930-31	Krone	0.3	1.4	6.8	Denmark
Espagne . . . . .	1930	Peseta	0.12	0.6	3	Spain
Etats-Unis d'Amérique	1930	\$	1	5.2	25	United States of America
Finlande . . . . .	1930	Markka	0.025	0.13	0.6	Finland
France . . . . .	1930-31	Franc	0.04	0.2	1	France
Inde . . . . .	1929-30	Rupee	0.4	1.9	9.2	India
Irlande (Etat libre d')	1930-31	£	4.9	25	124	Irish Free State
Italie . . . . .	1930-31	Lira	0.05	0.3	1.3	Italy
Japon . . . . .	1929	Yen	0.5	2.4	12	Japan
Norvège . . . . .	1930-31	Krone	0.3	1.4	6.8	Norway
Nouvelle-Zélande . .	1930-31	£	4.6	23.7	117	New Zealand
Pays-Bas . . . . .	1929	Gulden	0.4	2.1	10	Netherlands
Pologne . . . . .	1929-30	Zloty	0.1	0.6	2.9	Poland
Portugal . . . . .	1930-31	Escudo	0.045	0.2	1.1	Portugal
Roumanie . . . . .	1931	Leu	0.006	0.03	0.15	Roumania
Suède . . . . .	1929-30	Krona	0.3	1.4	6.8	Sweden
Suisse . . . . .	1930	Franc	0.2	1	4.9	Switzerland
Tchécoslovaquie. . .	1930	Koruna	0.03	0.15	0.76	Czechoslovakia
U.R.S.S. . . . .	1929-30	Rouble	0.5	2.6	13	U.S.S.R.
Yougoslavie . . . .	1929-30	Dinar	0.018	0.09	0.45	Yugoslavia

Table compiled by the Financial Section and Economic Intelligence Service.

<sup>1</sup> For rough conversion into \$, Sw. frs., Fr.frs., of figures given in currencies of the various countries multiply by the above coefficients.

Addendum to **Conf. D.158.**  
[Conf.D./C.D./C.T.160(2).]

Geneva, June 19th, 1933.

**LEAGUE OF NATIONS**

**Conference for the Reduction and Limitation of Armaments**

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**NATIONAL DEFENCE EXPENDITURE COMMISSION**

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**ADDENDUM TO THE REPORT OF THE  
TECHNICAL COMMITTEE**

**Volume II**

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**Summary of the Information  
supplied to the Technical Committee on the Subject  
of the National Defence Expenditure of the  
UNION OF SOVIET SOCIALIST REPUBLICS**

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Series of League of Nations Publications

IX. DISARMAMENT ✓

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## UNION OF SOVIET SOCIALIST REPUBLICS.<sup>1</sup>

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

In the U.S.S.R. there is a special budget for each of the seven Confederated Socialist Republics and one general budget for the Union. The latter includes the receipts and expenditure of the departments and undertakings concerning the Union as a whole. The eight budgets taken together form the *unitary State budget* of the Union.

The draft budgets are *prepared* by the departments concerned.

The draft budget of each of the Confederated Republics is *centralised* by the People's Commissary for Finance of that Republic. The draft general budget of the U.S.S.R. is *centralised* by the People's Commissary for Finance of the Union.

The draft budgets of the Confederated Republics are *prepared* by the Governments of those Republics. The draft general budget of the Union is *prepared* by the Government of the Union.

The eight draft budgets are then transmitted to the People's Commissary for Finance of the Union, who incorporates the budgets of the seven Confederated Republics in a single draft and that of the Union in a single draft, which is submitted to the Council of People's Commissaries of the Union. The latter draws up the draft *State budget* of the U.S.S.R.

#### 2. *Discussion and Voting of the Budget.*

(a) In each of the Confederated Republics the draft budgets are approved by the Central Executive Committee of that Republic before being transmitted to the Central Executive Committee of the Union.

The unitary State budget of the Union is discussed and voted by groups, paragraphs and articles by the Central Executive Committee of the Union. The budget of the People's Commissariat for Military and Naval Affairs is divided into paragraphs and articles. The draft general budget is first discussed by a Commission of that Committee known as the Budget Commission. It draws up a report, which is submitted to the Executive Committee at a plenary meeting. This report is not published. The speech of the Rapporteur of the Commission to the Plenary Central Executive Committee is, however, published.

Neither existing legislation nor general practice limits the right of initiative of members of the legislative bodies, the central executive committees of the Republics and the Central Executive Committee of the Union concerning the introduction into the draft budget of amendments reducing or increasing the expenditure or revenue.

(b) National defence expenditure is *voted each year*. If the budget is not voted at the beginning of the financial year, the necessary credits are authorised by a special decree of the Central Executive Committee of the Union, promulgated on the report of the Council of People's Commissaries. In this case, the estimates of expenditure are drawn up in accordance with the draft budget estimates and more particularly on the basis of the estimates for the first quarter.

(c) The execution of the budget is authorised by a special act promulgated by the Central Executive Committee of the Union.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

(a) The draft budget is not published.

(b) The budget as voted is officially published, but, as regards national defence expenditure, this publication does not include the individual items of this expenditure approved by the Central Executive Committee. It merely gives an aggregate figure for national defence expenditure as a whole.

(c) The accounts relating to the execution of the budget are published but are not put on sale; they are sent to certain institutions of the U.S.S.R. and abroad and distributed to the public libraries of the Union; they are thus accessible to anyone who wishes to consult them.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The approval of a credit by the Central Executive Committees fixes the total amount of payments which can be made in the course of a budgetary year.

In principle, payments in respect of a financial year can only be made during twelve months. Any payment outstanding at the end of the budgetary year must be charged to the budget of the

<sup>1</sup> This summary has been drawn up on the basis of written information submitted by the U.S.S.R. delegation; the representatives of that delegation were not present at the meeting at which the Soviet documentation was discussed by the Technical Committee.

ensuing year. The following are the only exceptions to this rule: when a payment order has been paid by one of the local agencies of the State Bank before December 31st, the amount may be charged to the credit balances account of the previous budgetary year, not later than one month after the commencement of the next budgetary year, for the purpose of reimbursing to the Bank the amount paid by it to the State's creditor.

Similarly, payments out of credits for construction may be charged to the credit balances account for the previous year during a period of three months.

(b) The rule of *annuité* is observed—that is to say, in principle, credits not expended at the end of the year are cancelled.

Nevertheless, the validity of credits for construction can be prolonged beyond the close of the financial year. This prolongation is authorised by the People's Commissaries for Finance; it need not be re-approved by the Central Executive Committees. The corresponding expenditure is charged to the account for the following budgetary year as extra-budgetary expenditure in respect of credit balances not expended at the close of the previous year.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) Although the sole State budget published only gives a lump sum for national defence expenditure, such expenditure is approved by the legislative organs paragraph by paragraph and article by article. These subdivisions are only indicated in documents for internal use.

(b) The published closed accounts are drawn up in the same form as the published budget and consequently only show a lump sum for national defence expenditure.

(c) *Transfers* of credits between the articles and paragraphs of the budgets and between the budgets themselves are subject to the following rules:

(1) Credits may be transferred from one article to another within one and the same budget by the mere decision of the department receiving the credit. Credits allocated to the payment of wages may not, however, be used for any other purpose except by agreement between the department receiving the credit and the People's Commissary of Finance of the Republic concerned.

(2) Credits may be transferred from one article to another by the People's Commissary of Finance concerned, with the consent of the department receiving the credit. Transfers from one article to another within the Section of the budget category providing for expenditure for the needs of National Re-organisation may, however, only be authorised if the credits of each paragraph are not thereby altered to a greater extent than 5 per cent.

(3) Credits may be transferred from the budget of the Union to the budget of a Confederated Republic or *vice versa*, or from the budget of one Republic to that of another Republic, provided the amount of the transfer does not exceed a certain percentage and the transfer is approved by the Councils of People's Commissaries of the State receiving the credit and of the State benefiting by the transfer. In the budget of the People's Commissariat of Military and Naval Affairs for the year 1929-30, the chapters correspond to the paragraphs and the paragraphs to the articles.

#### 6. *Unity of the budget.*

(a) All national defence expenditure appears in the unitary State budget of the Union, which includes the budget of the Union and the budgets of the Confederated Republics.

Apart from resources provided for national defence by the unitary State budget, measures relating to national defence are financed from other sources: (a) amounts derived from the sale of condemned army stores are used to cover certain expenditure for which the budget does not provide any credits; (b) "patron" organisations sometimes supply to the units of which they are patrons certain sums of money which are used for improving the educational services of soldiers in the Red Army.

No national defence expenditure is included in the budgets of the civil departments (budget of the Union and budget of the Confederated Republics).

The local budgets (budgets of the municipal and district Soviets) are bound, under the law in force relating to local finance, to furnish certain resources to the army, such as buildings for quartering troops and for the military administrations; they undertake to pay for small current repairs for the upkeep of these premises; they also bear certain equipment costs of the centres of mobilisation and pre-military instruction. In practice, the local budgets bear insignificant expenditure in respect of the quartering of the troops. The construction of all new buildings for troops and important repairs are met from the budget of the People's Commissariat for Military and Naval Affairs. The local budget is only responsible for minor current repairs to the extent of 0.5 to 1 per cent of the original value of the buildings.

On the other hand, certain voluntary associations of workers, such as the "Ossoviakhim" and the "Afvtdor," devote part of their funds to national defence. These funds are devoted to the purchase of a certain quantity of war material for the Red Army over and above the quantities provided for by the State budget.

The amount of this expenditure is small and for the year 1929-30 amounted to at most 1 per cent of the grand total of national defence expenditure.

Expenditure is not shown separately for the three forces.

(b) The budgets and accounts, in principle, show gross expenditure.

#### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is carried out:

(a) By the supervision exercised by the administrative chiefs responsible, over their subordinates.

(b) By the *Financial Administration of the Red Army*, an administrative organ subordinated to the People's Commissaries for Military and Naval Affairs.

The Financial Administration of the Red Army has the sole right to issue payment orders payable by the State Bank in settlement of expenditure by the military and naval authorities and services. Before issuing an order of this kind, the financial Administration ascertains that the payment is formally in order. It is also the duty of the Financial Administration of the Red Army to keep accounts regarding the execution of the budget of the People's Commissariat for Military and Naval Affairs, according to each article and paragraph.

The Financial Administration of the Red Army institutes local enquiries in order to supervise the use of public funds by the local establishments.

(c) By the *State Bank*, whose duty it is to make all payments. If the credits periodically allocated (for not more than three months) to the authorities issuing orders for payment are exhausted, the State Bank must refuse the payment of bills.

(d) By the *People's Commissariat for Workmen's and Peasants' Inspection*, which is entitled to institute inspections with a view to supervising the financial operations of the departments in receipt of credits.

(e) By the *Budgetary Commission of the Central Executive Committee*. All current accounts in execution of the budget must be submitted to it. In addition, in practice, some of its members proceed to the spot to investigate the execution of the budget in the Confederated Republics and in the various branches of the State administration.

#### 8. *Final Audit.*

Final audit is carried out:

(a) By the *People's Commissariat for Workmen's and Peasants' Inspection*. The accounts in execution of the national defence budget are audited by the People's Commissary for Workmen's and Peasants' Inspection, who submits his opinions to the Council of People's Commissaries. This opinion is not published. The People's Commissariat for Workmen's and Peasants' Inspection is independent of the People's Commissariat for Military and Naval Affairs and of the People's Commissariat for Finance. It is entitled for auditing purposes to demand all documents relating to the financial and economic operations of the various ministerial departments. The People's Commissary for Workmen's and Peasants' Inspection is appointed and dismissed by the Central Executive Committee. He is a member of that Committee.

(b) By the *People's Commissary for Finance*. The People's Commissary for Finance of the Union submits to the Council of People's Commissaries a general report on the execution of the budget. This report is published. It serves at the same time as a report on the budget and is approved with certain changes by a special decision of the Central Executive Committee. This decision, which mentions the alterations made, is promulgated in the same way as a law.

(c) By the *Budgetary Commission of the Central Executive Committee*. This Commission examines the annual report on the execution of the unitary State budget of the U.S.S.R. before transmitting it to the Central Executive Committee of the Union. It appoints from its own members sub-committees for the detailed study of the report. The representatives of the People's Commissariat for Finance of the U.S.S.R. and the Governments of the Confederated Republics, together with the representatives of the U.S.S.R. organisations concerned, may also be requested to supply explanations in respect of this report.

(d) By the *Central Executive Committee of the U.S.S.R.* The report on the execution of the budget approved by the Budgetary Commission of the Central Executive Committee is addressed to that Committee. After hearing the Council of People's Commissaries and obtaining the views of the Budgetary Commission, the Central Executive Committee finally approves the report on the execution of the budget.

Decrees of the Central Executive Committee regarding the final passing of the general accounts are promulgated each year.

They contain indications as to the result of the execution of the budget and the defects and irregularities noted during the financial year and mention improvements considered necessary in budgetary matters and instructions given by the Governments of the U.S.S.R. and of the Confederated Republics to the organs executing the budget.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

At the time to which the Model Statement refers, the budgetary year extended from October 1st to September 30th.

No payment chargeable to the account of a budgetary year can be effected after the end of the year. There is an additional period of one month during which payments made during the budgetary year by the local branches of the State Bank for account of the central budget can be adjusted.

Since 1931, the budgetary year extends from January 1st to December 31st. Certain credits provided for constructional work remain available for three months after the end of the budgetary year; expenditure relating to them is charged to the account of the year during which the disbursement is made.

### 2. *Budgets and Accounts.*

There is only one department of National Defence (People's Commissariat for Military and Naval Affairs). Expenditure on the three armed forces is submitted in a single budget and account.

### 3. *The Model Statement.*

The Model Statement relates to the budgetary year 1929-30. The tables relating to the three forces have been filled in. The Model Statement shows the disbursements made during the twelve months of the budgetary year. The figures indicate gross expenditure.

The expenditure shown in the Model Statement is taken from national defence accounts to the extent of 94.5 per cent.

In addition, it includes expenditure figuring in:

The accounts of two civil establishments;

Certain special accounts;

The budgets of local authorities;

Expenditure incurred by the Society of Aerial and Chemical Defence in respect of appropriations for the purchase of war material for the Red Army.

The local budgets are not published; but particulars regarding the figures of these budgets appear in a report drawn up by the People's Commissariat for Finance and published. Expenditure relating to national defence appearing in that report is not shown separately either in the budgets or in the accounts.

### 4. *Execution of the Budget.*

Payments are made through the Central Financial Administration of the Red Army, which exercises preliminary supervision by auditing the bills, which must be submitted to it. In addition, the Financial Administration has inspectors, who carry out enquiries among the military units and services disposing of budgetary credits. The People's Commissariat for Workmen's and Peasants' Inspection of the Union is responsible for control and supervision over economic and financial operations.

### 5. *The Accounts.*

Only one audited figure is published, which shows the total amount of the expenditure on the three armed forces. Since there are no separate accounts for these forces, all the figures appearing in the Model Statement are based either on internal accounts or on estimates.

The distribution of the expenditure among the tables and headings of the Model Statement has been effected by means of a statement of accounts submitted by the People's Commissariat for Military and Naval Affairs to the People's Commissariat for Finance. This statement contains about sixty headings. It is not published.

The People's Commissariat for Military and Naval Affairs does not possess any undertaking enjoying budgetary autonomy.

The present date of closing the accounts is December 31st.

### 6. *Audit and Publication of the Accounts.*

The national defence accounts are audited by the People's Commissariat for Finance and are shown as a lump sum in the report on the execution of the unitary State budget prepared by the latter.

The accounts of special funds at the disposal of the People's Commissariat for Military and Naval Affairs are not embodied in the accounts of this Department, but appear separately in the report drawn up by the People's Commissariat for Finance. They are subject to the same audit as the other State accounts.

The report on the execution of the budget is first submitted for audit to the People's Commissariat for Workmen's and Peasants' Inspection of the Union (the highest auditing and

supervisory organ in financial matters), and is then submitted to the Government, with the observations of this Commissariat, within about six months after the end of the budgetary year. The observations of the People's Commissariat for Workmen's and Peasants' Inspection are not published.

The methods and exact conditions for submitting the report are laid down in special decrees. The report is published, generally before the end of the following budgetary year, so that it can be submitted, as provided by law, for the approval of the legislative organ together with the budget of the next following year.

## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

(a) The relation between the accounts and the Model Statement has been established with the assistance of the reconciliation table.

(b) The Soviet Model Statement contains only expenditure relating to the *armed forces*.

### 2. *Military Departments.*

(a) The Model Statement contains, as a rule, the total amount of *pay*, salaries and wages; but persons called up for periods of training continue to receive their civilian salaries. The officers only receive from the Commissariat for Military and Naval Affairs the difference between their civil salaries and the remuneration accorded to the corresponding military category. The civil salaries are not included in the Model Statement, as the delegation considers it impossible to estimate their amount.

(b) There are no *advances* of pay.

(c) The expenditure on *material purchased abroad* is effected through the People's Commissariat for Finance. In the budget of the Commissariat for Military and Naval Affairs, this category of expenditure is shown in roubles. The amounts are converted at par in accordance with the official rate of exchange established by the State Bank for Foreign Currencies.

### 3. *Civil Departments.*

(a) The Commissariat for Military and Naval Affairs does not incur any expenditure for *civil aviation*.

(b) *Military transport* by rail or water is effected at special military rates which are in general lower than the usual rates. No estimate of these reductions has been made. To estimate the cost of military transport at the usual rates would present great difficulties, as it would involve an immense amount of technical work.

(c) The armed forces do not enjoy any special facility with regard to *posts* or *telegraphs*.

(d) The services of the Commissariat for Military and Naval Affairs, the war industries and the personnel of the army are exempt from a number of *charges* and *taxes*. No estimate of the value of those privileges could be made.

(e) The Commissariat for Military and Naval Affairs has its own *judicial* machinery, the expenditure in respect of which is covered by the budget.

### 4. *Special Questions.*

(a) The Soviet delegation has not included in the Model Statement the expenditure in respect of the special troops and the O.G.P.U. troops, as the Conference has not yet defined or enumerated the formations *organised on a military basis*.

(b) *Local budgets* (budgets of the municipal and district Soviets) are, under the existing law on local finances, required to furnish the army with certain resources, such as barracks and housing accommodation for military administrative departments; minor current repairs for the upkeep of those premises are a charge upon them; they also meet certain expenditure for the equipment of mobilisation and pre-military training centres. In practice, the local budgets bear the minor expenditure relating to the quartering of troops. The construction of all new buildings for troops and major repairs are met from the budget of the People's Commissariat for Military and Naval Affairs. The local budget is responsible only for lesser current repairs to the extent of 0.5 to 1 per cent of the original value of the buildings.

(c) The *budgets of the Confederate Republics* are included in the unitary State budget of the Union.

(d) Certain voluntary *associations*, such as the "Ossoaviakhim" and the "Afavtodor", devote part of their funds to national defence. These funds are used for the purchase of a certain quantity of war material for the Red Army, over and above the quantities provided by the State. The Model Statement contains an item which would represent the value of those funds placed at the disposal of the Red Army.

(e) The Model Statement does not include expenditure incurred for *war industries* in the U.S.S.R. The Soviet delegation expressed the opinion that, in view of the peculiar character of the economic system of the U.S.S.R., the expenditure of the Soviet State on its war industry ought to be dealt with on the same principles as the investments made by private persons in war industries in other countries.

(f) There are *special funds*. These funds are derived from the revenue of the People's Commissariats or of the institutions possessing a separate budget, and are used for specific objects for which no provision is made in the budget.

The amounts of the receipts and expenditure of the special funds are shown in the 1929-30 budget. The expenditure of the special funds relating to military and naval affairs is included in the Model Statement.

(g) The expenditure on national defence is not provided for from *loans*.

(h) In the U.S.S.R., no deductions are made from soldiers' pay for the *pensions funds*, as these are exclusively a charge upon the State and are, as such, included in the Model Statement.

Allowances for medical treatment for military personnel and allowances paid on the occasion of the birth of children or for funerals or in cases of accidents are also included.

(i) All war material comes from establishments administered more or less directly by the State. All this material is delivered to the Commissariat for Military and Naval Affairs at prices which include all costs of production.

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#### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

##### 1. *Separation of Expenditure on the Three Forces.*

There is only one Ministry and one budget of national defence, and the expenditure on the three forces is included in a single account. Only one figure is published—namely, the total expenditure on the three forces. The figures have been distributed among the items of the Model Statement,

(a) On the basis of internal accounts and, in particular, of the accounts submitted to the Finance Commissariat by the Financial Section of the Red Army;

(b) By means of estimates, especially in the case of the special funds and the expenditure met from the local budgets. In certain cases, this estimate has been based on the relative strength of the personnel of the three forces.

Apart from the general difficulties encountered in allocating the figures between the three forces, it would seem that the figures under head IV are more exact than those of the remainder of the Model Statement, as, in the case of head IV, the internal accounts have been of greater assistance.

The budget accounts do not contain sufficient data to allow of the allocation between the three forces of certain fairly important categories of expenditure—such as those relating to pay, food, clothing, constructional work, etc. This allocation has therefore been effected by means of estimates.

In the opinion of the Soviet delegation, there will be no difficulty in introducing into the budget and accountancy system of the U.S.S.R. and the Confederate Republics the changes necessary to ensure the most complete supervision over the execution of the obligations assumed under the Convention, provided that the object of such Convention is a real reduction in armaments.

##### 2. *Coast Defence.*

All expenditure incurred in respect of coast defence has been included in the Model Statement of the naval forces.

##### 3. *Optional Columns.*

No expenditure has been included in the Model Statement for the formations organised on a military basis in the absence of a conventional definition of that term.

##### 4. *Division of Expenditure between the Sub-heads of the Model Statement.*

As regards more than one-fifth of the total amount of expenditure shown in the annual report on the accounts of the People's Commissariat for Military and Naval Affairs, it was necessary to sub-divide the figures contained in those accounts between the various sub-heads of the Model Statement.



Certain difficulties due to the interpretation of the instructions of the budgetary experts or to the Soviet system of organisation should be mentioned.

The remuneration of professors and teachers was included in sub-head E instead of being included in the sub-heads dealing with pay.

The expenditure on posts and telegraphs was shown in sub-head E instead of G.

Certain expenditure on shoeing and the maintenance of horses belonging to the units to which are assigned the receipts derived from the sale of condemned army stores—clothing and equipment—is shown under sub-head E instead of under sub-head F.

Lodging allowances were included in the sub-heads relating to pay, etc., instead of in sub-head K.

#### 5. *Head IV: Separation from Other Heads.*

The expenditure relative to the remuneration of the permanent civil staff and the staff of military engineers employed in the war material workshops of the People's Commissariat for Military and Naval Affairs have been included in the sub-heads relating to pay.

Expenditure incurred by the units for the oiling and upkeep of their arms are charged to sub-head E.

Certain expenditure for the repair and upkeep of lorries and air material, which should have been charged to head IV, are shown in sub-head G.

#### 6. *Head IV: Division between Sub-Heads.*

It was not possible to divide the total amount of head IV of Table C between the sub-heads of that head, because the expenditure in respect of the construction, upkeep and repair of ships is included in a single paragraph of the National Defence Budget and there are no special accounts with the help of which this division could have been effected.

#### 7. *Special Questions.*

(a) *Civilian Employees.* — Expenditure on the remuneration of permanent civilian staff is shown under sub-head C. Expenditure in respect of hired personnel is shown in sub-head E, with the exception of the pay of workmen employed in the war material workshops, which comes under head IV.

(b) *Allowances.* — Housing allowances come under sub-heads A, B, and C, while those for food and equipment are shown under sub-head E.

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### E. TABLES ANNEXED TO THE MODEL STATEMENT.

#### *Table A.*

(a) *Article 1.* — The word "nil" under this article shows that the reserve officers, N.C.O.s and men receive no remuneration when they are not serving with the colours.

(b) *Article 2.* — The amount corresponds to the total of the three sub-heads D of the three Model Statements B, C and D.

(c) *Article 2.* — Only the pay of reservists serving with the colours is included; their maintenance is not included.

(d) *Article 2.* — Allowances to the families of reservists serving with the colours are not included in this article.

(e) *Article 2.* — Expenditure in respect of the training of reservists is not included, but is included in the various sub-heads of the Model Statement.

#### *Table B.*

(a) The amount shown represents not only the expenditure on naval construction (hulls and engines) but also expenditure on arms and ammunition (sub-head M of the Model Statement). The ratio between this last item of expenditure and the total amount of head IV may be estimated at 25 per cent.

(b) This only includes expenditure on upkeep of ships during their stay in port.

#### *Table C.*

The word "nil" has been entered in this table. The balances of special funds available as at September 30th, 1930, should be included.

*Table D.*

The 10,340,000 roubles mentioned in this table represent the indebtedness of the People's Commissariat for Military and Naval Affairs in respect of its purchases abroad.

*Table E.*

Obviously, since all undertakings, including those which provide goods or services for national defence purposes, belong to the State, a figure should be inserted in Table E, but it is noted that the Soviet delegation has not seen fit to indicate this figure.

*Table F.*

In the U.S.S.R. there are two kinds of military pensions:

(1) The pensions paid to persons incapacitated in the world war and the civil war and to their families;

(2) The pensions paid to officers discharged from the Red Army on account of disability or age and also pensions granted to families of deceased persons who belonged to cadres of the Red Army.

The first category of pensions is borne by the local budgets. The expenditure under this head amounted in 1929-30 to 37,917,800 roubles. The expenditure indicated on page 40 of the report on the administration of the local budgets should be included in Table F.

The second category of military pensions has not been excluded from the Model Statement, as the funds needed for the payment of those pensions are all derived from the State budget and nothing is deducted under that head from the salary or pay of soldiers. Since the report of the budgetary experts recommends the inclusion in the Model Statement of the whole of the pay, not excluding the sums paid to the pensions funds, and since no deductions are made from the pay of officers of the Red Army nor any payments made by the latter, the Soviet delegation decided that it should not exclude from the Model Statement the expenditure on military pensions. The Soviet delegation has no objection to that expenditure being shown under Table F, but states that it is impossible correctly to estimate the amount of such expenditure for the *exercice* 1929-30, as the expenditure on pensions has not been collected in a special paragraph of the account.

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**List of Documents.**

Budgetary System: Reply of the Soviet Delegation to the Questionnaire of the Technical Committee (document Conf.D./C.D./C.T./28).

Explanations in regard to the documentation as a whole supplied by the Soviet Delegation (document Conf.D./C.D./C.T./96).

Model Statement and annexed tables. Reconciliation tables (document Conf.D./C.D./C.T./96).

Unitary State Budget of the Union of Soviet Socialist Republics (October 1929-September 1930) (Edinii Gosudarstvennii Biudjet Soiusa Sovietskikh Sozialisticheskikh Respublik, za 1929—306).

Report of the People's Commissariat for Finance of the U.S.S.R. on the fulfilment of the Unitary State Budget of the Union of Soviet Socialist Republics for the year 1929-30 (Otchet Narodnogo Komissariata Finansow Soiusa Sovietskikh Sozialisticheskikh Respublik ob ispolnenii edinogo gosudarstvennogo biudjeta).

Execution of the local budgets of the Union of Soviet Socialist Republics for the year 1929-30 and for a supplementary three months' period of the year 1930 (Ispolnenie Mestnich Biudjetow S.S.S.R. za 1929-30 God i Osobii Kwartal 1930 Goda).

A copy of the yearly statement of account on the estimates of the People's Commissariat for War and Marine, drawn up by the Central Finance Department of the Workers' and Peasants' Red Army and checked and confirmed by the People's Commissariat for Finance of the U.S.S.R. (document Conf.D./C.D./C.T./96).

A list of expenditure incurred by the People's Commissariat for War and Marine in the 1929-30 budget year which was not reflected in the general war estimates (document Conf.D./C.D./C.T./96).

A list of expenditure, connected with national defence and incurred in the budget year 1929-30, which was placed to the account of local budgets or of the estimates of Civil People's Commissariats (document Conf.D./C.D./C.T./96).

Statement of the value of armaments manufactured and presented to the Red Army at the expense of voluntary societies of the workers (document Conf.D./C.D./C.T./96).

Statement of expenditure incurred by the People's Commissariat in the budget for War and Marine in 1929-30, which is not related to national defence (document Conf.D./C.D./C.T./96).

Observations of the Technical Committee (document Conf.D./C.D./C.T./110).

Reply of the Delegation of the Union of Soviet Socialist Republics (document Conf.D./C.D./C.T./124).

Minutes of the audition meeting of the Technical Committee (document Conf.D./C.D./C.T./P.V. Audition 18).

Supplementary information (document Conf.D./C.D./C.T./167).

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Geneva, January 14th, 1935.

LEAGUE OF NATIONS

CONFERENCE FOR THE REDUCTION AND LIMITATION  
OF ARMAMENTS

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NATIONAL DEFENCE EXPENDITURE  
COMMISSION

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REPORT  
OF THE  
TECHNICAL COMMITTEE

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Volume III  
(Complementary)

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IX. DISARMAMENT ✓

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## PART II.

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<sup>1</sup> In order to facilitate simultaneous reference to the French and the English texts, the States have been listed in the two editions of this volume in the alphabetical order of the French text.

## COVERING LETTERS.

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### 1. LETTER FROM M. A. DE VASCONCELLOS, PRESIDENT OF THE NATIONAL DEFENCE EXPENDITURE COMMISSION, TO Mr. A. HENDERSON, PRESIDENT OF THE CONFERENCE FOR THE REDUCTION AND LIMITATION OF ARMAMENTS.

[*Translation.*]

Geneva, January 14th, 1935.

Mr. President,

I have the honour to forward to you herewith a letter from His Excellency M. de Modzelewski, acting Chairman of the Technical Committee of the National Defence Expenditure Commission, transmitting the Committee's complementary report.

In this report, the Technical Committee has, as you will observe, carried out a two-fold task entrusted to it by the National Defence Expenditure Commission and the General Commission respectively.

As President of the National Defence Expenditure Commission, I have the honour to forward to you the Technical Committee's report with a request that you will be good enough to take such action thereon as may be appropriate.

I have the honour to be, etc.

(*Signed*) A. DE VASCONCELLOS.

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### 2. LETTER FROM M. J. DE MODZELEWSKI, ACTING CHAIRMAN OF THE TECHNICAL COMMITTEE ON NATIONAL DEFENCE EXPENDITURE, TO M. A. DE VASCONCELLOS, PRESIDENT OF THE NATIONAL DEFENCE EXPENDITURE COMMISSION.

[*Translation.*]

Geneva, January 12th, 1935.

Mr. President,

I have the honour to forward to you herewith Volume III (Complementary) of the report drawn up by the Technical Committee.

This document was adopted unanimously, the members who took part in the Committee's work being :

Major-General L. BARBERIS (Italy);  
Lieutenant-Colonel S. G. V. ELLIS, former Military Accountant-General (India);  
Mr. M. H. FITZGERALD (United Kingdom);  
M. R. JACOMET, Comptroller-General of the Army (France), Rapporteur-General;  
Major B. MOKRZYCKI (Poland);  
M. YOKOYAMA, Consul-General (Japan), assisted by M. NISHIMURA.

The attached volume is a continuation of Volumes I and II, which were submitted to and approved by the National Defence Expenditure Commission in May 1933.

The present report also contains certain proposals relative to the draft "Instruments necessary for the Application of a System of Publicity of National Defence Expenditure"

(document Conf.D./C.G.160) prepared by the Technical Committee in pursuance of the resolution adopted by the General Commission on June 8th, 1933.

As the task which the Technical Committee has been called upon to carry out in the present phase of its activities is based upon decisions taken both by the General Commission and the Expenditure Commission, I consider that the appropriate course is for me to communicate the present volume to you with the request that you will be good enough to forward it to the President of the Conference.

The Committee has also instructed me to lay before the Conference certain considerations to which it attaches special importance. I have accordingly the honour to transmit to you these considerations, which are set forth in the following text adopted by the Committee :

“ The Committee desires to point out, firstly, that, in submitting its final draft for a Convention, it has only taken into consideration the technical requirements of a system of publicity of national defence expenditure. Accordingly, should it be thought advisable ultimately to co-ordinate budgetary publicity with other forms of publicity, this co-ordination should, from the technical point of view, be achieved by means of supplementary instruments independent of the system of budgetary publicity proper.

“ The stipulations of the draft Convention on budgetary publicity comprise all the obligations the observance of which is requisite for the application of the proposed system. The Committee considers moreover that, in present circumstances, it is not possible to ask the Powers to agree to an extension of these obligations.

“ The Committee recalls that its draft Convention has been drawn up without prejudice to the general provisions which may be adopted as regards supervision.

“ It also draws attention to the fact that subsequent decisions of the Conference regarding police forces and similar formations would make it possible to define, as regards these formations, the items of expenditure to which budgetary publicity should relate.”

Lastly, I wish to make clear that, in the report which I am forwarding to you, no mention is made of the questions which have been referred to the Technical Committee by other organs of the Conference since June 8th, 1933.

I have the honour to be, etc.

*(Signed) J. DE MODZELEWSKI,*  
*Acting Chairman of the Technical Committee.*

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## Part I.

### Chapter I.

#### INTRODUCTION: SCOPE OF THE PRESENT VOLUME.

In April 1933, the Technical Committee submitted to the National Defence Expenditure Commission a general report (document Conf.D.158, Volume I). This report contains the general findings of the Committee with regard to the machinery for limitation and publicity of expenditure evolved by the Committee after a complete examination of the documentary material submitted by nineteen Powers and a partial examination of the documentary material submitted by ten other Powers.

Volume II of the report contains a summary of information for each of the nineteen Powers referred to, showing the essential features of their budgetary systems and defence expenditure.

The Committee's main report was published with the following reservation :<sup>1</sup>

“ It is regrettable from the point of view of the universality of its work that the Committee has not yet been able to examine the documents of all the countries represented at the Conference, and it is therefore necessary to make all reservations regarding the application of the system of limitation and publicity to those countries . . . . ”

The Committee drew special attention to the fact that the military expenditure of the countries examined represented some 90 per cent of the world's expenditure on national defence.

In submitting its main report, the Committee informed the National Defence Expenditure Commission that it proposed “ to submit a subsequent report on the essential facts relating to countries the examination of whose documents is not yet completed and other countries which may subsequently send in their documents ”.<sup>2</sup>

The National Defence Expenditure Commission in its report to the General Commission made it clear for its part that, “ in order to permit of the drawing-up of instructions applicable to all countries, it seems particularly important that the Technical Committee should be in a position to examine the documentation of all the States without delay ”.<sup>3</sup> Subsequently, the General Commission put on one side, for the time being, the study of the problems connected with limitation, and, in its resolution of June 8th,<sup>4</sup> requested the Technical Committee, on the one hand, “ to continue in view of a universal application of a system of publicity its examination of the documents transmitted by the various States ”, and, on the other hand, to prepare the necessary draft articles, with their annexes, for the application of such a system.<sup>5</sup>

The Technical Committee did not think it necessary to wait for the completion of the examination of the documents of all countries before carrying out the second part of these instructions. It therefore prepared a draft Convention, which was reproduced in document Conf.D./C.G.160, dated December 11th, 1933.<sup>6</sup> This draft was submitted to the General Commission. The latter duly took cognisance of the draft but has not yet discussed it.

\* \* \*

<sup>1</sup> Report of the Technical Committee (document Conf.D.158), Volume I, page 6.

<sup>2</sup> Report of the Technical Committee (document Conf.D.158), Volume I, page 7.

<sup>3</sup> Report of the National Defence Expenditure Commission to the General Commission (document Conf.D.161), page 6.

<sup>4</sup> Document Conf.D./C.G.135(1), No. 3 (b).

<sup>5</sup> Document Conf.D./C.G.135(1), No. 3 (a).

<sup>6</sup> In the present report, frequent allusion is made to the articles of the draft Convention on publicity of national defence expenditure. The text of these articles and a list of their annexes are attached to the report (Annex 1). For the complete text of the annexes to the draft Convention, see document Conf.D./C.G.160(1).



In the course of its session in January-March 1934, the Committee, following a more summary procedure<sup>1</sup> than that previously applied, concluded its examination of the documents referred to it, in accordance with the decision of the Council of the League of May 23rd, 1931, and various decisions by the Conference itself. As the documentary material supplied in the case of a number of countries was far from complete, the Committee was compelled to have recourse to other means of obtaining the particulars required regarding the budgetary system and defence expenditure of each of these countries. For this purpose it was obliged to refer to the general documentary material available in the records of the Secretariat of the Conference and in the Library of the League. It was enabled in this way to draw up a summary of information regarding each country, which, though somewhat meagre—at least on certain points—should nevertheless prove of some value, both for the work of the Conference and for the task ultimately devolving on the Permanent Desarmement Commission. Each of these summaries has been submitted for observations to the Government concerned. The complete collection of the summaries is contained in Part II of the present volume.<sup>2</sup> These summaries, like those in Volume II, were compiled some time ago, and in some countries changes have since occurred in the financial systems described.

The Committee is well aware that the work done in this respect is far from perfect from the purely scientific point of view. It believes, however, that, for the essentially practical objects with which it is concerned, the information it has been able to collect is adequate to allow it to form a reasoned opinion on the possibilities of applying to the States newly examined the publicity machinery to which document Conf.D./C.G.160 relates. Within the limits of the information which the Committee has been able to collect in the synthetic summaries, it is possible, by consulting these summaries, to form an opinion as to the situation in each particular State.

In its main report, the Committee stated the principles on which, in its opinion, a system of publicity of expenditure could be built up. The principles which it recommended have been approved by the competent organs of the Conference, and thereafter a draft Convention (document Conf.D./C.G.160) was drawn up by the Technical-Committee. The Committee is accordingly of opinion that it is sufficient to state in the present report whether the instruments drawn up by the Committee, and particularly the provisions contained in the articles, can be applied by the States whose documentary material has been examined since the drafting of these articles. In other words, the only question for consideration is whether the Governments of these latter will have special difficulties in subscribing to the obligations which would be imposed on them by the stipulations of the draft Convention.

It would no doubt have been possible to simplify matters by merely submitting the draft Convention prepared by the Committee to these States with the request to subscribe to the obligations which it entails. But this method would have given rise to serious difficulties. Though at a certain moment the Committee was compelled, for reasons of expediency, to suspend the examination of the documentary material referred to it, so as to be able to submit a draft Convention to the Conference in good time, it did not think it possible to discontinue arbitrarily the study of the documentary material of the different countries which the Conference had expressly instructed it to pursue. Moreover, from the point of view of its own responsibilities, the Committee could not neglect the valuable sources of information contained in the documentary material which it was not able to study before submitting its main report. Knowledge of the facts contained in this documentary material appeared to it to be indispensable for the final revision of its draft, since any work of this kind—if it is to survive and endure—must be based on actual facts.

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<sup>1</sup> For a description of this procedure, see Annex 2.

<sup>2</sup> In the cases where the Governments have not replied to the communications addressed to them on the subject, the fact is indicated in a note to the text of the summary.

In order to decide whether the provisions of the draft Convention referred to above were applicable to the forty-two States recently examined, and in order to ascertain, whether these provisions should not be amended to some extent, should occasion arise the Committee proceeded to study afresh in respect of these States the following questions :

(a) Are the different budgetary documents for the communication of which the draft Convention provides drawn up by all States? Are they published? Are they drawn up promptly enough to be communicated by the contractual dates? (Chapter II.)

(b) Are the general rules governing the preparation, discussion, voting or determination of the budget, the supervision of its execution and the presentation of accounts such as to confer upon the figures appearing in these documents, and especially in the accounts, that degree of authenticity requisite for the purposes of publicity? (Chapter III.)

(c) Is it possible for each State to draw up a complete statement of national defence expenditure and for that statement to be susceptible of verification for the purposes of the Convention? (Chapter IV.)

(d) Are the forms in which the budgets and accounts are presented such as readily to allow of the preparation of returns for international use? (Chapter V.)

Lastly, the present report will state the conclusions resulting from the enquiries with which it deals and will show the amendments—of minor importance—which it will be necessary to make in these stipulations with a view to rendering them capable of fulfilment by all States. (Chapter VI.)

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## Chapter II.

### EXISTENCE AND PUBLICATION OF BUDGETARY DOCUMENTS THE TRANSMISSION OF WHICH IS PROVIDED FOR IN ARTICLE B OF THE DRAFT CONVENTION.

#### A. EXISTENCE OF BUDGETARY DOCUMENTS.

The public finance administration must conform to certain principles of order and clarity in the management of the resources entrusted to it and in the system of accounting by means of which it records expenditure in settlement of its liabilities. To estimate expenditure and balance it with revenue, to supervise the appropriation of moneys to the objects for which they were provided, to keep accounts of expenditure—these are necessities which devolve upon every country. It is hardly conceivable, therefore, that States should not prepare draft budgets, budgets and accounts for their own internal requirements.

In spite, however, of the requests that have been addressed to them, certain States have not communicated to the Technical Committee their draft budgets, their budgets or their accounts; and hence, although the Committee feels sure that such documents exist, it has been unable to ascertain whether, as at present drawn up, they constitute an entirely suitable basis for a system of publicity of national defence expenditure as described in the draft Convention.

#### B. PUBLICATION.

In the draft Convention the Committee assumed that the *publication* of the draft budgets, budgets and accounts (at least within the meaning of Annex II, paragraph 5, of document Conf. D./C.G.160<sup>1</sup>) should be compulsory, because in its opinion publication constituted a guarantee of the correctness of the figures contained therein.

The Committee found that, in some of the countries recently examined, draft budgets, budgets and even sometimes accounts were not normally issued in the form of a publication. In the case of certain other countries, the Committee has been unable to obtain all the information which it considered necessary.

The situation is shown in annexed Table 3.<sup>2</sup> It is, briefly, as follows :

	Draft budgets	Budgets	Closed accounts
Published .....	23	36	27
Not published.....	8	3	4
States for which no information is available	11	3	11
	—	—	—
Total...	42	42	42

In view of these facts and of the uncertainty arising in some cases, the Committee re-examined the question of making the publication of budgetary documents compulsory.

As regards *closed accounts*, the general obligation to publish them is not open to question. It is the figures of the closed accounts transferred to the Model Statement of expenditure which will constitute the final evidence that the undertakings regarding publicity have been complied with. It is essential that the authenticity of the figures in the closed accounts should be vouched

<sup>1</sup> " Documents shall be regarded as published, not only when they may be purchased in the usual way, but also when they are circulated to Members of Parliament without being marked ' Confidential ' or ' Secret ', or when they are deposited in the library of Parliament, where they may be consulted by the public, even if such consultation is subject to special authorisation."

<sup>2</sup> See page 33.

for by publication. The Committee considers that the few States which at present do not publish their closed accounts should undertake to do so.

The Committee also maintains that, in view of the importance of publicity of estimates of expenditure in the system it has devised, it is necessary to require that *budgets* too should be published. The combined stipulations of the articles and of the annexes, as contained in document Conf.D./C.G.160, no doubt constitute an obligation to publish the accounts and the budgets. But, after examining the various texts more closely, the Committee found that, while the stipulations as to the obligation of publishing accounts are quite definite, some uncertainty might exist as to the obligation of publishing budgets. The Committee therefore decided to make this obligation clear.

On the other hand, as regards the *draft budgets*, which, as has been found in the case of certain States, are not ordinarily published, the Committee considers that States which do not publish their draft budget might be given the option of communicating, in fulfilment of the provisions of Article B, the prescribed number of copies of that document in typescript. This option could also apply to certain States whose draft budgets are not at present liable to discussion by Parliament or any other legislative body. In these States, indeed, this document may, in practice, be identical with the budget, since the draft budget can be transformed into the actual budget simply by being put into force by an executive decision of the Government.

In order to provide for this option and at the same time insert the necessary reference to the obligation of publishing budgets, there is no need to modify the articles of the draft Convention.

It will be sufficient to amend paragraph 1 of Annex II of the draft Convention to read as follows :

“ The contracting parties shall communicate three copies of all documents (draft budgets, budgets, closed accounts, statements, reconciliation tables, summary statements) the transmission of which is provided for in Articles B, D, E and F of the Convention. The provisions of Article B imply that budgets and accounts must be published. On the other hand States which do not publish their draft budget shall have the option of communicating typewritten copies of that document.”

Further, the option not to communicate draft budgets in published form necessitates a change in the text of Annex III, Part I, Section (b), paragraph 22 (page 20), which relates to cases where the budget has not been passed or drawn up in time to enable the statement of estimates to be based on that document, so that the statement has to be drawn up on the basis of the draft budget. That paragraph will be worded as follows :

“ In all cases other than those mentioned in paragraph 21, the statement shall include the amounts of the estimates shown in the draft budget (estimates) of the State (whether unitary or federal) published within the meaning of Annex II, paragraph 5, or, should that document not be published, in the draft budget as drawn up at the time when the statement of estimated expenditure is prepared.

“ Such draft budget shall be communicated in time to be attached as a supporting document to the statement of estimated expenditure.”

Moreover, it would seem on practical grounds that the provisions of Annex II, paragraph 11, relating to delay in the communication of statements based on the draft budget, would be better placed in Annex III as complementary to paragraph 22.

In consequence of the modifications of this text, the marginal title of Annex III, paragraph 22, should be worded as follows :

“ Statement compiled on the basis of the draft budget.”

### C. TIME-LIMITS FOR PUBLICATION.

It is essential that international publicity of national defence expenditure should be kept up to date. With this object and with a view to respecting the reciprocity of obligations, the Committee has proposed to fix certain time-limits for the transmission of the various documents (Article C of the draft Convention).

In its main report,<sup>1</sup> the Committee already noted that certain States which to-day publish

<sup>1</sup> See Volume I, pages 47 and 50.

their accounts only after considerable delay should make an effort to meet the requirements of Article C of the Convention.

Similarly, the Committee, in the course of its examination of the documentary material of the other forty-two States, found that the periods taken by some of them to publish the documents provided for in Article B did not meet the requirements of Article C regarding the dates for the transmission of those documents. As regards the accounts in particular, it would seem that some States—*e.g.*, China and Luxemburg—do not at present publish their closed accounts soon enough to enable them to be attached in support of the statements of expenditure provided for in Article F.

Despite this circumstance, which it has felt bound to point out to the Conference, the Committee, after reconsidering the question, thinks it essential not to make any change in the provisions of Article C or in the instructions for the application of that article.

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### Chapter III.

## BUDGETS AND INTERNAL SUPERVISION OF THEIR EXECUTION.

In Volume I of its report, the Committee examined the nature of the guarantees ensuring the genuineness and correctness of the figures shown in the budgets and accounts. One of these guarantees lies in the publication of the budgetary documents referred to in the previous chapter. The Committee further considered that the degree of authenticity of the figures shown in budgetary documents depended on the various regulations governing public accountancy, and more particularly the effectiveness of the internal supervision exercised in various ways in the different countries over the execution of the budget. The Committee expressed the view that special importance should be attached to the degree of independence of the higher organs charged with the audit of the accounts.<sup>1</sup>

The whole object of the examination of the essential rules governing public accountancy in the countries on which the present report is based<sup>2</sup> was to ascertain how far it is possible to confirm the findings set out in Volume I on which the Committee based the proposals formulated in document Conf. D./C.G.160.

For a description of the institutions of these countries, reference may be made to the Summaries of Information (See Part II of the present report). Mention will be made here only of the particular features which, from the Committee's special point of view, seem to be worthy of special notice. The principal object will be to reveal certain particular aspects of the supervision exercised in the various countries examined, by the higher auditing bodies and to indicate the degree of independence possessed by those bodies. While bearing in mind that it is essentially through the action of these institutions that financial probity is ensured, mention will also be made of any supplementary guarantees resulting in some countries from the participation of Parliament in the preparation of budgets, the supervision of their execution and the audit of accounts.

#### A. BUDGETS.

##### *Drawing-up of the Budget.*

The preparation, vote or approval of budgets are subject to certain rules which have an important bearing on the question of international publicity.

The draft budgets submitted by the departments are as a rule centralised by the Minister of Finance or of National Economy, who is responsible for balancing the budget and who exerts a control varying in the different countries over the requisitions for credits submitted by the other Ministers. In China it is the Accounts Department of the auditing authority (Yuan) which co-ordinates the proposals of the various services.

The supreme authority empowered to establish finally the draft budget is in most cases the Council of Ministers. In China this power is vested in the Council of State consisting of the President of the National Government and the Government Councillors appointed by the Central Executive Committee of the Kuomintang. In Uruguay it is vested in the National Administrative Council, a body directly elected by the people, which exercises the administrative functions of the Executive; while in Finland and Mexico it is the prerogative of the President of the Republic; and, in New Zealand, of the Governor-General.

<sup>1</sup> See Volume I, page 51.

<sup>2</sup> Since the preparation of its first report (document Conf.D.158, dated April 8th, 1933), the Committee has studied the budgetary systems of thirty-two States—namely, Abyssinia, Afghanistan, Sa'udi Arabia, the Argentine Republic, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, the Dominican Republic, Egypt, Estonia, Greece, Guatemala, Haiti, Honduras, Hungary, Iraq, Latvia, Liberia, Lithuania, Luxemburg, Mexico, Panama, Persia, Peru, Siam, Turkey, Uruguay, Venezuela.

It further completed the examination of the particulars regarding the following ten countries, the documentation for which had already been utilised in part for the preparation of Volume I: South Africa, Albania, Australia, Austria, Bulgaria, Canada, Finland, New Zealand, Portugal, Spain. In so far as their institutions were not mentioned in Volume I, the present study covers these ten States.

### *Discussion and Voting of the Budget.*

In most countries the draft budgets are subject to examination and approval by Parliament or other legislative body; at present, however, that practice is not followed in Lithuania or Portugal.

Parliament generally consist of two Chambers. There is only one in Spain, Estonia and Turkey. In China, the Legislative Yuan, half the members of which, according to the Constitution, are appointed by the Government and the other half elected, forms one of the five authorities of the State.

When there are two Chambers, the draft budget is usually submitted first to the lower Chamber. It is generally examined by parliamentary commissions and discussed by Parliament at plenary public meetings.

In certain countries the head of the State has the right to veto the promulgation of the budget voted by the Legislature, but this veto may be overridden by a two-thirds majority of Parliament.

### *Date of Voting of the Budget.*

Whereas in the majority of countries the budget must, in principle, be voted before the beginning of the financial year, it is regularly voted in certain countries during that year, as, for instance, in New Zealand, Australia and the Union of South Africa.

If, on occasion, or as the result of an established tradition, the budget is not enacted or approved before the beginning of the financial year, the public services have nevertheless to be maintained in operation, for which purpose credits are necessary.

For this purpose various expedients are adopted.

The first consists of extending for a certain period the budget of the previous year. In some countries the law requires that such extension shall be ordered by Parliament (Turkey), whereas in other countries the Government is itself empowered to extend the previous year's budget (Afghanistan, Albania, Estonia, Finland, Greece, Latvia, New Zealand—for three months only).

A second method is to give the draft budget submitted to Parliament the force of law. In some cases parliamentary authority is required (New Zealand, from the expiry of the period of three months during which the previous year's budget is extended until the final voting of the current budget), while in other cases the Government can give the draft budget force of law on its own authority (Austria, Lithuania, Mexico, Peru).

A third method is to re-adopt the previous year's budget. For this purpose a parliamentary vote is necessary in certain countries, such as Brazil and Uruguay, whereas in other countries the Government is empowered to take such action on its own authority (Cuba, Dominican Republic).

In Chile, again, if the budget is not voted within four months of the date on which the draft budget is laid upon the table of Congress, the draft budget is put into effect.

### *Date of Opening of the Financial Year.*

The date of the opening of the financial year varies considerably in the different countries. The annexed table<sup>1</sup> shows the several dates on which the financial year begins.

### *Division of Expenditure in Budget and Accounts.*

The rule that expenditure shall be allocated to the purposes for which it has been voted is generally followed. Transfers are, however, sometimes authorised between the budgetary heads in regard to which a vote has been taken or a special appropriation has been made.

When credits under a certain head are exceeded, the amount of the excess is sometimes charged to a special credit or transferred to the head concerned from a reserve fund. This is the case, for instance, in New Zealand. Transfers between sub-heads which do not themselves form the object of a vote are usually allowed but are subject to special regulations. It is very exceptional for all transfers to be prohibited, as they are in Bulgaria, for example.

### *Annality.*

The budget is enacted or approved each year, except in the State of Panama, where it is voted for a period of two years. Normally, the balances of the credits not expended at the end of the year is cancelled. The carrying forward of credits is, however, allowed in practice in a large

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<sup>1</sup> See Annex 4, page 33.

number of countries. This practice is usually limited to credits for material. In most cases, the authorisation to carry forward a credit must be approved by Parliament.

Commitment authorisations, as defined in the main report, are granted in certain countries (Afghanistan, Estonia, Finland, Latvia, Mexico). In other countries it is the Finance Minister (Austria, Iraq) or the Council of Ministers (Bulgaria, Turkey) which authorises commitments in respect of certain categories of expenditure (food, clothing, heating, building), payable out of the credits of the current year or subsequent years. In Turkey commitment authorisations may be granted only up to an amount not exceeding one-half of the credits shown in the budget for the same items of expenditure, though, on the other hand, the carrying forward of credits is illegal. In Greece a system of carrying forward credits obtains which is peculiar to that country: in the case of the military credits, the balance in respect of which commitments have not been incurred by the end of the year is not cancelled, but is transferred to special funds and cannot be drawn upon without parliamentary authority.

#### *Conditions governing the Expenditure of Credits.*

In its main report the Committee explained that, in accordance with the systems prevailing in the various countries, the granting of a credit constituted authority to enter into commitments, to issue orders for payment, or to make actual payment in the course of the financial year—together with, in some cases, an additional period—up to the amounts granted. In the majority of countries examined recently, the credits represent actual financial provision. In Spain and Venezuela, however, the grant of a credit confers authority to assume and acknowledge debts contracted by the State in the course of the financial year up to the full amount of such credits. In Greece the grant of a credit gives authority to enter into commitments in the course of the financial year up to the total amount granted; the revenues and expenditure of the *exercice* are permanently identified with that *exercice* by a system of “residual” accounts.

#### *Twelve Months Accounting Period and Additional Periods.*

The twelve months accounting period is observed in Chile, Colombia, Cuba, Egypt, Haiti, Iraq, Siam, Turkey and Venezuela. In other countries there are additional periods varying from one to nine months. The position in the different countries is shown in the annexed table.<sup>1</sup> The peculiarities of these methods of accounting are described in the summaries.

### B. SUPERVISION OF THE EXECUTION OF THE BUDGET.

The Committee showed in Volume I the importance which it attached to a study of the system of supervision during the execution of the budget as well as to that of the final audit of the accounts. In the case of the forty-two countries since examined, it has studied the constitutional attributions of the supervisory institutions.

(a) *Supervision during the execution of the budget.*—Without entering into a detailed review of the various methods of supervision during the execution of the budget, it may be noted that the countries whose documentary material is examined in the present volume may be classified as follows:

- (1) In most countries the supreme body responsible for certifying the correctness of the accounts is responsible at the same time for supervision in whole or in part during the execution of the budget;
- (2) In some countries the supervision during the execution of the budget is solely administrative.

In the first group the supreme body whose functions cover both supervision during the execution of the budget and final audit is sometimes a Court of Audit sitting as a collective body, sometimes a department directed by a high responsible official; these Courts of Audit and departments are independent of the executive.

As countries whose Courts of Audit exercise supervision during the execution of the budget may be mentioned the Argentine Republic, Austria, Brazil, Bulgaria, Greece, Honduras, Peru, Portugal, Turkey and Uruguay.

The methods employed by these courts vary considerably. They exercise their supervision during the execution of the budget either by countersigning the various documents for settling expenditure or again by delegating representatives to carry out their duties in the various Ministries or by undertaking enquiries direct.

Among the countries which possess supreme supervisory departments directed by a high independent official and exercising supervision during the execution of the budget at the same

<sup>1</sup> See Annex 5, page 34.



time as the audit of the accounts, mention must be made of South Africa, Canada, Chile, Colombia,<sup>1</sup> Cuba,<sup>2</sup> Estonia, Latvia,<sup>3</sup> Lithuania,<sup>4</sup> New Zealand, Panama.

The fact that these Courts of Audit or departments exercise permanent supervision facilitates their work in finally checking the accounts and expedites their submission.

The supervision during the execution of the budget exercised by these supreme bodies does not, moreover, exclude certain forms of administrative supervision.

For instance, in some of the countries mentioned above, the Minister of Finance exercises supervision over the financial administration, or at any rate over certain aspects of the application of the budget, through his bureaux and the supervisory bodies under his authority or through representatives attached by him to the other Ministries. Such is the case, for instance, in South Africa, Austria, Canada, Cuba, Portugal and Turkey.

The countries in which the high supervisory bodies entrusted with the auditing of accounts do not take part in the supervision during the execution of the budget and in which the latter supervision is consequently purely administrative are very few. This is the case in Spain, where the Court of Audit does not take part in the supervision during the execution of the budget, this function being exclusively exercised by the general supervisory authorities of the State administration, whose activities cover all the financial business of the State and whose members are entirely independent of the departments which they supervise. In Mexico, also, the supervision during the execution of the budget is purely administrative. It is shared between the Minister of Finance and the Department of Accounting and of Administration.

In all the countries, each Minister exercises direct supervision over the administration of the credits through his departments and also sometimes through the intermediary of an auditing section. It should be noted that in Persia there is a special supervisory department of the army independent of the Minister for War and solely responsible to the Sovereign.

Parliament itself in some countries also takes part in the supervision of the execution of the budget through its Financial Committees. In Turkey the National Assembly must be informed every three months by the Court of Audit of any irregularities which it may have found in the course of its work of preventive supervision. In Spain Parliament has powers of inspection conferred on it by the Constitution. In Finland five budget auditors appointed by the Chamber of Representatives can, during the application of the budget, inspect at any moment the accounts of the various departments.

In China the supervisory "Yuan" (authority) carries out supervision during the execution of the budget and also the final audit.

(b) *Final audit.*—The summaries contained in the present volume embody the information which the Committee has been able to collect in respect of forty-two countries recently examined regarding the composition and functions of the supreme supervisory bodies. The Committee decided to restrict itself here to a general classification of the States according to the methods final audit adopted, merely drawing attention to some peculiarities likely to be of interest to the Conference.

(i) In the following countries<sup>5</sup> final audit is carried out collectively by a Court of Audit or an independent body of a similar nature :

Albania	Finland	Mexico
Argentine	Greece	(Peru)
Austria	Haiti <sup>6</sup>	Portugal
(Bolivia)	(Honduras)	Spain
(Brazil)	Hungary	Turkey
Bulgaria	Luxemburg	Uruguay
(Dominican Republic)		

<sup>1</sup> The Comptroller-General is elected by the Chamber of Deputies.

<sup>2</sup> The State Comptroller-General is directly responsible to the President of the Republic and is independent of the Ministers.

<sup>3</sup> The State Comptroller is elected by Parliament.

<sup>4</sup> The State Comptroller is appointed by the President of the Republic.

<sup>5</sup> Parentheses indicate that the particulars given with regard to the country in question have not been confirmed by the Governments of that country.

<sup>6</sup> A law passed in 1934 set up a Court of Audit to take the place of the Auditors of the Office of the American Financial Adviser.

(ii) In the following countries, the supervisory bodies are directed by a responsible Controller-General, who enjoys complete independence in the exercise of his duties :

South Africa	(Cuba)	Lithuania
Australia	Estonia	New Zealand
Canada	Iraq	(Panama)
(Chile)	Latvia	Persia <sup>1</sup>
(Colombia)	Liberia	Siam

In China final audit is exercised by the supervisory "Yuan", which forms part of the National Government. This supervisory "Yuan" is independent of the other authorities and possesses a department for auditing accounts. The Committee has not sufficient information as to the degrees of independence in relation to the Executive of the members of this auditing department to be able to state whether it can be regarded as a Court of Audit.

The position is the same in Guatemala. The Committee has been unable to ascertain whether the central accounting department is a body independent of the executive.

In Venezuela, the members of the Contaduría General de Hacienda are appointed and can be dismissed by the Council of Ministers. The Committee has had no means of ascertaining whether this right of dismissal is subject to administrative or legal guarantees and is not therefore in a position to decide whether the members of the Contaduría are independent of the Executive.

(iii) In two countries, Afghanistan and Egypt, there is no supreme independent supervisory body.

In Afghanistan Parliament appoints a Committee of twenty-five auditors from among its members, to audit the accounts. Officials of the ministerial department concerned may be placed at the disposal of this Committee.

In Egypt the Audit Office is a sub-department of the Ministry of Finance. The account for the year is drawn up by the Finance Minister, approved by the Council of Ministers and adopted by Parliament in due legal form.

The Committee must point out that, in the case of certain countries (Abyssinia, Saudi Arabia, Costa Rica), it has not had at its disposal the information requisite to enable it to satisfy itself fully as to the existence of higher supervisory organisations for the audit of the accounts.

\* \* \*

As regards the part played by Parliaments in the final approval of the accounts, the Committee has been able to confirm the conclusion expressed in Volume I—namely, that in almost all countries Parliament is in various ways called upon to give its sanction. In Lithuania, however, the accounts are approved by the President of the Republic in the absence of the Seimas.

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In concluding its examination of this subject, the Committee, bearing in mind what has been said in Volume I of its report,<sup>2</sup> and in the introduction to the "Instruments",<sup>3</sup> desires to insist that there can be no question of discriminating between or comparing the different forms of supervision over the execution of the budget in force in the various countries.

The Committee attaches special importance to the effective independence of supreme supervisory bodies in relation to their Governments. What has been said above on this subject in conjunction with the Summaries of Information appended to the present report shows that, *prima facie*, the organs necessary for ensuring supervision over national defence expenditure exist in all the countries regarding which the Committee has been able to collect information. In the absence, however, of documentary material detailed enough to serve as a basis for an exhaustive study of this question, the Committee cannot state definitely as regards some States whether the complete independence of these supervisory bodies in relation to the Executive is everywhere assured.

The Permanent Commission, when examining the budgetary documents to be supplied by the contracting parties, will no doubt desire information as to the supervisory bodies whose duty it is to audit and certify the figures to be furnished in the future for international use. In this connection the Committee invites attention to the recommendation regarding the independence of the supreme supervisory bodies recorded on page 86 of document Conf.D./C.G.160.

<sup>1</sup> A Court of Audit is being instituted.

<sup>2</sup> Document Conf.D.158, pages 50 and 51.

<sup>3</sup> Document Conf.D./C.G.160, page 6.

## Chapter IV.

### POSSIBILITY OF COMPILING AND VERIFYING A COMPLETE RETURN OF THE NATIONAL DEFENCE EXPENDITURE OF EACH STATE.

According to Article A of the draft Convention, the contracting parties undertake to give publicity to all national defence expenditure by whomsoever that expenditure is incurred and whatever the nature and origin of the resources from which the said expenditure is met.

In its main report,<sup>1</sup> the Committee arrived at the following two conclusions :

(a) It is possible for all States to produce for practical purposes a complete statement of their national defence expenditure within the meaning of the Convention.

(b) It is possible to ascertain with a high degree of accuracy, by means of the accounts, whether the rules proposed by the Committee for calculating the total national defence expenditure are being applied by the States.

The Committee has considered whether these conclusions could be applied to States whose documentation it had been unable to examine when its main report was submitted.

Although the investigations which the Committee has been able to make are not so exact as those on which its main report is based, it has been able to reach the following general conclusions :

1. As already noted by the Committee in its main report, the major part of national defence expenditure is as a rule borne by the Central Power, whether in the case of unitary States or of States with a Federal form of government.

It should, however, be pointed out that in certain countries recently examined, such as Abyssinia, Brazil, China and Persia, national defence expenditure of some importance is not borne by the Central Power.

2. The national defence expenditure borne by the Central Power is entered :

In the budgetary accounts of the ministerial departments of national defence;

In the budgetary accounts of Colonial Ministries in the case of Colonial Powers;

In the budgetary accounts of other ministerial departments and, sometimes, in special accounts.

The Technical Committee has endeavoured, in the case of the States recently examined :

(a) To determine whether the present structure of the accounts of the States (Central Power) makes it possible to identify all the expenditure effected in each financial year.

(b) To ascertain if it is possible to identify in the total expenditure effected during the financial year the expenditure relating to the purposes enumerated in the conventional list of national defence expenditure shown in the draft Convention.

#### A. STRUCTURE OF THE ACCOUNTS OF THE STATES.

The statements and conclusions of the Committee relative to the structure of State accounts are, in the main, confirmed by a study of the fresh documentation submitted, at any rate in the case of the countries whose accounts it has been able to examine.

The Committee has been able to ascertain that, for the most part, countries (whether they do or do not employ an additional period) enter in their closed accounts all the expenditure of the year, irrespective of the origin of the obligations.

<sup>1</sup> See Volume I, pages 76 and 83.

In some exceptional cases expenditure relating to the year to which the account refers and expenditure relating to engagements incurred in preceding years are entered separately in the accounts, different methods being employed for this purpose. This is the case, for instance, in Spain, where the accounts set out separately expenditure relating to closed *exercices*; these entries in the accounts are at the end of the year covered by a corresponding credit. Although the closed account of Spain however gives a recapitulation of the expenditure relating to closed *exercices*, there are no separate adjustment accounts for each original *exercice*.

Greece applies a system which consists in transferring at the end of the year to a residuary account those obligations which have not been met during the financial year. This residuary account is debited with the amount of these outstanding obligations and is credited with the amounts of the payments as and when made. All expenditure is classified in the closed accounts according to the *exercice* of origin.

A study of the Summaries of Information will enable the reader to review the various methods employed in the different countries. The Committee considers that it is possible for States to identify in their accounts the total amounts of the payments made during a given year and for a Supervisory Commission to verify the grand total of this expenditure. The Committee can, of course, only take responsibility for this statement in the case of the countries whose accounts it has examined.

The only difficulty which may arise is that, when arrear payments are entered separately, they are sometimes shown *en bloc*, and in this case it may not be easy to allocate them to the heads and sub-heads of the Model Statement.

#### B. SEPARATE INDICATION OF NATIONAL DEFENCE EXPENDITURE IN THE ACCOUNTS OF THE CENTRAL POWER.

In its main report, the Committee found that the major part of the national defence expenditure incurred by the Central Power was shown in the accounts of national defence departments. This conclusion is corroborated as regards the other countries examined.

As regards the practical difficulties which some States might have in extracting from the accounts of National Defence Departments the expenditure which is not national defence expenditure, the Committee has no ground for supposing that these difficulties would be greater in the case of the new States examined than in the case of those on whose documentation its main report was based. This opinion also applies to the difficulties in discriminating between military expenditure and expenditure on services which have both a military and a civil character, as, for instance, between military and civil aviation or between combined organisations such as geographical services, cartographical services, etc.

#### *National Defence Expenditure in Civil Budgets.*

As in the case of the other countries previously examined, relatively little military expenditure is entered in civil budgets (except the national defence expenditure of Costa Rica, the Dominican Republic, Haiti, Luxemburg and Panama, all of which appears in the budgets of civil departments), and the difficulties involved in computing and checking it are not such as to affect the accuracy of the total amount of national defence expenditure.

#### *Expenditure charged to Special Accounts.*

As the Summaries of Information show, the Committee found a rather large number of cases in which national defence expenditure appeared in special accounts. A particularly interesting example was noted by the Committee in the case of the various special accounts of South Africa. These accounts, representing certain military activities, are financed by means of transfers from the general budget, thus enabling the services concerned to function without the obstacle of "annuity". Funds for these accounts are also derived from payments made by national defence departments for material supplied and, in addition, from certain revenues earned by the establishments concerned. It has also been noted, for instance, that the Argentine has a fairly large number of special accounts with a bearing on national defence. Some of these accounts are extra-budgetary, but the expenditure therefrom is usually shown in the general State account.

The Committee could not satisfy itself in every case that all military expenditure charged to special accounts of such a nature was actually shown in the general account of the State under the headings relating to the purpose of such expenditure.

### C. EXPENDITURE EFFECTED BY REGIONAL OR LOCAL PUBLIC AUTHORITIES.

*Colonies.*—Whereas in the case of Spain all colonial defence expenditure seems to be borne by the home country, the position is different in the case of Portugal, where almost all colonial defence expenditure is charged to the local budgets of the colonies concerned. Even if there is some uncertainty as to whether the expenditure borne by the general and local budgets of colonies could be calculated with absolute accuracy, any error which might be made on this account in computing the total national defence expenditure would not to any appreciable extent diminish the value of this figure for the practical purposes of publicity.

#### *Public Authorities, Regional and Local, in the Home Country.*

Consideration of the fresh documentation submitted makes it necessary to modify somewhat the Committee's previous conclusions. Whereas, in the case of the countries examined hitherto, the proportion of expenditure borne by regional and local authorities was extremely small, the proportion seems to be larger in certain countries like Abyssinia, Brazil, China and Persia.

In the case of Brazil, it appears, from a study of the Model Statement supplied by that country, that substantial expenditure is borne by the Federated States and by the Federal District for certain formations. Although this observation relates mainly to police forces or similar formations and no decision has yet been taken as to whether in certain specific cases the expenditure on such formations should be included for purposes of publicity, the fact seems worthy of notice.

In the case of China, it has been found that considerable military expenditure is borne on the provincial budgets. The *Statistical Monthly, 1933*, published by the Chinese Government, shows that, for the first half of 1930-31, expenditure of this kind was borne by the following provinces :

	Chinese dollars
Hupeh .....	2,642,577.10
Hunan .....	392,712.30
Shantung.....	733,340.02
Ningsia .....	944,943.26
Shensi .....	4,680,949.59

The Committee could not ascertain whether other provinces also defrayed military expenditure, but, if this should be the case, the Committee has no reason to believe that China would be unable to give sufficient particulars of the military expenditure borne by the provinces. It would, for instance, be possible to consider having certified statements of such expenditure supplied, based on the provincial accounts. In this respect the Committee would draw attention to the respective provisions of Articles B and G regarding the communication of vouchers for the figures to be inserted in the Model Statement.

As regards Abyssinia and Persia, the Committee found that certain expenditure, at any rate of the military formations supplied by the tribes, is met by the chiefs of those tribes, who actually pay most of the cost of maintaining their troops. This, however, may be only a temporary feature; there seems to be a tendency for the system to disappear.

### D. PROBLEMS RAISED BY CERTAIN PECULIARITIES OF ACCOUNTANCY.

In its main report, the Committee discussed several problems raised by certain peculiarities of accountancy : the existence of autonomous manufacturing establishments, subventions, gross and net accounts. A study of the new documentation does not give the Technical Committee any grounds for believing that the conclusions of its main report will be invalidated or that the provisions drafted to meet these cases are inadequate.

In particular, as regards what seems to be the most important of these problems—viz., that of reconstituting the gross expenditure—the Committee found that, in almost all the countries that it has examined, the accounts are drawn up on a gross basis. Only in Afghanistan and New

Zealand do the accounts show net expenditure. In the case of the latter country, however, it can be affirmed that the gross expenditure can be reconstituted, as the budgets and accounts set out separately, in addition to the budgetary credits, the receipts whose appropriation to purposes of national defence is authorised.

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Apart from the few special cases mentioned above, in regard to which the Technical Committee could not, in view of the inadequacy of the documentation supplied, arrive at positive conclusions, the Committee is of opinion that the conclusions of its main report above referred to regarding the possibility of drawing up and verifying a complete account of national defence expenditure remain valid, and that there is, therefore, no need to suggest any change in this connection in the instructions which are contained in the Annexes to the draft Convention.

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## Chapter V.

### COMPILATION OF THE STATEMENTS OF EXPENDITURE (ARTICLES D AND F).

#### 1. *General Remarks.*

It was observed in Volume I that the greater the number of subdivisions in the budgets and accounts and the clearer these subdivisions are, the easier it is to ascertain the nature of the credits granted. For this reason the Committee considered that a brief survey of budgetary differentiation in the countries dealt with in its complementary report would be of great utility as a means of estimating the value of the guarantees resulting from the degree of detail in the budgets and accounts, as regards the accuracy of the statements and supervision of the execution of the Convention.

Moreover, it should not be forgotten that the draft Convention (Article H, paragraph 1) includes a contractual obligation not to reduce the degree of detail of the budgets and accounts as submitted to the Conference to an extent which would make it more difficult for the Permanent Commission to check the accuracy of the figures contained in the statements and to observe the financial effort of each State devoted to its armaments.

In the following study, the general manner in which the expenditure has been divided up in the budgets and accounts and the possibility of splitting up this expenditure among the tables and heads of the statement will be indicated for the different countries examined.

#### 2. *Division of Expenditure in Budgets and Accounts.*

Examination of the fresh documentary material confirms the general conclusions formulated in Volume I—that in most countries the divisions and subdivisions in the budgets and accounts clearly show the nature and purpose of the expenditure. This observation applies for example to South Africa, Albania, Argentine Republic, Australia, Brazil, Bulgaria, Canada, Chile, Cuba, Dominican Republic, Egypt, Estonia, Greece, Latvia, Mexico, New Zealand, Peru, Portugal, Spain, Turkey, Uruguay.

As regards the number of budgetary "divisions" and "subdivisions" which, as already stated in the main report, constitute an essential element of differentiation, a table supplementing the figures given on page 36 of Volume I is attached as Annex 6.

Latvia, whose published budget and accounts contain, as regards national defence expenditure, only a single aggregate figure for ordinary expenditure and a single aggregate figure for extraordinary expenditure, has submitted to the Conference a statement of national defence expenditure comprising fifty-three headings. The Latvian Government has also stated that the published budget and accounts could be divided up in the same manner should a Convention be concluded. In Lithuania, details of the expenditure included in the division of the budget relating to national defence are regarded as confidential and are not published. The corresponding headings have, however, been communicated to the Conference. The case of these two States is provided for in the second paragraph of Article H of the draft Convention, which can apparently be applied to them without any difficulty.

In the case of Bolivia and Haiti (1933-34 budget), national defence expenditure is shown in a single aggregate figure. The provisions of the third paragraph of Article H would be applicable to these two States and also to States which have not submitted to the Conference documentary material enabling it to give a considered opinion of the possibilities of adapting their budgets and their accounts to publicity requirements.

In the case of the majority of States which have communicated their accounts to the Committee, those accounts are drawn up in the same form as the budget and with the same degree of detail. This applies to South Africa, Albania, Australia, Austria, Bulgaria, Canada, Colombia, Egypt, Estonia, Finland, Greece, Honduras, Latvia, Lithuania, New Zealand, Peru, Portugal, Turkey. In Spain, Venezuela and Hungary, the accounts are rather less detailed than the budget.

The Committee has not had the opportunity of examining the closed accounts of the following countries and can therefore express no opinion as to their degree of differentiation : Abyssinia, Afghanistan, Sa'udi Arabia, Argentine Republic, Bolivia, Brazil, Chile, China, Costa Rica, Cuba, Dominican Republic, Guatemala, Haiti, Iraq, Liberia, Mexico, Panama, Persia, Uruguay.

### 3. *Separation of Expenditure on the Three Forces.*

In its main report the Committee carefully considered the question of the possibility of separating the expenditure on the three forces on the basis of the figures given in the budgets and accounts. It has thought it expedient to complete this study for States not previously examined. It will be remembered that, in the draft Convention, the Committee introduced very elastic rules for the splitting-up of expenditure in the Statements, allowing, in particular, in the absence of authenticated budgetary figures, of recourse to internal accounts, administrative documents and, if necessary, to estimates. Additional information as to the manner in which national defence expenditure is entered in the budgets and accounts of the States that have since been examined is given below.

States possessing a separate Ministry for each force	States possessing two Ministries (War and Marine) for three forces	States possessing only one Ministry for two or more than two forces	States possessing no military departments
Austria	Argentine Republic	Afghanistan	Costa Rica
Bulgaria	Brazil	South Africa	Dominican Republic
Greece	China	Albania	Haiti
Hungary	New Zealand (two departments placed under the authority of the same Minister)	Australia	Luxemburg
Liberia	Peru	Bolivia	Panama
	Portugal	Canada	
	Spain	Chile	
		Colombia	
		Cuba	
		Egypt	
		Estonia	
		Finland	
		Guatemala	
		Honduras	
		Iraq	
		Latvia	
		Lithuania	
		Mexico	
		Persia	
		Siam	
		Turkey	
		Uruguay	
		Venezuela	

As was observed in Volume I, the degree of isolation of the expenditure on each force depends on the actual organisation of the forces, and such isolation can be most completely achieved in States such as Greece, which possess a separate Ministry, budget and account for each force.

Next in order of isolation of expenditure should be placed those States which, although they do not possess a separate Ministry for each force, show their national defence expenditure under separate budgetary divisions. This is the case, for example, with South Africa, Australia, and Siam, where each force has a separate organisation; Albania, Canada, Chile, Egypt, Guatemala, Mexico, New Zealand, Turkey, Uruguay, and Venezuela, where, apart from the expenditure shown in the budget and accounts under separate headings for each force, certain expenditure is common to the three forces, such as the expenditure of the central administration, which can only be divided up by having recourse to estimates.

In a further category are those States in which the air force does not constitute an independent arm and, while a more or less complete distinction is made in their budgets and accounts between the expenditure on the army and on the navy, the expenditure on the air formations attached to those forces is included in the expenditure on one or other of the latter. This is the case in the Argentine, where the budgets and accounts of the navy include, without any differentiation, expenditure on the personnel and material of the air forces attached to it. In Cuba, where the



air force forms an integral part of the land forces, no distinction is made between the expenditure on the two forces. In Brazil and Spain, expenditure on the air force is divided between the other two forces, and is merged with expenditure on the latter as far as relates to the administrative services. In Iraq, expenditure on the air force is included in army expenditure and the accounts show separately the expenditure on the personnel of the two forces but not on their material. In Portugal, on the other hand, where the accounts of the army and navy include expenditure on the air formations attached to those forces, expenditure on material for the three forces is accounted for separately, while expenditure on personnel is merged.

There is a third category of States which make no distinction in their budgets and accounts between expenditure on the different national defence forces. That is the case in Colombia, Estonia, Finland, Honduras, Latvia, Lithuania and Persia. With the exception of Latvia, however, those States which have submitted a Model Statement have been able to show the expenditure on each force in a separate table by means of estimates. Moreover, the Governments of Estonia, Latvia and Lithuania have intimated that they are prepared, should a Convention be signed, to consider introducing special headings for the expenditure of each force.

Although, in the case of certain States whose documentation is incomplete, the Committee has been unable to formulate definite conclusions, it considers that, in view of the elasticity of the instructions regarding classification, there should not be any insurmountable difficulty in splitting up the expenditure on the three forces with a sufficient degree of accuracy.

#### 4. *Distribution of Expenditure between the Heads and Sub-heads of the Statement.*

After a study of the facts, the Committee is of opinion that an appreciable number of States which have furnished complete documentary material will have no serious difficulty in splitting up national defence expenditure between the heads and sub-heads of the Statement.

In other cases the structure of the budgetary accounts does not lend itself to the transfer *en bloc* of the figures in the budget and accounts to the heads of the Statements, and recourse to internal documents or estimates was necessary. This was the case, in particular, with Chile, Egypt, Estonia, Finland, Greece, Latvia, Lithuania and Persia, where, for instance, the pay of officers and other ranks and the salaries of the civilian personnel are merged in the *budgets*; and in the Argentine, where expenditure on material is not always classified in the *budgets* according to its nature, but is merged without any distinction under a common head.

It was found that the inclusion under head IV of expenditure on personnel and overhead expenses involved considerable difficulties in the case of certain States—for instance, Albania, Bulgaria and Venezuela—and that recourse to internal documents or estimates was necessary. The splitting-up of expenditure between the sub-heads of this head has been effected more or less completely for all the States which submitted a statement of expenditure, with the exception of Costa Rica and Luxemburg.

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In the case of those States which have submitted complete documentary material, the conclusion which emerges from this survey is, generally speaking, in conformity with the opinion expressed in the following terms by the Committee in the introduction to the draft Convention :<sup>1</sup>

“ Notwithstanding the diversity of institutions and particularly of the rules of public accounting, the Committee considers that the differences between one country and another will not prevent the satisfactory operation of the system of publicity which it has devised, and that the conditions of the application of this publicity laid down in the articles of the Convention constitute a real guarantee, having regard to the practical aim in view, of the reciprocity of the obligations to be undertaken by States ”.

The following countries have not submitted any Model Statement (Abyssinia, Afghanistan, Sa'udi Arabia, Bolivia, Colombia, Dominican Republic, Guatemala, Honduras, Iraq, Liberia, Panama, Peru, Uruguay). Certain of these whose budgets or accounts the Committee was able to examine, seem to be able owing to the degree of detail in which their budgetary documents are drawn up, to classify fairly easily their national defence expenditure under the heads and sub-heads of the Statement. This is true, for instance, of Peru.

As regards those States the budgets and accounts of which the Committee was unable to examine, it is not possible, of course, for it to affirm whether those documents constitute a suitable

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<sup>1</sup> Document Conf.D./C.G.160, page 6.

bases for the compilation of the Model Statements. Although some of those States (Abyssinia, Afghanistan, Sa'udi Arabia, Costa Rica, Liberia and Siam) have sent to the Conference documents relating to their budgetary systems, the Committee does not consider that it has examined those systems with sufficient thoroughness, as a scrutiny of the budgets and, above all, of the accounts constitutes the essential basis for its conclusions. In these circumstances, the Committee considers that the provisions of the last paragraph of Article H of the draft Convention, under which it will be for the Permanent Commission to decide as to the degree of detail of budgetary documents and, if necessary, to specify any modification which should be introduced therein, should apply as much to States whose documentary material was found to be incomplete when examined by the Conference and to those who have failed to furnish any documents.

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## Chapter VI.

### CONCLUSIONS.

In submitting the present report to the Conference, together with the final text of the draft Convention for the Application of the System of Publicity of National Defence Expenditure<sup>1</sup>, the Committee is fulfilling the twofold task entrusted to it :

1. By the National Defence Expenditure Commission, which, on March 16th, 1932, requested the Committee to examine the documentary material furnished by the States represented at the Conference with regard to their budgetary systems and their national defence expenditure.

This task, which was in part fulfilled by the presentation of Volume I and of the Summaries of Information contained in Volume II, was confirmed by the resolution of the General Commission of June 8th, 1933, which instructed the Committee to continue to examine the documentary material submitted by the States with a view to the universal application of a system of publicity.

2. By the General Commission, which, also on June 8th, 1933, requested the Committee to prepare draft articles with the necessary annexes, with a view to the application of a system of publicity of national defence expenditure.

In the present report, which gives a brief account of the results of the examination of the budgetary material which could not be examined before the drafting of the first report and before document Conf.D.C.G.160 was prepared, the Committee has merely considered whether the provisions contained in the said document were universally applicable.

As will be seen from the present report, and in particular Chapters II, IV and V, the Committee expresses the opinion that the conclusions formulated in Volume I remain valid and that the provisions of the articles of the draft Convention hold good.

In view, however, of the actual position noted in a number of countries, the Committee does not think that the obligation involved by the provisions of the draft Convention as a whole in regard to the publication of the draft budget should be maintained. In order to facilitate the immediate application of the draft Convention, the Committee has decided, on the lines indicated above, to introduce into the annexes of its original draft a single change of minor importance the text of which is given at the end of the present conclusions. Further, in order to avoid any doubt as to the interpretation of the provisions relating to the communication of documents, the Committee expressly confirms the obligation to publish budgets and accounts.<sup>2</sup>

The Committee, in the course of its examination of the fresh documentary material, has observed that the financial rules customary in the States whose budgetary material served as a basis for its first report are not always applied with the same strictness in all States. If the Governments, while realising the difficulties that they may encounter in the application of the provisions of the Convention, are prepared to apply them faithfully, the Committee is *unanimous* in its opinion that, technically, it is possible to ensure the satisfactory working of the system which it proposes.

\* \* \*

#### AMENDMENTS TO THE PROPOSALS CONTAINED IN DOCUMENT CONF.D./C.G.160.

*Annex II.—Instructions for the Transmission to the Permanent Commission of Budgets, Closed Accounts and Other Documents referred to in the Convention.*

*Paragraph 1, Sub-paragraph 1.<sup>3</sup>*

To read as follows :

“ The contracting parties shall communicate three copies of all documents (draft budgets, budgets, closed accounts, statements, reconciliation tables, summary statements) the

<sup>1</sup> See document Conf.D./C.G.160 (1).

<sup>2</sup> For more detailed explanations concerning the proposed changes, see Chapter II, page 11.

<sup>3</sup> See document Conf.D./C.G.160, page 13.

transmission of which is provided for in Articles B, D, E and F of the Convention. The provisions of Article B imply that the budgets and accounts must be published. On the other hand, States which do not publish their draft budget shall have the option of communicating typed copies of that document.”

*Paragraph 11.*<sup>1</sup>

Cancelled.

*Paragraph 12.*<sup>1</sup>

Becomes paragraph 11.

*Annex III.—Instructions for compiling the Statements and the Reconciliation Tables.*

*Part I, Section (b), paragraph 22 : Statement compiled on the Basis of the Draft Budget.*<sup>2</sup>

Read as follows :

“ In all cases other than those mentioned in paragraph 21, the statement shall include the amounts of the estimates shown in the draft budget (Estimates) of the State (whether unitary State or Federal) published within the meaning of Annex II, paragraph 5, or, should that document not be published, in the draft budget as drawn up at the time when the statement of estimated expenditure is prepared.

“ Such draft budget shall be communicated in time to be attached as a supporting document to the statement of estimated expenditure.

“ Where it has proved absolutely impossible to prepare a draft budget in time to permit of the transmission of the statement of estimates within the period specified in Article D of the Convention, the contracting parties concerned shall send the Permanent Commission a report stating the reasons for the delay in supplying the statement.”

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<sup>1</sup> See document Conf.D./C.G.160, page 14.

<sup>2</sup> *Loc. cit.*, page 20.

## ANNEX 1.<sup>1</sup>

### DRAFT ARTICLES.

#### *Article A.*

The High Contracting Parties undertake to give publicity to all national defence expenditure by whomsoever that expenditure is incurred and whatever the nature and origin of the resources out of which the said expenditure is met.

Such publicity shall be given in conformity with the stipulations contained in Articles B to N and in the annexes to this part of the Convention and on the basis of reciprocity stipulated in those articles and in their annexes.

#### *Article B.*

Each High Contracting Party shall communicate the following documents :

1. (a) The draft general budget (estimates) of the central power, the draft individual budgets of each of the departments of National Defence;

(b) The draft individual budgets (estimates) of the other Ministries and draft special budgets whenever these documents include national defence expenditure.

2. (a) The general budget of the central power and the instruments enacting that budget, the individual budgets of each of the departments of National Defence;

(b) The individual budgets of other Ministries, of colonies, protectorates, oversea territories, territories under the suzerainty of the High Contracting Parties or for which a mandate has been conferred on the High Contracting Parties, and special budgets, whenever these various documents include national defence expenditure.

3. (a) The general closed accounts of the central power, the individual closed accounts of each of the departments of National Defence;

(b) The individual closed accounts of other Ministries, of colonies, protectorates, oversea territories, territories under the suzerainty of the High Contracting Parties or for which a mandate has been conferred on the High Contracting Parties, and special accounts, whenever these various documents include national defence expenditure.

#### *Article C.*

The High Contracting Parties shall forward the documents specified in paragraphs 1 and 2 of Article B within a period of thirty days of their publication, or, alternatively, of their receipt by the central home administration, and in any case within a period of three months from the date on which the aforesaid documents are given their final form.

The closed accounts specified in paragraph 3 of the same article shall be despatched within thirty days of their publication, or, alternatively, of their receipt by the central home administration. In any event, such accounts shall be published in time to be attached to the statement, the communication of which is provided for in Article F of the present Convention.

#### *Article D.*

The High Contracting Parties shall forward a statement of the estimates of national defence expenditure compiled in accordance with the instructions given in the annexes in respect of the first two financial years after the coming into force of the Convention. This statement, accompanied by reconciliation tables, shall be despatched within three months of the beginning of the financial year in accordance with the conditions mentioned in Annex III, 1 (b).

For the third financial year and following financial years, the High Contracting Parties undertake to furnish a statement of their estimates of expenditure in the simplified form which the Permanent Commission will indicate. In drawing up the form of this statement, the Permanent Commission shall endeavour, in the light of the experience gained during the preceding years, to reduce the figures shown in the statement to one global figure for each of the forces.

#### *Article E.*

The High Contracting Parties shall forward for each financial year two summary statements showing, in relation to the grand total of the initial national defence expenditure authorisations, what changes have been made in that total from the time when the authorisations were fixed up

<sup>1</sup> See note 6, page 7.

to the end of periods of nine and fifteen months respectively, reckoned from the beginning of the financial year.

The two aforementioned summary statements, compiled in accordance with the instructions laid down in Annex IV, shall be despatched within fifteen days of the expiry of the two periods of nine and fifteen months respectively, referred to in the preceding paragraph.

#### *Article F.*

The High Contracting Parties shall despatch within fourteen months of the end of the financial year a statement of the payments effected, compiled in accordance with the instructions prescribed in Annex III.

This statement shall be based on the closed accounts, the communication and dates of despatch of which are prescribed respectively in Article B, paragraph 3, and Article C, paragraph 2.

In addition, the High Contracting Parties shall attach to the statement the following supporting documents :

A certified statement of the national defence expenditure included in the accounts of the federated States;

A certified statement of the national defence expenditure effected by regional or local public bodies.

#### *Article G.*

Without prejudice to the general provisions of the Convention relating to supervision, the High Contracting Parties undertake to communicate, on receipt of a special request accompanied by a statement of reasons from the Permanent Commission, the individual budgets and accounts of civil ministries, special budgets and accounts, the budgets and accounts of federated States or of regional or local bodies, the regular and periodical communication of which is not provided for under the terms of Article B.

#### *Article H.*

The High Contracting Parties undertake, so long as the Convention remains in force, not to reduce the degree of detail of their budgets and accounts as submitted to the Conference to an extent which would make it more difficult for the Permanent Commission to check the accuracy of the figures contained in the statements and to follow the financial outlay devoted by each State to its armed forces.

Such High Contracting Parties as have laid before the Conference unpublished budgetary documents of a more detailed character than those actually published at the time when the unpublished documents were submitted, undertake in future to introduce into their published budgets and accounts a degree of detail at least as great as that of the unpublished documents submitted to the Conference.

As regards the High Contracting Parties whose documentary material it was not possible for the Conference to examine, the Permanent Commission will decide whether the degree of detail of the published budgetary documents furnished in support of the first statements supplied in execution of the Convention is satisfactory; if necessary, it will specify any modification in the detail which, in its opinion, should be introduced.

#### *Article I.*

The Permanent Commission shall verify the statements provided for in Articles D and F of the present Convention before publishing them.

During the examination of these statements, the Commission may ask the Governments concerned for any additional particulars and explanations that it considers necessary.

If, as a result of this examination, the Commission considers that alterations should be made in the figures supplied to it, it shall inform the Government concerned of the changes which it would wish to be made in these figures, stating the reasons therefor.

The statements published by the Commission shall show the figures as supplied or corrected by the Governments. Should agreement not be reached between the Commission and the Government concerned as regards the figures in the statements, the Commission shall attach to the statements a note specifying in detail the changes which it considers should be made in the figures submitted by the Government.

#### *Article J.*

The Permanent Commission shall follow the progress made by the States in the presentation of the documentary material provided for in the preceding articles.

By the continuous examination of the whole of this documentary material, the Commission shall, on the one hand, follow the development of the financial outlay devoted by each State to its national defence and, on the other hand, see the changes in the military strength of each country by means of the information thus collected.

#### *Article K.*

The stipulations of the present Convention shall apply, in the case of each High Contracting Party, to the first financial year following the entry into force of the Convention, subject, however, to the rules laid down in Articles L to N.

TRANSITIONAL PROVISIONS.

*Article L.*

The High Contracting Parties shall forward to the Permanent Commission all the documents enumerated in Article B, paragraphs 1 and 2, in respect of the financial year already in progress at the time of the entry into force of the Convention. These documents shall be despatched not later than two months after the entry into force of the Convention. Within nine and fifteen months, respectively, of the beginning of the financial year in progress when the Convention comes into force, the High Contracting Parties shall despatch a list of all laws and other instruments by which the grand total of the initial national defence expenditure authorisations in respect of that year may have been changed, together with the texts of all such laws and instruments.

*Article M.*

The first statement supplied by the States in pursuance of the provisions of Article F shall be accompanied, not only by the closed accounts relating to the financial year for which this statement is compiled, but also by the closed accounts of the three previous financial years.

If the High Contracting Parties, when presenting the first statement, are not in a position to communicate the closed accounts for the three previous financial years, they shall lay before the Permanent Commission certified statements of payments effected for national defence during each of these three financial years, it being understood that the closed accounts themselves of the last three financial years will be despatched as soon as possible.

*Article N.*

The High Contracting Parties referred to in Article H, paragraph 2, shall be entitled to despatch their draft budgets and budgets together with the accounts in respect of the first two financial years in the form in which such documents were published prior to the entry into force of the Convention. In support of the statements, they shall, however, append certified statements of estimates and payments so compiled as to have the same practical value for the purpose of checking by the Permanent Commission as the statements of payments submitted to the Conference.

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LIST OF ANNEXES<sup>1</sup> TO THE DRAFT CONVENTION.

*Annex I.*—Conventional List of National Defence Expenditure.

*Annex II.*—Instructions for transmitting Budgets and Accounts.

*Annex III.*—Instructions for filling in the Statements and Reconciliation Tables :

(1) Instructions for determining the expenditure to be entered in Tables I to IV of the statements :

(a) General instructions for compiling the statements of estimates of expenditure and payments effected (Tables I to IV);

(b) Special instructions for compiling the statement of estimates of expenditure;

(c) Special instructions for compiling the statement of payments effected;

(2) Instructions regarding classification of National Defence Expenditure;

(3) Instructions regarding the special information to be included in Table V of the statements;

(4) Instructions for compiling the Reconciliation Tables.

*Annex IV.*—Instructions for compiling the Summary Statements of Modifications in Original Authorisations of National Defence Expenditure.

*Annex V.*—Model Statement and Model Reconciliation Tables and Summary Statements.

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<sup>1</sup> The complete text of the annexes to the draft Convention will be found in document Conf.D./C.G.160(1).

ANNEX 2.

Conf.D./C.D.53.

Geneva, February 14th, 1934.

MEMORANDUM ON THE PROCEDURE AT PRESENT FOLLOWED BY THE TECHNICAL COMMITTEE IN EXAMINING THE DOCUMENTATION OF THE VARIOUS STATES.

NOTE BY THE SECRETARY OF THE NATIONAL DEFENCE EXPENDITURE COMMISSION.

The Secretary of the National Defence Expenditure Commission has the honour to communicate to members of the Commission, for purposes of information, a memorandum drawn up by the Technical Committee relating to the procedure at present followed by the Committee for examining the documentation of the various States.

1. Under the mandate with which it was invested by the Expenditure Commission on March 16th, 1932, the Technical Committee was instructed more especially " to study the documentation regarding national defence expenditure supplied in accordance with the decision of the League Council dated May 23rd, 1931. . . . "

The results of that examination have been recorded in the case of nineteen countries in document Conf.D.158 (Report of the Technical Committee of the National Defence Expenditure Commission), and more particularly in Volume II.

Some time later, on June 8th, 1933, the General Commission requested<sup>1</sup> " the Technical Committee to continue, in view of a universal application of a system of publicity, its examination of the documents transmitted by the various States ".

In pursuance of that resolution, the Technical Committee continued its consideration of the documentation of the various countries in so far as its other work permitted.

2. The countries which have submitted a complete set of documents in reply to the requests made by the League Council and the Conference number thirty-three.

In the case of twenty-four of these Powers, the examination of the documents has been concluded, while in the case of nine others it is still in progress.

Twenty-seven countries mentioned in the list annexed to the present note have submitted either documentation which is incomplete, or none at all.

The Committee cannot but express its regret that, despite repeated requests from the organs of the Conference, every country has not yet seen its way to send in the documents asked for. For this reason, the Committee has not been able to complete its studies in an entirely satisfactory manner.

3. The rules of procedure for the examination of information supplied by the Governments (see document Conf.D.158, Volume I, pages 236 and 237) were adopted by the Technical Committee on April 14th, 1932, and submitted to the Expenditure Commission for information. These rules provided for a very thorough form of procedure (including observations addressed to the delegations, replies, oral hearings to which the delegations were invited to send representatives, and the drafting of a " summary of information " setting out in the case of each country examined all the essential facts regarding its budgetary system and national defence expenditure).

4. As is expressly stated in the introduction to the Rules of Procedure, the main object of the examination of the information was to be " to ascertain whether the Model Statement as drawn up by the Committee of Experts on Budgetary Questions is a practical instrument by means of which States can set out all the expenditure on national defence incurred by them in a given recent year ".

After a year of investigations, the Committee incorporated in its general report (document Conf.D.158) certain general conclusions based upon its findings after full examination of the documentation of nineteen Powers and partial examination of the documents of ten others. At the same time, the Committee stated its intention of submitting a subsequent report setting out the essential facts relating to countries the examination of whose documents had not then been completed, as also to such other countries as might supply material in the future; the report, it was intimated, would indicate such modifications in the conclusions of the principal report as examination of the new documents might lead the Committee to propose.

In order to be able to draw up this subsequent report, the Committee thought it essential to continue its studies so as to be able to acquire at least a general idea of the position of all the countries represented at the Conference. In doing so, it believes that it acted in accordance with the spirit of the Expenditure Commission and of the General Commission in insisting that all Governments should send in the fullest possible information in the budgetary sphere. It is obvious that the results of the studies of a universal character carried out during the Conference would considerably facilitate the current work to be done later by the Permanent Disarmament Commission in the same sphere.

5. The Committee proposes, nevertheless, after drafting its principal report and the instruments necessary for the application of a system of publicity of national defence expenditure (see document Conf.D./C.G.160), to adopt in future a more summary form of procedure, which should enable it to conclude its work at a comparatively early date.

<sup>1</sup> See document Conf.D./C.G.135, 3(b).



The Committee will therefore confine itself to drawing up, for each country remaining to be examined, on the basis of the documentation at its disposal (either in the archives of the Secretariat of the Conference or in the League of Nations Library), a draft summary of information prepared according to an abridged procedure. These summaries will include a series of general findings, more especially in regard to the budgetary system and the structure of the accounts and the budgets of the various countries, and are intended to be published subsequently in the form of a supplementary volume of the general report of the Technical Committee (document Conf.D.158).

Generally speaking, the Committee will rely exclusively upon official sources. Only in exceptional cases, and when official material proves inadequate, will recourse be had to other reliable sources of information.

It is understood that none of these summaries can be regarded as final until the State concerned has had an opportunity of submitting its observations on the subject.

It is to be hoped that the Powers will give their assistance in preparing the summaries by sending in, as soon as possible, their observations on the texts submitted to them, and that they will not lose sight of the fact that the summary, if it is not confirmed by the Power concerned, will lose much of its authoritativeness and of its value as a source of information for the use of the Permanent Commission. In order, however, to expedite the final adoption of the various summaries by the Committee, it will be essential to fix a time-limit for the receipt of such observations commensurate with the distance from the capitals of the various countries to the seat of the Conference.

### Appendix.

#### DETAILED LIST OF COUNTRIES WHICH HAVE FORWARDED INCOMPLETE DOCUMENTATION OR WHICH HAVE NOT FORWARDED ANY DOCUMENTATION.<sup>1</sup>

##### *I. Countries which have not supplied the Committee with Complete Documentation in reply to the Requests of the Council of the League of Nations or of the Conference.*

Countries	Documentation received
Afghanistan	Reply to questionnaire on the budgetary systems.
Saudi Arabia	Summary figures.
Argentine	Reply to questionnaire on the budgetary systems. Summary of figures (navy and air force). Expenditure for 1930; estimates for 1931.
Brazil	Reply to questionnaire on the budgetary systems. Incomplete Model Statement for 1930.
Chile	Reply to questionnaire on the budgetary systems. Documentation for 1932, complete with the exception of the printed volumes of the budgets and accounts.
China	Model Statement for 1930-31.
Colombia	Summary figures of the estimates for 1928-1931.
Costa Rica	Certain figures based on the budget for 1931.
Cuba	Reply to questionnaire on the budgetary systems. Model Statement for 1930-31, annexes relating to the allocation of credits. Budgets 1927-28 to 1931-32.
Dominican Republic	Principal figures of the budget.
Egypt	Reply to questionnaire on the budgetary systems. Model Statement and annexed tables based on the budget for 1931-32.
Haiti	Model Statement for 1930-31.
Hungary	Reply to questionnaire on the budgetary systems. Model Statement and annexed tables for 1929-30. Budgets and accounts. Tables showing the allocation of expenditure.
Iraq	Certain figures of expenditure. Explanations concerning the military organisation.
Liberia	Total figures for national defence expenditure for 1929-30.
Luxemburg	Model Statement for 1932.
Panama	Model Statement of expenditure on national police, based on the budget for 1931 to 1933. Budget 1931 to 1933.
Persia	Reply to questionnaire on the budgetary systems. Model Statement and annexed tables for 1931-1932. Budget. Statement of expenditure effected or still to be effected. Laws granting supplementary credits. List of budgetary credits and extra-budgetary receipts allocated to expenditure.
Siam	Reply to questionnaire on the budgetary systems. Model Statement and annexed tables for 1930-31.
Turkey	Reply to questionnaire on the budgetary systems. Summary list of expenditure and revenue.
Uruguay	Summary statement of budgetary expenditure of the Ministry of War and Marine.
Venezuela	Reply to questionnaire on the budgetary systems. Model Statement and annexed tables for 1931-32. Accounts of expenditure of the Ministries of War and of the Marine effected out of the budget of 1931-32.

<sup>1</sup> Note by the Secretariat (January 1935).—Since this list was drawn up in February 1934, certain countries have supplied additional documentation.

2. Countries which have not supplied any information concerning their National Defence Expenditure or their Budgetary System.

Abyssinia	Honduras
Bolivia	Peru
Guatemala	

ANNEX 3.

PUBLICATION OF THE DRAFT BUDGETS, BUDGETS AND ACCOUNTS.

	Draft budgets	Budgets	Closed accounts
Published .....	23 <sup>1</sup>	36	27 <sup>2</sup>
Not published.....	8	3	4
	Afghanistan Liberia Latvia Lithuania Mexico Persia Portugal Siam	Afghanistan Liberia Siam	Afghanistan Liberia Mexico Siam
Information not available.....	II	3	II
	Abyssinia Sa'udi Arabia China Cuba Dominican Republic Guatemala Haiti Honduras Panama Peru Uruguay	Abyssinia Sa'udi Arabia Bolivia	Abyssinia Sa'udi Arabia Bolivia Brazil China Costa Rica Cuba Dominican Republic Haiti Panama Uruguay
	42	42	42

ANNEX 4.<sup>3</sup>

DATES OF OPENING OF BUDGETARY YEAR.

*January 1st* : Argentine Republic, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Liberia,<sup>4</sup> Luxemburg, Mexico, Panama (two-yearly *exercice*),<sup>5</sup> Peru, Uruguay.<sup>6</sup>

*March 21st* : Afghanistan, Persia.

*April 1st* : Brazil,<sup>7</sup> Canada, Iraq, Siam.

*May 1st* : Egypt.

*June 1st* : Turkey.

*July 1st* : China, Cuba, Guatemala, Venezuela.

*August 1st* : Honduras.

*September 11th* : Abyssinia.

*October 1st* : Haiti.

Information not available : Sa'udi Arabia.

<sup>1</sup> In the following countries : Bulgaria, Egypt, Estonia, Iraq, Venezuela, the draft budgets are merely printed for the use of Parliament. These five countries have, however, been included in the figure entered in the above table of draft budgets published within the meaning of the provisions of Annex II, paragraph 5, of the draft Convention.

<sup>2</sup> In Estonia, accounts are printed for the needs of Parliament and of the Administration. They are consequently considered as public.

<sup>3</sup> Supplement to the table given on page 191 of Volume I.

<sup>4</sup> Since 1931. Formerly : October 1st.

<sup>5</sup> Since 1933. Formerly : from 1931 to 1933, March 1st; previous to 1931, July 1st.

<sup>6</sup> Since 1933.

<sup>7</sup> Since 1934-35. Formerly : January 1st.

ANNEX 5.<sup>1</sup>

ADDITIONAL PERIODS.

*Twelve months' accounts* : Chile, Colombia, Cuba, Egypt, Haiti, Iraq, Siam, Turkey, Venezuela.

*Additional period* :

*One month* : Canada, Mexico.

*Two months* : Afghanistan, Uruguay.

*Three months* : Argentine, Brazil, China, Persia, Peru.

*Nine months* : Luxemburg.

*No information available* : Abyssinia, Sa'udi Arabia, Bolivia, Costa Rica, Dominican Republic, Guatemala, Honduras, Liberia, Panama.

ANNEX 6.

TABLE REGARDING BUDGETARY DIFFERENTIATION.

*Explanatory Note.*

A statement will be found below shewing the number of budgetary subdivisions shown in the closed accounts or, in certain cases in which the accounts could not be consulted, in the budgets of the National Defence Departments of the States whose documentation has been examined by the Technical Committee.

The following table is supplementary to that reproduced in Volume I, page 36, of the Committee's report.

At the same time it includes certain countries, already mentioned in Volume I, in regard to which the Committee had not yet completed its enquiries when the main report was drawn up. Information subsequently received has enabled the figures given in the table included in Volume I to be rectified. In the present table the names of such countries are printed *in italics*.

The table makes no mention of countries for which the Committee has had no opportunity of examining either draft budgets, budgets or accounts—viz., Afghanistan, Sa'udi Arabia, Abyssinia, Liberia and Siam.

The Committee desires to point out that the particulars shown in these tables should be read in conjunction with the data embodied in the summaries of information on the various countries, and, furthermore, that in publishing the tables it has considered budgetary differentiation solely from the point of view of the compilation of the returns, while bearing in mind that even for that purpose the number of subdivisions is not the only test of adequate differentiation.

TABLE.

<i>Albania</i> (Accounts, 1930-31) .....	Chapters .....	34
Argentine Republic (Budget, 1934) .....	" Incisos " and items .....	131
<i>Australia</i> (Accounts, 1933-34) .....	Subdivisions .....	44
Brazil (Budget, 1930) .....	" Verbas " .....	46
<i>Canada</i> (Accounts, 1930-31) .....	Credits or votes .....	16
Chile (Accounts, 1932) .....	" Items " and " letras " .....	108
China (Budget, 1931-32) .....	Articles and paragraphs .....	551
Colombia (Accounts, 1933) .....	Articles .....	27
Costa Rica (Budget, 1932) .....	Items .....	63
Cuba (Budget, 1933-34) .....	Articles .....	15
Dominican Republic (Budget, 1933) .....	Items .....	24
Egypt (Accounts, 1925-26) .....	Articles .....	36
Estonia (Accounts, 1930-31) .....	" Paragraphes " .....	35
<i>Finland</i> (Accounts, 1930) .....	" Momenter " .....	73
Greece (Budget, 1930-31) .....	Chapters and articles .....	134
Guatemala (Budget, 1932-33) .....	" Capítulos " .....	27
Haiti (Budget, 1931-32) .....	Articles .....	11
(Budget, 1933-34) .....	Articles .....	1
Honduras (Budget, 1932) .....	" Capítulos " .....	18
Hungary (Accounts, 1929-30) .....	" Rovatok " and " Alrovatok " .....	53
Iraq (Budget, 1933) .....	Votes .....	10
Latvia (Accounts, 1929-30) .....	Articles .....	51
(Unpublished figures supplied to the Conference.)		

<sup>1</sup> Completes the table on page 143 of Volume I.

Lithuania (Accounts, 1930) .....	" Paragraphes " .....	70
(Unpublished figures supplied to the Conference.)		
Luxemburg (Budget, 1933) .....	Articles .....	7
Mexico (Budget, 1930) .....	" Conceptos " and " Partidas " .....	194
New Zealand (Accounts, 1931-32) .....	Votes and items .....	146
Panama (Budget, 1933-34) .....	Articles .....	13
Persia (Budget, 1931-32) .....	Articles .....	3
Peru (Accounts, 1929) .....	" Capítulos " and " Partidas " .....	248
Portugal (Budget, 1930-31) .....	" Capítulos " and " Artigos " .....	578
Spain (Provisional Accounts, 1930) .....	" Capítulos " .....	67
Turkey (Accounts, 1931-32) .....	Chapters .....	161
Uruguay (Budget, 1930-31) .....	" Planillas " and paragraphs .....	579
Venezuela (Accounts, 1931-32) .....	" Capítulos " and " Artigos " .....	68



## Second Part.

### SUMMARIES OF THE INFORMATION SUPPLIED TO THE TECHNICAL COMMITTEE ON THE SUBJECT OF THE NATIONAL DEFENCE EXPENDITURE OF THE SEVERAL STATES.

(Second Series.)

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#### INTRODUCTION.

The object for which the summaries of information were drawn up and the procedure followed in their preparation were explained both in Volume II of the Report (see pages 5 and 6) and in document Conf.D./C.D.53, which is reproduced as an annex (Annex 2) to the Complementary Report of the Committee (see page 31 of the present volume).

The Technical Committee would point out that the texts of these summaries of information are published under the responsibility of the Committee. In the absence of any indication to the contrary, all the particulars they contain have been approved by the representatives of the delegations concerned or, when necessary, by the Governments themselves.

The summaries of information included in the present volume, and also the nineteen summaries included in Volume II, were prepared on the basis of information collected at different dates, and no account is taken of modifications introduced into the financial systems of certain countries since those dates.

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## AFGHANISTAN.<sup>1</sup>

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### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budgets are prepared by the various Ministerial Departments and transmitted to the Minister for Finance, together with detailed explanatory statements.

The Minister for Finance is entitled to scrutinise the details of the draft budgets of the Ministries and draws up the draft general budget. The latter, which is also examined by the Auditing Commission (see A.8), is finally passed by the Council of Ministers.

#### 2. *Discussion and Voting of the Budget.*

(a) The Council of Ministers forwards the draft general budget to the National Assembly. Before being discussed in plenary session, it is examined by a special financial commission. The latter has the right to obtain all information and details required from any Department to enable it to conduct its examination.

The Commission draws up a report which it submits to the plenary Assembly. The report is not published.

During the discussion of the budget by the National Assembly, deputies can propose either increases or reductions in expenditure or other amendments to the draft budget. After being adopted by the National Assembly, the draft budget is forwarded to the Assembly of Notables, where a vote is also taken. The meetings of the two assemblies are public. No reports of the proceedings are published.

When the draft budget has been voted by both Assemblies, it is returned to the Council of Ministers to be presented to the King for supreme approval.

To become executory, the budget must be voted by both Assemblies and approved by the King.

(b) In the event of the budget not having become executory before the beginning of the budgetary year, the Council of Ministers may be authorised by Royal Mandate to continue current expenditure during the period preceding the final approval of the budget, provided that such expenditure is kept strictly within the limits of the expenditure incurred during the corresponding period of the previous year. In such cases, the Finance Minister prepares a statement of provisional expenditure for each Ministerial Department.

In case of the necessity of supplementary credit arising, the ministry concerned cannot provide for it from an item already standing in the budget, but must draw up a supplementary budget which is to be submitted to Parliament through the Cabinet, and for the final sanction of the King.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget and the budget are not officially published.<sup>2</sup>

The Committee has had no opportunity of studying any closed account. The closed accounts are not published.<sup>3</sup>

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The material supplied has not enabled the Committee to determine the conditions governing the expenditure of credits.

The Afghan delegation has stated that the State accounts show purchases side by side with credits. The total expenditure incurred during the year under such heads as contracts, purchases and public works is shown in the form of cash disbursements, for which vouchers are attached.

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<sup>1</sup> The present Constitution of Afghanistan was brought into force by the promulgation at Kabul of the Constitutional Law of November 11th, 1931, which contains provisions relating to the organisation, powers, etc., of the two Majliss (Assemblies)—viz., the Majliss-i-Shora-i-Milli (National Assembly) and the Majliss-i-Aiyyan (Assembly of Notables). The following particulars apply to the period subsequent to 1932.

<sup>2</sup> To a question from the Technical Committee as to whether the budgets are to be published in the near future, the Afghan Government replied that no definite answer could be given at present.

<sup>3</sup> The Technical Committee asked the Government of Afghanistan whether it would be possible to supply it with a printed or typed copy of a recent budget and recent closed accounts, even if these documents were not published. No definite reply has been given on this point.

(b) The rule of "annalité" is observed. Credits voted in respect of one year cannot be carried forward to another year. It is possible to enter into commitments involving a charge on subsequent budgets, but, in such cases, special authority must be obtained in advance.

5. *Division of Expenditure in Budget and Accounts.*

(a) The budgets of the various Ministries are drawn up under heads and sub-heads. There is only one National Defence Ministry (War Ministry).

(b) It is not known whether the accounts are drawn up under approximately the same heads and sub-heads as the budget.

(c) Credits voted under one head of the budget cannot be employed to meet expenditure falling under another head. Transfer is allowed between sub-heads of the same head.

6. *Unity of the Budget.*

(a) All expenditure incurred in connection with national defence is included in the general budget.

Apart from the Government Departments, there are no public or private institutions empowered to raise funds for national defence.

There are no extra budgetary resources for national defence purposes.

(b) The expenditure shown in the budget is net.

Any gifts or legacies for national defence or intended to meet any other State expenditure are included in the budget of the year in which they are made or in the following year's budget.

7. *Supervision of the Execution of the Budget.*

Accounts offices are attached to each Ministry and to each provincial administration. It is their duty to ensure that all expenditure is duly covered by budgetary sanction and has been approved by the competent authority. All disbursing officials are required to submit full monthly statements of account, together with receipts and other vouchers, to the accounts office concerned, which checks and compiles them. These accounts are then submitted to the general accountancy service of the Ministry of Finance.

Supervision during the execution of the budget is also carried out by the accountancy services which are under the control of the Ministry of Finance.

8. *Final Audit.*

The closed accounts for the year are audited by an Auditing Commission composed of twenty-five members, fifteen from the National Assembly and ten from the Assembly of Notables. An official of the department concerned may be attached to the Commission or called upon to serve on it.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. *Budgetary Year.*

The Afghan budgetary year extends from March 21st to March 20th of the following year. There is an additional period of two months, during which payment warrants can be issued and the amounts entered in the accounts for the year.

2. *Budgets and Accounts.*

No budgets or accounts have been supplied.

3. *The Model Statement.*

No Model Statement has been supplied.

4. *Execution of the Budget.*

As soon as the general budget is adopted, the War Ministry is supplied with a copy, duly certified by the Minister for Finance, of the section relating to that department; it is only on receipt of such certified extracts from the General Budget that departments are entitled to make use of the credits assigned to them.

The accounts offices attached to each Ministry and provincial administration issue orders for payment and cash warrants.

Payment warrants must be endorsed by the Ministry of Finance or by the accounts offices attached to the administrations of the various Governors or other executive officials.

Payments outside Afghanistan are arranged through Afghan commercial agencies and Government representatives.

**5. Audit and Publication of the Accounts.**

The closed accounts for each year are audited by the General Auditing Commission. If considered necessary, an auditing commission is appointed to carry out an audit of a particular account.

After audit by the General Commission, all accounts are centralised in the archives of the Ministry of Finance.

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C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT,

D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT,

AND

E. TABLES ANNEXED TO THE MODEL STATEMENT.

**General Remarks.**

No Model Statement has been supplied.

The Afghan army and air force are at present in course of reorganisation.

In 1933, no regulations were in existence as regards military reserves.

The total provision (including the supplementary budget) for national defence expenditure for the year 1931-32 was approximately 55,000,000 Afghanis. This sum does not include expenditure on account of police.

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**List of Documents.**

Budgetary system : reply of the Afghan delegation to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.70.)

*Armaments Year-Book*, 1933 (published by the League of Nations).

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## UNION OF SOUTH AFRICA

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### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The estimates are prepared by the permanent heads of the administrations of the several ministerial departments. They are then transmitted to the Treasury Department, at the head of which is the Minister of Finance, who has the right to request the heads of departments to amend their estimates. The sanction of the Treasury is necessary before it is possible to introduce in these estimates any increase in the number of officials (permanent or temporary) provided for under the budget of the previous year, or any increase in the scales of salary of serving officials or any new works or services, or, lastly, any increase in the credit authorised for works or services actually proceeding.

The draft budget is drawn up in its final form by the Minister of Finance and approved by the Cabinet.

#### 2. *Discussion and Voting of the Budget.*

(a) The estimates are discussed and voted by Parliament. The budget is not voted before the beginning of the financial year but during that year, generally two or three months after its beginning. The voting of the budget is preceded by the grant by Parliament of successive votes on account. A Part Appropriation Act is voted in March—*i.e.*, during the month preceding the beginning of the financial year—in order that the existing services may function uninterrupted. This procedure does not authorise expenditure for new services.

The estimates do not undergo preliminary examination by a Parliamentary Committee; they are examined direct by the whole Parliament, sitting as a Committee of Supply. The meetings of Parliament are public and the debates are published *in extenso* in the parliamentary reports.

Members of Parliament have no right of initiative with regard to expenditure.

(b) National defence expenditure is voted each year.

(c) The expenditure must always be authorised by law. If the Government has exceeded the credits, it must apply to Parliament for supplementary credits.

No excess credits are granted after the end of the financial year. When, however, the Controller and Auditor-General considers that expenditure incurred by a department is not covered by parliamentary authority and that view is upheld by the Public Accounts Committee, an Unauthorised Expenditure Act would be passed in the following year.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The Estimates and Part Appropriation Act, the Appropriation Act and the closed accounts form the subject of official publications.

#### 4. *Conditions governing the Expenditure of Credits.*

The voting of a credit defines the amount of the payments which may be effected during the twelve months of the financial year. The financial year runs from April 1st to March 31st of the following year. The rule of "*annalité*" is strictly observed. No payment may be charged to credits opened for a specific year after the close of that year. Any payment effected after March 31st must be charged to the budget of the following year.

There are no credits that can be carried forward.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The estimates are presented according to votes which indicate clearly the nature and object of the expenditure. It is these various votes which are passed by Parliament. The votes are divided into sub-heads, which are divided in their turn into items.

The expenditure of the National Defence Department is contained in a single vote divided into eighty sub-heads.

(b) The final accounts are drawn up in the general form of the budget; they contain, however, rather fewer data.

(c) *Transfers*.—Transfers between the credits of the several ministerial departments are prohibited. The Appropriation Act empowers the Minister of Finance to authorise a saving on any sub-head of a vote to be made available to meet excess expenditure on any other sub-head, or expenditure on a new sub-head, of the same vote. Sanction to utilise savings to meet expenditure on a new sub-head is very rarely given by the Treasury, which almost invariably insists that the sums required for such expenditure shall be charged to the contingency account, covered by a special warrant of the Governor-General, and then included in an additional Appropriation Act sanctioned by Parliament.

Sanction to effect transfers between the sub-heads relating to personnel and those relating to material is very rarely given in practice.

Transfers between the items are always possible at the discretion of the head of the department concerned.

#### 6. *Unity of the Budget.*

(a) All national defence expenditure appears in the general budget of the State.

There are no public or private establishments for the manufacture of warlike stores in the Union of South Africa. Aircraft are, however, assembled and certain parts manufactured in the Defence Air Force workshops.

(b) The budget and accounts show gross expenditure.

#### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is carried out :

(a) By the supervision exercised by the competent administrative officials over their subordinates;

(b) By the accounting officer, the permanent administrative head appointed in each of the ministerial departments by the Treasury. In the case of national defence credits, the permanent head of the department is the Secretary for Defence. As accounting officer, he is responsible to Parliament for the regularity of the expenditure charged to national defence credits.

The accounting officer places at the disposal of the officials subordinate to him—the accountant or sub-accountant—the funds necessary for the payment of expenditure charged to the credits of his department. Warrant vouchers are issued in the name of the accounting officer by the accountant or sub-accountant. All officials signing such warrants are duly designated by the Treasury.

Sub-accountants must forward each week to the accounting officer a list of the warrant vouchers issued by them and must furnish at the end of each month an account with the relevant documents, to be included with the payments made by the accountant in the monthly accounts of the accounting officer.

(c) By the *Controller and Auditor-General*, to whom the accounting officer forwards a monthly account and who supervises the whole of the financial administration. This high official may object to any expenditure exceeding the credit voted, by virtue of his right of supervision over the Exchequer Account. Under the terms of the Exchequer and Audit Act (No. 21 of 1911), no disbursement may be made from the exchequer account save by authorisation of the Controller and Auditor-General. It is the prerogative and the duty of the latter to grant to the Treasury, out of this account, credits for the use of the accounting officers, up to the amount of the total credit sanctioned by Parliament for each vote.

(d) By the Minister of Finance, who exercises general supervision over expenditure.

#### 8. *Final Audit.*

Final audit is carried out :

(a) By the *Controller and Auditor-General*, who exercises supervision over the disbursements and audits the accounts.

He is responsible to Parliament.

The provisions relating to the appointment, prerogatives and duties of the Controller and Auditor-General appear in the Exchequer and Audit Act, 1911. This official is appointed by Parliament.

The Controller and Auditor-General presents an annual report to Parliament, whose attention he directs to any irregularities found in the course of his audit.

(b) By the *Select Committee of Public Accounts*, which examines the public accounts on behalf of Parliament, on the basis of the report of the Controller and Auditor-General.

The Select Committee of Public Accounts is appointed by the House of Assembly from among its members at the beginning of each parliamentary session.

The accounting officers appear in person before the Select Committee of Public Accounts, to which they are required to give explanations on any point in the Controller's report which, in the Committee's view, may necessitate an enquiry.

The Committee then presents to Parliament a report concerning all those questions noted in the report of the Controller and Auditor-General which they may consider it necessary to bring to the notice of Parliament.

(c) By *Parliament* itself, which, in the last resort, approves the accounts and which may endorse any recommendation objecting to an account, formulated by the Select Committee of Public Accounts.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from April 1st to March 31st. There is no additional period during which commitments entered into in the course of the previous budgetary year can be settled. After March 31st, no expenditure may be charged to the previous financial year. Only accounts for goods delivered or services rendered before March 31st may be regularised up to April 30th, as between the Government departments.

### 2. *Budgets and Accounts.*

There is only one Ministry of National Defence. There is a separate chapter for naval services and for air services. Many items of expenditure, however, common to the three forces are shown under general heads of the national defence budget.

There are special funds mentioned under B.5.

### 3. *The Model Statement.*

The Model Statement, which shows separately the expenditure for the three forces, relates to the budgetary year 1930-31 and indicates the gross amount of warrant vouchers issued during that year.

Certain exceptions to the principle of gross accounting were necessary in the case of the expenditure on the Diamond Air Mail Service between Alexander Bay and Capetown and expenditure on work done for the light aeroplane clubs.

The Model Statement has been drawn up on the basis of the figures in the accounts of the Ministry of National Defence for the financial year 1930-31, published on December 25th, 1931, together with the report of the Controller and Auditor-General, to which have been added the expenditure inserted in the closed accounts of certain civil departments and from which expenditure on school cadets has been deducted. The respective amounts have been calculated or estimated with the help of the internal accounts of the departments concerned. There is no extra-budgetary expenditure.

### 4. *Execution of the Budget.*

Payments are made by warrant vouchers drawn on the bank account of the accounting officer or sub-accountant. Warrant vouchers are issued on behalf of the accounting officer by the accountant or sub-accountant, by whom, or by an officer of their respective staffs, they are signed. They are also countersigned by an officer of the accountant's or sub-accountant's staff.

Sub-accountants must forward to the accounting officer weekly a schedule of warrant vouchers drawn by them and must render an account with supporting vouchers at the end of each month for inclusion in the monthly accounts of the accounting officer.

The monthly accounts of the accounting officers, accompanied by supporting vouchers, are regularly audited by the Controller and Auditor-General.

### 5. *The Account.*

The account of the National Defence Department shows the amount of the warrant vouchers drawn in the course of the budgetary year (April 1st to March 31st) *in gross figures*.

There are no Government establishments for the manufacture of arms.

There are certain funds administered by the Defence Department for defence purposes which are in a certain sense or to some extent extra-budgetary. These accounts are :

- (a) Defence standard stock account;
- (b) Defence endowment account;
- (c) Aircraft replacement fund;
- (d) Artillery replacement fund;
- (e) Hospital suspense accounts (2).

The account is closed on June 30th—*i.e.*, three months after the end of the budgetary year. The Controller and Auditor-General may allow adjustments of errors up to the date of completion of his examination, usually in August.

### 6. *Audit and Publication of the Account.*

The account is audited concurrently by the Controller and Auditor-General. The latter is required by law to complete his examination not later than seven months after the close of the budgetary year and to submit the audited accounts with his certificate and report to the Minister

of Finance for presentation to Parliament within seven days of their receipt by the Minister of Finance, if Parliament is then in session, or otherwise within seven days of the commencement of the next ensuing session. The account is printed and published about nine months after the close of the budgetary year. The account and report of the Controller and Auditor-General are examined by the Parliamentary Select Committee on Public Accounts, which reports to Parliament on all matters brought up in the report of the Controller and Auditor-General, to which, in the Committee's opinion, the attention of Parliament should be directed.

### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

(a) The relation between the Model Statement and the accounts has been established with the assistance of reconciliation tables.

(b) The Model Statement for the Union of South Africa contains expenditure in respect of the land, sea and air armed forces shown separately.

(c) There are no formations organised on a military basis.

(d) No difficulty resulting from the budgetary system has been encountered which would prevent the inclusion of all national defence expenditure in the Model statement.

(e) Departures have been made from the instructions concerning the universality of expenditure in certain cases mentioned below.

#### 2. *Military Departments.*

(a) Expenditure in respect of *pensions and allowances* for loss of employment, premature retirement or discharge are included in annexed Table F of the Model Statement, but are not shown in Tables A to D.

(b) All expenditure on the *Defence Rifle Association* has been included in the Model Statement.

(c) Recoverable *advances* have not been included in the Model Statement. Moreover, they are rarely granted.

(d) As regards expenditure in respect of goods purchased and services rendered abroad, the figures in the Model Statement show the sums actually expended in *national currency*.

#### 3. *Civil Departments.*

(a) Certain military expenditure is charged to civil departments. The relevant figures are based on the administrative data furnished by the competent departments.

(b) Expenditure on the *buoyage and lighting of coasts* is not inserted in the Model Statement.

(c) The *coastal hydrographic survey* is carried out by the sloop *Protea*, a unit of the South African Naval Service. The whole of the expenditure on the *Protea* is shown in Table C.

(d) The work of the *Trigonometrical and Topographical Survey* and of the *Inland Hydrographic Survey* is not connected with national defence.

(e) The *Meteorological Service* is installed at aerodromes utilised for purposes of civil aviation, in the interests of which it primarily exists. The air forces of the Union, however, make use of the information furnished by this service.

(f) Expenditure authorised under the *Loan Vote (Railways and Harbours)* does not relate to national defence.

(g) The *railways administration* grants the same rebates to the National Defence Department as to the other Government departments, except on passenger traffic, in which case defence rebate is 50 per cent, as against 45 per cent to other Government departments. No objection would be raised to the insertion of the amounts of these rebates in the Model Statement, if necessary.

(h) Since April 1st, 1932, expenditure on the *Diamond Air Mail Service*, borne by the budget of Mines and industry, no longer includes military expenditure, because as from that date the services of the supernumerary Air Force personnel for the operation of the mail service has been dispensed with.

(i) The amount of free *postal services* and of the free services rendered by the Government *printing works* to the National Defence Department have been included in the Model Statement.

#### 4. *Special Questions.*

(a) The *Police Corps of the Union* may be called up in the event of war or whenever necessary to assist in defending the Union in any part of South Africa. Nevertheless, the Police Corps is not regarded as coming under the definition of the term "formations organised on a military basis", because the ordinary duties of the South African Police are of a purely civil nature. No expenditure in respect of that Police Corps has been included in the Model Statement.

(b) Expenditure on *school cadets* has not been included in the Model Statement.

(c) All expenditure in respect of the *supervision* of military expenditure has been included in the Model Statement.

(d) Expenditure on the personnel of *military workshops* employed on repairs for light aeroplane clubs has been included in the Model Statement, with the exception of the labour charges recovered from the clubs. In the event of mobilisation, the Government has the power to requisition aircraft belonging to the clubs or to private owners.

(e) *Fort Napier* does not at present serve any military purpose and is used as a mental hospital.

(f) The cost of treatment of soldiers in the *civil hospitals* is charged to the chapter relating to medical expenditure in respect of national defence.

(g) The following *special funds* and accounts concern national defence :

(a) The defence standard stock account;

(b) The defence endowment account;

(c) The aircraft replacement fund;

(d) The artillery replacement fund;

(e) The hospital suspense accounts (2);

(f) All these funds are audited by the Controller and Auditor-General and an extract from their balance-sheets is published. The delegation of the Union of South Africa would have no objection to publishing them in full if this is required by the future Convention.

(h) The expenditure inserted in the Model Statement in respect of Loan Vote B and Votes 16, 35, 36 is based on internal accounts.

(i) Certain expenditure incurred out of the proceeds of a loan and borne on the Loan Vote of the Public Works Department represents the capital actually employed and does not include any sum in respect of the repayment of the loan.

(k) The statement shows the gross expenditure except in the case of the Diamond Air Mail Service between Alexander Bay and Capetown, work done for light aeroplane clubs and sales of stores to other Government departments.

(l) The proceeds from the sale of movable and immovable property reverts to the Treasury. An exception was made in the case of "defence endowment" property, any monies realised by the sale of land or buildings belonging to the national defence services being placed to the Defence Endowment Account and used solely for national defence purposes. From April 1st, 1933, monies formerly credited to Defence Endowment Account are paid into revenue and all expenditure on lands and buildings for defence purposes must appear in the budget (Financial Adjustments Act, 1933, Act No. 29 of 1933).

## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. Separation of Expenditure on the Three Forces.

There is only one National Defence Ministry, and the expenditure on the three forces is included in a single budget and account, where, however, it appears for the most part under separate sub-heads.

The whole of the expenditure on certain services which are common to the three forces, but from which the land forces derive the chief benefit, such as Administration, Intendance (Quartermaster-General—Headquarters), Medical Services, South African Military College, Military Hospital (Roberts Heights) and certain special services (shooting-ranges, etc.) have been entered in Table B. The South African delegation stated that great difficulty would have been encountered in allocating this expenditure between the three forces otherwise than by estimate.

The expenditure relating to the Permanent Forces (Cape Peninsula) figures entirely in Table C, because practically all this expenditure relates to the Permanent Garrison Artillery, which is responsible for coast defence. If a strict analysis had to be made, only a small part of this expenditure would have to be assigned to the land forces.

It has been possible to allocate as between the three forces by means of internal accounts the expenses relating to the citizen forces and cadets, which appear in the closed account in joint items.

As regards expenditure on barracks (K.2) and on certain services rendered to national defence by other Ministries (for instance, printing and postal expenditure), this has had to be allocated on the basis of estimates. The amount of the expenditure thus allocated (£25,883) represents about 3 per cent of the aggregate national defence expenditure and 4.5 per cent, 18.5 per cent and 19 per cent of the total expenditure of the land, naval and air forces respectively.

### 2. Coast Defence.

The expenditure on coast defence is shown in Table C. The amount entered on this account in the statement for the naval forces includes, however, certain elements solely relating to the land forces, which it has been impossible to isolate for insertion in Table B.

### 3. *Optional Columns.*

The optional columns have not been filled in, for the reason that there are no armed forces stationed overseas nor any formations organised on a military basis.

### 4. *Division of Expenditure between the Sub-heads of the Model Statement.*

As a rule, no serious difficulties have been encountered in dividing the expenditure between the respective sub-heads of the Model Statement. In the following cases in which it has been necessary to subdivide a lump sum in the account between several sub-heads of the Model Statement, this has been done (a) by means of estimates and (b) by means of internal accounts :

(a) *By means of estimates :*

Sub-head H.5.—Naval Service : Rations, fuel and light, furniture, etc. (or allowance in lieu).

The total expenditure on this sub-head—viz., £8,752—was subdivided in the Model Statement, Table C, as follows :

	£
A.....	1,575
B.....	6,588
D.....	589
	£8,752

It was possible from record accounts maintained under separate items to ascertain the correct amount to be allocated to sub-head D of the Model Statement. As ration allowances for officers and ratings were paid partly to individuals through the pay-sheets and partly to messes, an analysis of the pay-sheets for the year 1930-31 was made and the actual amounts falling under sub-heads A and B ascertained. The balance, representing payments to messes, was divided on a basis approximating proportionately to the division ascertained from the pay-sheets.

(b) *By means of internal accounts :*

Sub-head A.4.—Administration Miscellaneous Expenses.

The total expenditure on this sub-head—viz., £1,240—was subdivided in the Model Statement, Table B, as follows :

	£
B.....	145
E.....	913
G.....	139
M.....	43
	£1,240

Record accounts are maintained under separate items—e.g.

- Arms and equipment;
- Cablegrams;
- Clothing and clothing allowances;
- Medical expenses, etc.,

which enabled correct allocation to be made to the sub-heads of the Model Statement.

It was possible to deal with almost all sub-heads of the Defence Vote in this way.

Certain expenditure on fuel, heating and lighting, representing allowances in kind to personnel, appear in sub-head E, whereas the expenditure should be entered in sub-head K. The corresponding cash allowances, and all other cash allowances, have been entered in sub-heads A, B or C.

### 5. *Head IV. Separation from Other Heads.*

The method adopted in preparing the Model Statement was to treat the personnel employed on repairs of machine-guns, rifles, etc.—i.e., armourers who are members of the Ordnance Corps—and also Air Force personnel employed on the manufacture and repair of aircraft as effectives and to show their cost on Head I.

To head IV was charged only the cost of articles purchased from outside sources and cost of materials used in repair.

### 6. *Head IV. Division between Sub-Heads.*

Amounts entered in the Model Statement were easily determinable from internal accounts as between the sub-heads.

### 7. *Special Questions : Civilian Employees.*

The remuneration of civilian employees has been entirely entered in sub-head C and not distributed between sub-heads E to N. The South African delegation stated that the amount of this expenditure was not large, and that considerable difficulty would be found in allocating it between the respective sub-heads, owing to the number of cases in which labour is engaged for only part of the financial year.

E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Table A.*

(a) During the year 1930-31, expenditure in respect of the remuneration of reservists was only made for the air force. No reservists were called up during the year either for the army or the navy.

(b) The expenditure relating to the Coast Garrison Force, the Active Citizen Force and the Defence Rifle Associations (commandos) has been included in sub-head D of the Model Statement. The delegation of the Union of South Africa would have no objection to this expenditure being indicated also in Annexed Table A.

*Table B.*

No observations.

*Table C.*

(a) The amounts shown in this table concern the available balances of the two replacement funds (artillery and aeroplanes), although the expenditure was not shown in the Model Statement.

(b) The endowment account is not supplied by sums voted specially by Parliament. Its funds are derived from the sale of "endowment properties" which have become available for the needs of national defence. In addition, it may receive advances from the Treasury while awaiting receipt of the proceeds of those sales. As at March 31st, 1931, £10,750 had been advanced in this way, of which a sum of £281 17s. 4d. remained unspent. There is no objection to this balance being shown in Annexed Table C.

The system of financing the Defence Endowment Account as a special account outside of the Exchequer was discontinued with effect from April 1st, 1933, from which date all expenditure on land and buildings for defence purposes is covered by the budget.

*Table D.*

(a) The South African delegation has entered the word "nil" in this table.

The only long-term contracts for the requirements of national defence, with the exception of contracts relating to the standard stock accounts, are the contracts for the manufacture of arms, for which a credit must first have been voted.

In certain cases, long-term contracts are concluded for the supply of munitions, clothing, etc., which upon delivery are paid out of the Standard Stock Account and are only charged to the "Vote" when the material is delivered by the ordnance depots to be utilised by a unit of the category of forces concerned.

*Table E.*

No observations with regard to the word "nil".

*Table F.*

A reconciliation table has been supplied permitting the expenditure inserted in Table F to be determined (see document Conf.D./C.D./C.T.142, pages 26 and 27).

A sum of £1,625, which is included in the item "War Pensions" of Annexed Table F, must be deducted from the totals indicated for "mixed pensions" (£9,000 instead of £9,636) and "civil pensions" (£3,000 instead of £3,989), in which it had also been included.

*Table G.*

No observation.

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**List of Documents.**

Budgetary system : replies to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.6).

Model Statement, with annexes (document C.923.M.488.1932.XI. [Conf.D.37]).

Annexed tables; reconciliation of the Model Statement; analysis of expenditure : land forces, naval forces, air forces; other Government departments (document Conf.D./C.D./C.T.84).

Estimates (financial year ending March 31st, 1931) :

Estimates of the expenditure to be defrayed from revenue funds.

Estimates of the expenditure to be defrayed from loan funds.

Estimates of the additional expenditure to be defrayed from revenue and loan funds.

Province of the Cape of Good Hope : estimates of the capital expenditure; estimates of the revenue to be collected and the expenditure (excluding capital expenditure).

Province of Natal : estimates of the expenditure to be defrayed and the revenue to be collected; estimates of the expenditure to be defrayed from capital and non-redeemable capital.

Province of the Orange Free State : estimates of revenue and expenditure (including capital expenditure).

Province of Transvaal : estimates of the revenue to be collected and expenditure (excluding capital expenditure); estimates of the capital expenditure to be defrayed.

**Accounts (financial year ending March 31st, 1931) :**

Finance accounts, appropriation accounts, loan funds and miscellaneous funds (exclusive of railways and harbours), with the report of the Controller and Auditor-General.

Province of the Cape of Good Hope : annual accounts, together with statements of the receipts and payments of divisional councils, municipalities, village management, local and hospital boards, with the report of the Provincial Auditor thereon.

Province of Natal : finance accounts (including trust, housing loan and village water supply accounts), teachers' pension and provident funds accounts and appropriation accounts, with the provincial auditor's report thereon.

Province of the Orange Free State : report of the provincial auditor on the accounts.

Province of Transvaal : finance accounts, appropriation accounts and other financial statements, with the report of the Auditor of Accounts.

Observations of the Technical Committee on the documentation supplied by the Government of the Union of South Africa (document Conf.D./C.D./C.T.101).

Reply of the Government of the Union of South Africa to the observations of the Technical Committee (document Conf.D./C.D./C.T.142).

Communication, dated October 3th, 1934, from the Government of the Union of South Africa, with replies to the additional questions of the Technical Committee.



## ALBANIA.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budgets are prepared by the various ministerial departments and centralised by the Minister for Finance, who draws up the draft general budget of the State.

The latter is laid before the Council of Ministers, which examines it and fixes the expenditure estimates to be submitted to Parliament.

The draft budgets must be submitted to the Finance Minister in November and the draft general budget laid before Parliament in the following January.

#### 2. *Discussion and Voting of the Budget.*

(a) Parliament consists of a single House.

There is a Parliamentary Finance Commission which examines the draft budget. The latter is then discussed by Parliament in public session and twice voted chapter by chapter on two different dates. When passed by Parliament and approved by the Crown, the budget is promulgated as a law of the State.

The report of the Finance Commission is not published.

Parliamentary debates are published verbatim.

(b) The budget is voted annually.

If the budget has not been adopted by the beginning of the budgetary year, the previous year's budget remains in force until the new budget has been regularly adopted. Nevertheless, the previous year's budget, which is thus applied, must not include the changes authorised in that same year.

#### 3. *Publicity of the Draft Budget, Budget and Accounts.*

The draft budget is published.

The budget, with the accompanying explanations, is published in the *Official Gazette (Iletorja Zyrtare)* two weeks after it is passed; the law comes into force on April 1st, irrespective of the date of publication.

The accounts submitted to Parliament are published.

#### 4. *Conditions governing the Expenditure of Credits.*

The credits voted represent the limits within which expenditure commitments may be incurred during the budgetary year.

The difference between the credits voted and the commitments entered into up to the end of the budgetary year is cancelled.

In the case of extraordinary expenditure, however, the difference between the credits voted and the annual commitments is not cancelled but carried forward to subsequent years, until the operations for which the credits were voted have been completed.

#### 5. *Division of Expenditure in Budgets and Accounts.*

(a) The general budget embodies separate budgets for each department.

Expenditure is subdivided into "actual expenditure" and "movements of capital" and further into ordinary and extraordinary expenditure. The budgets of the several departments are subdivided into chapters.

The budget of the National Defence Department (National Defence and Gendarmerie Command) for the budgetary year 1930-31 contains thirty-four chapters, in which expenditure is shown in a fairly detailed manner; each chapter usually corresponds to a separate service (pay, clothing, food supplies, forage, armaments, etc.).

Each chapter may be subdivided into articles in virtue of decrees issued by the Minister concerned.

(b) The accounts are made up in the same form and in the same detail as the budget.

Transfers may be made between the articles of one and the same chapter.

NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Albanian Government.

## 6. *Unity of the Budget.*

(a) In framing the budget, the rule regarding unity and universality of expenditure is observed.

No extra-budgetary funds are employed for national defence purposes.

There are no public or private bodies, apart from the State, for the purpose of financing national defence expenditure.

There is no autonomous establishment for manufacturing armaments.

Should a credit provided for in the budget prove inadequate for the service to which it was allocated or should fresh expenditure prove necessary for services not provided for in the budget, the Executive introduces a Bill requesting Parliament to increase the original or grant a fresh credit; the Executive must specify what funds will enable this expenditure to be met.

(b) The budget shows gross expenditure at its full amount without any reduction. No revenue may be devoted to increasing the credits voted.

## 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is exercised by the Accounting Offices of each department and by the Court of Audit, and consists in verifying whether the expenditure is legitimate, whether the supporting vouchers are in order, whether the expenditure has been charged against the proper items of the budget and whether credits are available.

The Accounting Offices are under the jurisdiction of the Finance Minister, which is more likely to ensure their independence in the exercise of their duties. These Offices must inspect the commitments and the pay warrants. Accordingly, departments must supply the said Offices with all the documents under which contracts are approved and expenditure chargeable to the budget authorised, whatever its nature.

The Court of Audit checks the payment orders, which must be submitted to it together with the supporting vouchers and documents; it has the right to make objections in relation thereto. No payment order is valid which is not countersigned by the Court of Audit.

## 8. *Final Audit.*

The Court of Audit makes a final audit of the various payments made in pursuance of orders for the opening of credits in respect of aggregate expenditure, the details of which could not previously be checked. A special set of accounts must be submitted to the Court itself, which must audit them.

The Court of Audit exercises its supervision under powers delegated to it by Parliament; it is independent of the Executive and its members cannot be removed from office.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from April 1st to March 31st.

There is no additional period.

Twenty-five days are allowed after the end of the year to enable the documents in support of expenditure up to March 31st to be collected, completed and checked.

Those credits corresponding to commitments for which no payment has been made during the budgetary year are carried forward in an Arrears Account to the following year. After two years, credits in respect of which no payments have been made are cancelled.

Extraordinary credits may be carried forward to subsequent years until the operations for which the credits were granted have been completed.

### 2. *Budgets and Accounts.*

The National Defence Ministry has only one budget and one account.

There is no air force.

Expenditure on land and naval forces is shown separately in the budgets and accounts.

### 3. *The Model Statement.*

This has been supplied. There being no air force, only Tables A, B and C have been filled in.

The figures in the Model Statement represent the commitments entered into during the budgetary year 1930-31.

In addition to the expenditure of the National Defence Ministry, the Model Statement also includes the expenditure in the "Budget of the Militia undergoing Preparatory Military Training" minus the amount of the subsidy paid to the latter out of the national defence budget. The figures

in the "Budget of the Militia undergoing Preparatory Military Training" also represent the commitments entered into during 1930-31. The Committee is not aware in what budget and what account expenditure on the militia undergoing preparatory military training is entered.

#### 4. Execution of the Budget.

The budget is put into effect by the promulgation of the budgetary law, no further authorisation being required.

Expenditure commitments are reported to the Accounting Offices, which must revise and record them. The issue of orders for payment of expenditure is effected either by means of direct orders issued for the account of creditors or by orders issued by the administrative officials against the credit authorisations opened for their account.

Direct warrants, when inspected by the Accounting Offices, are sent to the Court of Audit for checking. These warrants have the various supporting documents attached.

"Openings of credit" are general authorisations given to the competent officials to defray specific expenditure up to the amount of the credits opened. These credits represent commitments for their total amount and have no documents attached. When accounting for their expenditure, officials must furnish evidence of the use made of the sums put at their disposal.

Payments are made solely by the Chief Treasurer and by the cashiers of the various Finance Departments and sub-departments.

No commitment may be assumed after the close of the budgetary year in respect of the credits voted during that year and credits unexpended are cancelled, except extraordinary credits, which are carried forward to the following year or years until the operations for which the credits were granted have been completed.

Credits in respect of which commitments have been entered into but no payments made are carried forward to the next budgetary year in an Arrears Account.

The difference between the amount of credits opened and the total commitments assumed in respect of these credits up to the end of the year is cancelled.

There are no commitment authorisations.

#### 5. The Accounts.

The accounts are drawn up in the same form and in the same detail as the budgets.

The accounts show the commitments entered into during a year, the payments made in respect of these commitments and the total arrears at the end of the year. They also show the arrears at the beginning of each year and the total payments charged against such arrears, so that each account gives the total payments made during each budgetary year in respect both of the credits for the year and the arrears.

The accounts are prepared by the Finance Minister, who must submit them to the Court of Audit every August.

#### 6. Audit and Publication of the Accounts.

It is the duty of the Court of Audit to check the accounts against its own books.

It must also submit to Parliament a general report on the results of its audit. The accounts and reports which are published must be submitted to Parliament in November. Parliament has very wide powers as regards examining the closed accounts, but has hitherto never availed itself of this privilege, as the scrutiny of the Court of Audit—a body entirely independent of the Executive—affords the fullest possible guarantee that the statement is correct and that the State laws have been observed.

The laws confirming the regularity of the accounts is published.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### I. General Remarks.

(a) All expenditure included in the Model Statement appears in the public accounts.

(b) The services rendered to the national defence organisation, *free of charge* or at *reduced prices* are as follows:

Postal Service (free).

Petrol supply (reduced price).

Lighting of military buildings at Tirana (reduced rates).

Customs exemption on materials sent from abroad.

(c) The Model Statement shows the *gross* expenditure.

(d) No account has been taken in the Model Statement of additional expenditure due to the appreciation of *foreign currency*.

(e) No difficulty due to the budgetary system has been observed as regards including all national defence expenditure in the Model Statement.

(f) The expenditure is shown in gold francs.

## 2. *Military Departments.*

The defence budget includes the expenditure on the armed forces, the gendarmerie and the frontier guards.

The subsidy paid to the militia undergoing *preparatory military training* has been deducted from the budget for national defence, but the expenditure incurred by the militia itself has been entered in the Model Statement.

The expenditure in Chapter 31 in respect of *compensation* paid to gendarmes or their families in case of death or wounds contracted while on duty have not been deducted.

The Model Statement includes the amount of pay and allowances, without any deduction for taxes or other contributions.

## 3. *Civil Departments.*

Apart from the services mentioned in C, 1, no payments have been made from civil budgets for the defence services.

The pay and allowances of *Port Commandants' personnel* are shown in the budget of the Ministry of the Interior. This item amounted to 50,000 gold francs in 1930-31 and has not been included in the Model Statement.

## 4. *Special Questions.*

The Albanian Government states that there are no *formations organised on a military basis*. The expenditure on the *Royal Frontier Guard* and the *gendarmerie* is included in the budget of the National Defence Ministry. Expenditure on the *gendarmerie* is shown separately and that on the *Royal Frontier Guard* is included with the expenditure on the army.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of the Expenditure on the Three Forces.*

Reconciliation tables have been supplied.

There is only one national defence budget, and the expenditure on the land forces is shown in it separately from that on the naval forces. There is, therefore, no difficulty in separating the expenditure on the two forces. General expenditure (Central Administration) is the only expenditure not split between the two forces.

There is no air force.

### 2. *Optional Columns.*

The optional columns have not been filled in.

### 3. *Division of Expenditure among the Sub-heads of the Model Statement.*

The expenditure budget for the land forces is sufficiently detailed to enable the expenditure to be subdivided fairly easily among the sub-heads of the Model Statement. Expenditure on the naval forces is shown under one chapter of the budget only and cannot therefore be split on the basis of the budgets and accounts.

Where it has been necessary to split the expenditure shown in one budget chapter among the various chapters of the Model Statement, this has been done on the basis of internal accounts.

### 4. *Head IV: Separation from Other Heads.*

Head IV expenditure on material can be fairly clearly identified in the budget.

Apart from expenditure on material, no other expenditure has been included in head IV.

### 5. *Head IV: Separation of the Sub-heads of this Head.*

Expenditure can be split among the sub-heads of head IV without great difficulty.

### 6. *Special Questions.*

The whole expenditure on the militia undergoing preparatory military training has been entered under sub-head D of the Model Statement.

Owing to misunderstandings, not all expenditure has been correctly entered in the relevant sub-heads of the Model Statement, but there is no great difficulty involved in compiling the statement.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

1. *Tables A and B.*

As these tables have been omitted from the draft "Instruments necessary for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

2. *Table C.*

A "nil" entry has been made in this table, but it should have shown the amount of arrears at the end of the year.

3. *Tables D and E.*

No remark on the "nil" entry.

4. *Table F.*

Pensions are shown in a single aggregate figure. They are entered in the budget of the Finance Ministry. The table should also have included the compensation paid to gendarmes and their families in case of death or wounds contracted while on duty (see C, 2.)

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**List of Documents.**

Budgetary system: Reply of the Albanian delegation to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.79).

Model Statement (document C.850.M.428.1931.IX(Conf.D.33)).

Annexed tables. Reconciliation tables. Expenditure budget of the militia undergoing preparatory military training for the financial period April 1st, 1930, to March 31st, 1931. Expenditure budgets of the National Defence and Gendarmerie Command for the financial period April 1st, 1930, to March 31st, 1931 (document Conf.D./C.D./C.T.78).

General Budget of the Kingdom of Albania for 1930-31 (Ligjë e Budgetit për ushtrimin financjër prej 1 Prill 1930 deri më 31 Mars 1931).

Observations of the Technical Committee on the documentation supplied by the Albanian delegation (document Conf.D./C.D./C.T.164).

Replies by the Albanian Government (document Conf.D./C.D./C.T.176).

## SA'UDI ARABIA.

### A. BUDGETARY SYSTEM.

#### 1. Preparation, Vote and Execution of the Budget.

Sa'udi Arabia was constituted by the proclamation of January 8th, 1926, uniting the two Kingdoms of Nejd and the Hejaz.<sup>1</sup>

Nejd does not yet possess a written Constitution; the King exercises absolute legislative, executive and judicial authority.

The Hejaz has a written Constitution dating from August 31st, 1926. The King exercises the supreme legislative and executive authority, but there is a Crown Council (Madjlis-i-chari) which meets at Mecca at least once a week, under the chairmanship of the Governor (Na'ile-i-amm). According to the *Statesman's Year-Book*, provision is also made in the Constitution for an Advisory Legislative Assembly at Mecca. In any case, the King exercises absolute authority in military matters.

It is not known :

(a) Whether the military expenditure referred to in section C represents the total expenditure of Sa'udi Arabia as a whole or of the Hejaz only;

(b) Whether the expenditure shown in document Conf.D.59 represents military expenditure alone or the aggregate expenditure of the State;

(c) Whether in the Hejaz, which has a written Constitution, the budget is approved by the "Madjlis-i-chari".

#### 2. Supervision over the Execution of the Budget.

According to the provisions of the fundamental law of the Hejaz, dated August 31st, 1926 (which is to be found *in extenso*, for example, on page 132 of GIANNINI'S work entitled *Le Costituzioni degli Stati del Vicino Oriente*, 1931), the Finance Services were subdivided into four departments (*tashkilats*) only (Directorate, Treasury, Accountancy and Customs). According to the *Oriente Moderno* of December 1932, the Finance Ministry was subsequently organised with the following subdivisions :

- (a) General Accountancy;
- (b) Inspectorate;
- (c) Research Bureau;
- (d) Central Accounts Bureau;
- (e) Taxation;
- (f) Paymaster's Department;
- (g) General Council of the Ministry.

### B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

#### 1. Budgetary Year.

It is not known when the budgetary year begins and ends. It probably coincides with the Mohammedan year, which is shorter than the solar year and begins on a different date each year. Thus the Mohammedan year 1353 will begin on April 16th, 1934, and end on April 4th, 1935.

#### 2. Budgets and Accounts.

The Committee has had no opportunity of studying any budgets or closed accounts.

It is not known whether they are published, even in an abridged form, in the *Official Gazette* "Umm-ul-qura" (Mother of the Villages), which appears weekly at Mecca.

<sup>1</sup> The new name "Sa'udi Arabia" dates from September 20th, 1932.

NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Sa'udi Arabia.

C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

I. *General Remarks.*

The Government of Sa'udi Arabia has not submitted a Model Statement but has communicated the following figures of expenditure :

	Guineas
Police .....	39,211
Coastguards .....	11,340
Frontier-guards .....	35,000
Air Force.....	12,000
Other categories .....	633,950
Material and munitions.....	98,450
Transport and communications.....	100,000
Total...	929,951

As there are only three Ministries properly so called (Foreign Affairs, Internal Affairs and Public Education), military expenditure probably forms part of the budget of the Department of Internal Affairs.

2. *Special Questions.*

In addition to expenditure on the regular troops, the figures communicated include expenditure on the police, coastguards and frontier-guards, and on other troops mentioned under various heads.

The question as to what expenditure on formations should be included in the Model Statement will have to be decided by the competent organs of the Conference.

D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

1. *Separation of Expenditure on the Three Forces.*

This separation is already outlined in the information submitted by the delegation of Sa'udi Arabia.

2. *Division of Expenditure between the Heads and Sub-heads.*

The expenditure has been split up to some extent in the information furnished.

In the absence of the budgets and accounts and of the reconciliation tables, it is not possible to say what method has been employed.

E. TABLES ANNEXED TO THE MODEL STATEMENT.

1. *Tables A and B.*

As these tables have been omitted from the draft " Instruments necessary for the Application of the System of Publicity of National Defence Expenditure " (document Conf.D.C.G.160), no comment is called for under this heading.

2. *Tables C, D, E and F.*

These tables are missing.

**List of Documents.**

Communication from the Government of Hejaz, Nejd and Dependencies, dated January 24th, 1932 (document C.190.M.94.1932.IX (Conf.D.59)).

GIANNINI, " Le Costituzioni degli Stati del Vicino Oriente ".

" Oriente Moderno ", December 1932.

## ARGENTINE REPUBLIC.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budget is prepared by the various ministerial departments.

The draft general budget is drawn up by the Finance Minister, who communicates it to the Chamber of Deputies together with a "Message".

#### 2. *Discussion and Voting of the Budget.*

(a) Parliament consists of two Houses (Cámara de Diputados and Cámara de Senadores).

Before being discussed by the Chambers in plenary session, the draft budget is examined by a body known as the Budget Commission. The Commission draws up reports which are published.

The draft budget is first discussed by the Chamber of Deputies, which possesses the right of initiative solely in matters concerning the levying of taxes and the recruiting of troops. The plenary discussions are public. The report of the debates is published in the *Diario de Sesiones* of each of the two Houses.

Ministers appointed by the Head of the State are not members of Parliament. They may take part in the debates, but are not entitled to vote.

For an Act voted by both Houses to acquire force of law, it must be approved by the Executive. The latter may veto it within ten days of its being voted, but in that case it must be referred back to Parliament and only acquires force of law on obtaining a two-thirds majority. The right of veto is only exercised in exceptional circumstances.

The budgetary law is promulgated by the Executive.

(b) The budget must be voted annually. If this is not done by the beginning of the financial year, Parliament authorises monthly votes on account (*douzièmes provisoires*) on the basis of the budget for the preceding year. This procedure is followed only in exceptional circumstances.

(c) During the Parliamentary recess and when there is any threat to national security or public order, the Executive may authorise expenditure by a decision taken at a meeting of the Ministers.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

Draft budgets, budgets adopted and the closed accounts for the year are published.

#### 4. *Conditions governing the Expenditure of Credits.*

The closed accounts show the amounts charged against the budgetary credits. Those credits in respect of which no appropriation has been made by the end of the financial year are automatically cancelled unless the law or administrative measure by which such credits were opened enables them to be utilised further. Even in the latter event, the utilisation in a subsequent year of the amounts unexpended must first be authorised by Congress.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The Argentine budgets and accounts have a very large number of subdivisions.

National defence expenditure is shown in two distinct budgets (War and Navy). The total expenditure comprised in each of these budgets constitutes a section (*annex*). Each section (*annex*) is subdivided into "incisos", in which expenditure is classified according to its purpose. Each "inciso" is subdivided into "items", which in their turn frequently comprise a number of "partidas".

In the 1934 budget, the "War" section comprises twenty-eight "incisos" and ninety-three "items". These "items" are subdivided into "partidas". The "Navy" section comprises fourteen "incisos" and thirty-eight "items" and "partidas", some of these being subdivided.

Generally speaking, the above-mentioned subdivisions clearly specify the purpose of expenditure.

(b) The closed accounts are submitted in the same form as the budget.

(c) All transfers are prohibited.



## 6. *Unity of the Budget.*

All national defence expenditure is, in principle, included in the general State budget. Certain classes of expenditure are, nevertheless, authorised by special laws or decisions of the Government, though they are afterwards incorporated in the general account. As regards national defence, there are several laws for the "renewal of armaments", expenditure under which is charged by instalments to subsequent budgets.

There are a fair number of special accounts relating to national defence. Certain of these accounts are embodied in the budgets and budget accounts; others, on the other hand, are independent of the budget. The general State account, however, shows both the expenditure authorised by the budget and that effected under special laws or by a decision of the Executive (Acuerdo de Ministros).

No national defence expenditure is borne on the budgets of either provinces or communes. The latter are not allowed to possess military forces. Article 108 of the Federal Constitution prohibits the fitting out of vessels of war and the raising of armies by the provincial Governors.

## 7. *Supervision of the Execution of the Budget.*

Supervision of the execution of the budget is effected :

By the scrutiny of the responsible administrative authorities;

By the delegates of the "Contaduría General", who are attached to the various ministerial departments and exercise "preventive" supervision in respect of commitments, and by the "Contaduría" itself, which, before a payment is made, checks and endorses the payment warrants transmitted to it through the Minister of Finance.

Should the "Contaduría" refuse to endorse a payment warrant, payments may be made only in consequence of a decision, called "Acuerdo de Ministros", taken at a meeting of the Ministers.

No sums can be paid out of public funds without a warrant issued by the Minister concerned; such warrant must specify against what subdivision of the budget the expenditure is to be charged (artículo, inciso, item).

The head of the Executive, the Minister who authorised the expenditure and the members of the "Contaduría" are jointly responsible in respect of moneys paid out of public funds.

At the end of the year, the "Contaduría" draws up and certifies the general accounts of the State. In addition to these auditing duties, the "Contaduría" has jurisdictional powers. It judges not merely the accounts but also the accountants, against whom it can apply such punishments as suspension and loss of salary during a stated period or a fine.

The relations of the "Contaduría General" with the Executive are governed by Law No. 428 of October 1870. Articles 16, 17, 22 and 24 empower the "Contaduría" to formulate observations on the action of the Executive in financial matters and define the circumstances in which this may be done and the procedure to be followed.

The "Contaduría" consists of three "contadores mayores", one of whom presides, six State "contadores" responsible more particularly for the auditing of accounts, and a subordinate staff.

Under paragraph 7 of Article 67 of the Constitution, Congress approves or rejects the appropriation account. It may have investigations carried out and impeach the President of the Republic and the Ministers.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year extends from January 1st to December 31st.

The sole purpose of the additional period of three months is to allow of the liquidation, charging-up and regularisation of the expenditure of the previous year.

Just as liabilities in respect of the financial *exercice* which are not settled in the course of that *exercice* become chargeable to the following *exercice*, sums owing to the Treasury on the revenue side to balance the new budget.

### 2. *Budgets and Accounts.*

Each of the two national defence departments (War and Navy) has its own budget and account.

### 3. *The Model Statement.*

The Argentine Government has submitted a Model Statement containing Tables B (Land Forces) and D (Air Forces) only, together with reconciliation tables.<sup>1</sup> The whole expenditure (77,485,022.70 pesos) entered in these tables has been taken from the War Ministry's provisional accounts. The Air Force expenditure borne by the Ministry of the Marine is not shown in Table D.

<sup>1</sup> See note 1 on page 58.

From previous information supplied by the Argentine Government, it appears that the expenditure on the Navy (including naval aviation) for 1930 amounts to 52,446,000 pesos.<sup>1</sup>

The Model Statement is based on the "appropriations" made during the 1930 *exercice*. A special table shows the amount of these "appropriations" as well as the unexpended balance at the end of the year, as against the amounts voted plus certain credits granted in pursuance of a decision of the Executive.

#### 4. Execution of the Budget and Audit of the Accounts.

Payments for which orders have been issued by Ministers or their agents are made by the public accountants on instructions from the Minister for Finance after checking and endorsement by the "Contaduría General".

The Treasury accounting officers send the "Contaduría" a monthly statement of each department's payments.

The periodical reports sent to it and the records kept of warrants submitted to it for endorsement enable the "Contaduría" to keep an account of each budget and of all credits opened departmentally. These accounts are kept in a form corresponding to the subdivisions of the budget.

The closed accounts are signed by the President of the "Contaduría" and by a secretary. These accounts are printed and submitted to Congress. The 1932 closed accounts were published on September 30th, 1933.

The "Contaduría" submits an annual report to the Minister for Finance in which it explains the position of the accounts and makes any observations which the audit may have suggested to it. This report is annexed to the report which the Minister for Finance himself makes to Congress.

### C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

#### 1. General Remarks.

The Model Statement submitted by the Argentine Government contains Tables B (Land Forces) and D (Air Forces), the latter showing merely the expenditure on military aviation charged to the War Ministry. Tables A and C (Naval Forces) and the Annexed Tables have not been supplied.

The total expenditure entered in the Statement amounts to 77,485,022.70 pesos, being the expenditure of the War Ministry less an amount of 200,000 dollars earmarked for making the 1 : 1,000,000 scale map and cadastral maps.

#### 2. Military Departments.

The expenditure on the *Merchant Marine* is included in the budget and accounts of the Ministry of Marine.

The Argentine Government states that there were no men undergoing *pre-military training* in the Republic and that no *reservists* were called up in 1930.

#### 3. Civil Departments.

The Model Statement contains no expenditure borne on the budgets of civil departments.

Sections of the budget of the Ministry of Public Works are reserved for the War and Navy Departments respectively—*e.g.*, in the 1934 budget, "Inciso" No. 8 of Annex I, includes expenditure on the construction of a *military college* and also of an *aerodrome* at El Palomar, together with military quarters and depots in various other places.

"Inciso" No. 9 in the same annex includes expenditure on *naval bases* and also on the Puerto Belbrano *strategic railway*.

### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

#### 1. Separation of Expenditure on the Three Forces.

Air expenditure is shown both in the budget of the War Ministry and in that of the Ministry of Marine. While expenditure on the pay and material of the land air forces is clearly distinguishable in the budgets and accounts of the War Ministry, the same cannot be said of the naval budget. In the latter the pay of air personnel is merged with that of naval personnel, except

<sup>1</sup> Note by the Secretariat.—After the text of the summary was drawn up, the Argentine delegation sent a statement of expenditure effected by the Ministry of Marine in 1930 (Table C of the Model Statement), accompanied by a reconciliation table and various other tables.

This statement of expenditure of the naval forces shows in a special column the expenditure effected for naval aviation. It also separately the expenditure of the *Prefectura*; the Argentine delegation states, however, that the *Prefectura* is not a formation organised on a military basis.

in regard to additional remuneration. Expenditure on the special naval air school is shown under a separate heading, but generally, there are no special headings for air material.

### 2. *Division of Expenditure between the Sub-heads of the Statement.*

In some cases, owing to the existence in the budgets and accounts of "aggregate columns" covering sundry miscellaneous expenditure, it would have been very difficult to allocate expenditure exactly among the relevant sub-heads of the Model Statement. In these cases the Argentine Government has entered the sums shown in these columns in the sub-heads of the Model Statement corresponding to the largest item of expenditure.

The budgets and accounts have very detailed subdivisions for expenditure on the pay of the personnel. The Argentine Government has had no special difficulty in separating the expenditure in respect of the military air force personnel from the War Ministry's other expenditure on personnel.

The expenditure on the maintenance of military air force personnel to be entered in sub-head E of Table D could only be estimated approximately, as this expenditure is merged in the accounts along with that on the army.

There are no fortifications borne on the budget of the War Ministry. The Ministry has defrayed no expenditure which could be entered under sub-head H.

As only a very small proportion of the expenditure on buildings is devoted to buildings for the military air force, the Argentine Government felt that there was no necessity to make a separate computation of this expenditure; it is therefore included in sub-head K of the table for the land forces.

### 3. *Head IV.*

The amounts shown in sub-head M in both tables submitted by the Argentine Government were spent on the purchase of small arms and sundry ammunition and on raw material, upkeep of existing armaments, experiments, the purchase of explosives, etc.

The expenditure on labour, fuel, gas and electricity has not been entered under this sub-head, as workshops have been almost entirely engaged on works for other than armaments and war-material purposes and it is impossible to distinguish sufficiently accurately between the expenditure proper to sub-head M and other expenditure.

As, however, this expenditure is incurred by establishments which should, in principle, be engaged on the repair and maintenance of armaments, the expenditure in question has been entered under sub-head N.

Sub-head N includes amounts relating to wages, lighting, power, etc., in military arsenals and also expenditure due to the installation and operation of the aircraft factory.

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## E. TABLES ANNEXED TO THE MODEL STATEMENT.

These tables have not been submitted.<sup>1</sup>

The expenditure on military pensions is not included in the War and Navy budgets. They appear in a special section (artículo) of the budget, where expenditure on war and navy pensions is shown separately.

If the Annexed Tables had been supplied, fairly large amounts would apparently have had to be entered in Table D for payments in arrears, these amounting, for the army and navy respectively, to 36 and 15 million pesos in 1930 and 53 and 25 million pesos in 1931.

It would also have been necessary to enter in Table C the amount of credits spread over more than one year.

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### List of Documents.

Budgetary system: Argentine delegation's reply to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.7).

Model Statement (Tables B and D). Explanations of the method adopted in filling up the Model Statement. Reconciliation Tables. Specification of Accounts used in compiling the Model Statement (document Conf.D./C.D./C.T.284). The details contained in this document replace those given in document C.982.M.547.1931.IX (Conf.D.38).

Draft budget for 1933 (Proyecto del Poder ejecutivo para 1933).

Budget voted for 1934 (Presupuesto general para 1934).

*Memoria de la Contaduría general de la Nación* for 1930-1931-1932 (Closed Accounts).

*Recopilación de Leyes usuales de la República Argentina* (Administrative Laws of the Argentine Republic) and more especially the Accountancy Law of October 13th, 1870, brought up to date in 1927. (Collection of "Leyes nacionales".)

#### Documents communicated after the above summary was written :

Model Statement (Table C), accompanied by a reconciliation table and various other tables (*Addendum* to document Conf.D./C.D./C.T./284).

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<sup>1</sup> See, however, note on page 169.

## AUSTRALIA.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The estimates of expenditure prepared by the different ministerial departments are centralised by the Finance Ministry (Treasury). The Finance Minister has a right of supervision over the estimates of ministerial departments and prepares the draft general budget. In case of disagreement between the Finance Minister and other Ministers, the decision rests with the Cabinet, which is responsible for the budgetary policy of the Government.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget (estimates) is submitted to Parliament by the Finance Minister (the Treasurer), who describes in his budget speech the general outlines and structure of the draft. Parliament consists of two Houses : Senate and House of Representatives.

After being discussed in a general way in the House of Representatives, the House resolves itself into a Committee of Supply and deals with the estimates in detail. Any motion for the reduction of the estimates is usually treated by the Government as a motion of no confidence. After dealing with the estimates in Committee, the House resumes its sitting and the Appropriation Bill is passed. The Bill is then passed to the Senate where a similar procedure is followed. On passing both Houses and receiving the Royal Assent, the Appropriation Act becomes law. The meetings of Parliament are public.

(b) The estimates are usually not laid before Parliament until after the beginning of the budgetary year. Before the passing of the budget, Parliament, by voting Supply Acts, grants credits to the Government on the basis of the previous budget. These credits cannot involve any fresh expenditure without the consent of the Treasury. The Supply Acts are, in effect, embodied, with the Estimates voted by Parliament, in the budgetary law (Appropriation Act), which takes effect as from the beginning of the budgetary year.

(c) National defence expenditure is voted each year. Budgetary credits relating to work spread over several years are voted in successive annual instalments, except in special cases where Special Appropriation Acts are passed for expenditure of a special character (*e.g.*, naval construction) which is not necessarily restricted to the service of a particular year.

(d) In principle, expenditure is always authorised by law (but see 5 (a), "Advance to the Treasurer", as regards certain unforeseen expenditure).

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The budget papers and estimates are officially published as a Parliamentary paper, usually on the date the Treasurer makes his budget speech in Parliament.

For the last three financial periods, the estimates have been published on the following dates :

- 1931-32 : July 23rd, 1931 (budget delivered and preliminary issue of papers published on July 10th, 1931);
- 1932-33 : September 1st, 1932;
- 1933-34 : October 4th, 1933.

The Appropriation Act and the final accounts are published.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The credits voted in the budget limit the amount of the payments which can be made during the budgetary year.

(b) As a general rule credits not expended at the end of the year lapse.

In principle, expenditure corresponding to commitments entered into during the budgetary year which has not been paid before the end of the said year must be charged to the credits of the following year.

The payment of certain expenditure may, however, be carried over from one year to the next by means of special accounts (Trust Fund Accounts) to which either sums in cash or liabilities incurred (*e.g.*, "Defence Stores London Liabilities") or the amounts of the credits granted (*e.g.*,

“Defence Reserve and Naval Construction”) are transferred from the budgetary accounts. As a general rule such transfers are authorised by clauses in the relative divisions of the estimates.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The expenditure is submitted and voted by divisions. The divisions comprise subdivisions and items.

The budget of the Defence Ministry for 1933-34 consisted of forty-four divisions.

Generally speaking, the budget is sufficiently detailed and clearly brings out the purpose of the expenditure.

A vote, termed “Advance to the Treasurer”, is appropriated annually and is shown in the estimates submitted to Parliament thus :

“To enable the Treasurer to make advances and to meet expenditure, particulars of which will afterwards be included in a Parliamentary appropriation.”

This vote is used by the Treasurer to provide funds for unforeseen expenditure and urgent requirements for which provision has not been made in the estimates or for expenditure for which the provision has proved to be inadequate. When the accounts for the year are complete, supplementary estimates are prepared by the Finance Minister showing the expenditure from the vote “Advance to the Treasurer” under appropriate headings, and these supplementary estimates are passed by Parliament as a Supplementary Appropriation Act in the same manner as the ordinary annual estimates.

(b) The annual accounts prepared by the Treasurer at the end of each year are rendered in the same form as the budget.

(c) Where the amount appropriated by Parliament for expenditure on any item of a subdivision in the annual estimates proves to be inadequate, the Governor-General may, by order, direct that there shall be applied in aid of that item a further limited sum out of any surplus arising on any other item under the same subdivision unless such subdivision shall be expressly stated to be “unalterable”. This power is conferred by the Audit Act, which also requires that every such order shall be delivered to the Auditor-General and a copy thereof laid before both Houses of Parliament.

Transfers between divisions or subdivisions of the Appropriation Act are not permitted.

#### 6. *Unity of the Budget.*

All the Commonwealth Government expenditure is included in one general budget.

There are a number of special funds and accounts, described by the general term of Trust Funds. Their resources chiefly consist of budgetary credits, but in certain cases (for example, “Factories’ Trust Funds”) they partly consist of the proceeds of the sale of material or manufactured articles to third parties.

The general annual accounts drawn up by the Finance Minister show the total expenditure paid out of each of the special funds. The details of this expenditure appear in supplementary accounts, subject to inspection by the Auditor-General.

Apart from the State Departments, there are no public or private bodies entitled to incur national defence expenditure.

There are no autonomous establishments for the manufacture of war material of the kind mentioned in the report of the budgetary experts.<sup>1</sup>

The only extra-budgetary resources out of which national defence expenditure can be incurred are the receipts derived from the sale of certain property which are credited to the Trust Funds.

#### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is carried out :

(a) By the supervision of the responsible administrative authorities as constituted under the scheme of Departmental organisation; at different points in this chain of organisation reports, statements and returns of expenditure are required to be furnished either periodically or under certain circumstances;

(b) By the finance members of the Boards which administer the army, the navy and the air force, the finance member of each Board being responsible for the financial administration and the keeping of the accounts of the service concerned; he also assists in drawing up the estimates of expenditure and examines in particular the proposals for new expenditure or for changes in the allocation of credits;

(c) By accounting officers within the Department who are directly responsible to the Finance Minister for the discharge of the duties and responsibilities imposed on them under the Audit Act and Treasury Regulations. By virtue of these obligations they are required

<sup>1</sup> There are, however, establishments whose expenditure is dealt with in special accounts (Trust Fund Accounts). The revenue of these accounts consists of the amounts entered as expenditure in the budgetary accounts (either for pay, etc., of permanent personnel or for supplies) and of the proceeds of outside sales.

to ensure that the provisions of the Act and Regulations are complied with in the execution of the budget and they would enquire into and report any irregularity that might arise.

#### 8. *Final Audit.*

(a) The final audit is carried out by the Auditor-General.

The Auditor-General, who is appointed by the Governor-General and retains office until attaining the age of 65 years, is responsible to Parliament. He can only be removed on an address voted by both Houses.

The general accounts prepared by the Finance Minister as soon as possible after the end of the financial year and known as "The Treasurer's Finance Statement" are sent to the Auditor-General, who audits them immediately upon receipt and submits them to Parliament accompanied by a report. This report, which is very detailed, shows, in addition to the results of the audit, any irregularities which the Auditor-General may have observed in the course of his examination.

(b) Parliament orders the printing of the Auditor-General's report. Under the Standing Orders of the Houses, the reading of the report—and, if necessary, its examination—may be proposed. Parliament also has power to appoint a Public Accounts Committee. This Committee does not make a complete revision of the accounts but carries out enquiries on special points which are referred to it or which it selects itself. Parliament does not formally adopt the accounts.

### B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

#### 1. *Budgetary Year.*

The budgetary year runs from July 1st to June 30th. There is no additional period.

#### 2. *Budgets and Accounts.*

There are no separate Ministries for the three forces, although each has an independent organisation.

#### 3. *The Model Statement.*

The Model Statement relates to the budgetary year 1929-30.

The tables relating to the three forces have been filled in.

The figures of expenditure contained in the Model Statement represent the payment warrants issued, which, in practice, differ little from actual payments, except in certain cases when transfers made from the general budget to the credit of certain Trust Funds have been included instead of the payments made out of these Trust Funds.

The expenditure included in the Model Statement is that appearing :

(a) In the account of the National Defence Department;

(b) In the accounts of the Trust Funds.

Expenditure on pensions and expenditure on the Civil Aviation Section has been deducted. The figures indicated represent the gross expenditure.

#### 4. *Execution of the Budget.*

After the budget has been voted, funds are placed at the disposal of the departments within the limits of the credits voted.

The liquidation of expenditure must be verified by a certifying officer or certifying officers appointed for that purpose.

Pay warrants are issued by authorising officers appointed for that purpose, who are responsible for seeing that the expenditure is correct, that it has been charged against the appropriate head of expenditure and that the payment will not exceed the appropriation for the purpose.

The payment is effected by paying officers, who are officials of the Treasury.

The certifying officers and authorising officers are responsible to the Treasury.

#### 5. *The Accounts.*

The expenditure appearing in the accounts represents payment warrants.

#### 6. *Audit and Publication of the Accounts.*

The Finance Minister must prepare the accounts as soon as possible after the end of the budgetary year. These accounts are audited by the Auditor-General, who submits them to

Parliament accompanied by a report. This must be done within fourteen days either of the date on which the report is prepared if Parliament is in session, or of the opening of the next session if it is not.

Within the same period, the Auditor-General must submit a copy of the audited accounts and his report to the Finance Minister, if Parliament be not then in session, and the Finance Minister must publish them within the next fourteen days.

### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

- (a) All the expenditure appearing in the Model Statement is included in the public accounts.
- (b) The relation between the accounts and the Model Statement is established by means of reconciliation tables.
- (c) The Model Statement only contains expenditure concerning the armed forces.
- (d) No difficulty due to the budgetary system has been found in including all national defence expenditure in the Model Statement.
- (e) Derogations from the instructions concerning the universality of expenditure have been noted in certain cases mentioned below.

#### 2. *Military Departments.*

- (a) The expenditure on civil aviation included in the aeronautical section of the budget of the National Defence Department has been excluded from the Model Statement.
- (b) The Model Statement includes the total amount of pay, wages and salaries without deduction of taxes or contributions paid by the personnel in respect of pensions or social insurance.
- (c) No advances are made on pay.
- (d) The foreign exchange required by the Ministry of Defence is purchased at the time of payment out of the credits provided in the budget. The sums thus paid are entered in the Model Statement.

#### 3. *Civil Departments.*

- (a) The expenditure relating to the meteorological service has not been entered in the Model Statement.
- (b) Official correspondence is not posted free of charge.
- (c) The expenditure relating to inspection and audit is included in the Model Statement, with the exception of the expenditure relating to the supplementary audit made by officials of the Auditor-General's department by reason of the Auditor-General's legal responsibilities.
- (d) Military establishments are exempt from rates and taxes on land and buildings, but not from sanitation and water charges. In the Australian delegation's opinion, no sufficiently close estimate could be made of the amount represented by the exemption.
- (e) Raw materials imported for the production of war material are exempt from Customs duty.
- (f) There are no railways which have been primarily constructed for purposes of national defence.
- (g) No special tariff is granted to the military authorities for the transport of supplies or any other service.

#### 4. *Special Questions.*

- (a) According to the statement of the Australian delegation, there are no formations organised on a military basis. The Mounted Constabulary of the Northern Territory of Australia is an ordinary civilian police force and presents none of the characteristics of a formation organised on a military basis.
- (b) No subsidy to organisations for physical training has been entered in the Model Statement.
- (c) There are no organisations for compulsory or optional pre-military training. Certain young men receive training in Australia with a view to entering the air force in the United Kingdom, but as soon as they obtain their certificate, the Australian Ministry of Defence claims a refund of their training expenses from the British Air Ministry.
- (d) The Australian States do not incur any national defence expenditure. Under the Commonwealth Constitution, national defence is exclusively vested in the Federal Government.
- (e) The following special funds and accounts exist concerning national defence: Defence Clothing Material Account; Gun Ammunition and Equipment Account; Small Arms Account; Small Arms Ammunition Account; Defence Reserve Account; Naval Construction Account; Uniform, Clothing and Necessaries; Disposal of Obsolete Warships—all of which are known as Trust Funds.

Defence expenditure is to a limited extent met from loan moneys raised by the Finance Minister. The amount to be provided in this manner is decided by the Finance Minister at the time of preparation of the budget. A separate Appropriation Act (termed "Loan Fund Appropriation Act") is passed by Parliament for expenditure from loan moneys.

The Model Statement comprises the whole of the expenditure incurred out of these special funds and accounts during the 1929-30 financial period, but, in certain cases, it comprises the amount of the sums transferred from the general budget to these funds.

(f) All the expenditure indicated in the Model Statement is gross expenditure.

(g) Establishments considered by the Australian delegation as autonomous are enumerated in the documentation submitted. They do not constitute autonomous establishments in the strict sense of the report of the budgetary experts; but their operations are dealt with in special accounts (Trust Fund Accounts).

(h) Service and invalidity pensions, and compensation for loss of employment have been excluded from the Model Statement, but appear in Annexed Table F.

#### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

##### 1. Separation of Expenditure on the Three Forces.

There is a single Ministry of National Defence. Most of the expenditure on the land, naval and air forces is, however, shown under separate subdivisions in budget and account.

There is certain expenditure common to the three forces, viz :	£
Central Administration .....	25,382
Munitions Supply Branch.....	333,159
	Total... 358,541

included in the grand total of £4,761,659 of expenditure on national defence, as shown in Table A of the Model Statement. There is also an item of expenditure of £42,403 on Defence Reserve (Trust Fund) Account, common to the navy and the air force.

The expenditure on Central Administration has been apportioned for purpose of the Model Statement in the ratio of the respective grand totals of expenditure for the three forces. Expenditure on the Munitions Supply Branch and on the Defence Reserve (Trust Fund) Account has been divided between the forces concerned with the help of departmental records.

##### 2. Coast Defence.

In the Australian defence organisation, coast defence is a function of the land forces. The relevant expenditure has accordingly been included in Table B of the Model Statement.

##### 3. Optional Columns.

The optional columns in the Model Statement have not been filled in.

##### 4. Division of Expenditure between the Sub-heads of the Model Statement.

The structure of the accounts is such as to permit a high proportion of the totals figuring therein to be transferred *en bloc* to the Model Statement. In cases where account totals had to be divided between two or more sub-heads of the Model Statement, it has usually been possible to effect the division on a basis of actual departmental records. In certain cases, estimates have been utilised for distribution. No special difficulties were encountered in fulfilling the instructions of the budgetary experts regarding the classification of the several items of expenditure between the heads and sub-heads of the Model Statement, except as regards the remuneration of certain civilians (see 5).

##### 5. Head IV : Separation from Other Heads.

No special difficulties were encountered in isolating expenditure attributable to head IV, in accordance with the instructions of the budgetary experts, except in the case of certain civilian personnel of the Ordnance Department and of naval establishments. Such personnel being employed in depots common to war and other material, it has not been possible to estimate the proportionate part of their remuneration which is attributable to the former. The expenditure in question has been charged to sub-head C. It is understood that the amounts in question are relatively small. The figures shown in head IV have been derived either from the accounts or from departmental records.

Cost accounts are maintained for munition factories.

##### 6. Head IV : Division between Sub-heads.

No difficulty has been experienced in complying with the instructions regarding the distribution of expenditure between the sub-heads of head IV.



### 7. *Special Questions.*

(a) *Civilian Personnel.*—The remuneration of civilians employed in depots has been charged with other relevant expenditure on the depots to the appropriate maintenance sub-heads of the Model Statement, with the exception of expenditure on civil staffs of miscellaneous depots of the Ordnance Department and of the Navy Establishments, which has been charged *en bloc* to sub-head C.

(b) *Allowances.*—Cash allowances have been charged to pay sub-heads.

(c) *Differentiation between Capital and Maintenance Expenditure.*—In view of the fact that a large amount of capital, as distinct from maintenance, expenditure is required in the case of countries in the same category as Australia, the Australian delegation have suggested that separate columns should be provided in the Model Statement to show maintenance expenditure, capital expenditure, total expenditure. The effect would, in the opinion of the Australian delegation, be to bring out the extent to which any increase in the level of expenditure was attributable to the inception or completion of a capital programme.

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## E. TABLES ANNEXED TO THE MODEL STATEMENT.

### *Preliminary Remark.*

Australia has furnished Annexed Tables A, B, C and F, the returns under Tables D, E and G being "nil".

### *Tables A and B.*

As these tables have been omitted from the draft "Instruments necessary for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

### *Table C.*

The Australian delegation has included in this table the available balances of the establishments, which is in conformity with Technical Committee's proposals (document Conf. D./C.G.160), but not with those of the Committee of Budgetary Experts.

The Australian delegation stated its willingness to include in its subsequent statements the particulars requested in document Conf. D./C.G.160.

### *Table D.*

No observations as regards the entry "nil".

### *Table E.*

No observations as regards the entry "nil".

### *Table F.*

The table has been correctly filled in with the figures for the pensions paid to military personnel (service and invalidity pensions) and to civil personnel, and for war pensions.

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## List of Documents.

Budgetary system: reply of the Australian delegation to the Technical Committee's questionnaire (document Conf. D./C.D./C.T.39).

Model Statement, annexed tables and reconciliation tables (document C.199.M.101.1932.IX (document Conf. D.65)).

Various explanations and particulars supplementing the documents. Analytical reconciliation tables (document Conf. D./C.D./C.T.113).

The budget 1929-30, additional papers.

Estimates of receipts and expenditure for the year ending June 30th, 1931.

The Treasurer's statement of receipts and expenditure for the year ended June 30th, 1930.

Observations by the Technical Committee (document Conf. D./C.D./C.T.144).

Reply by the Australian delegation (document Conf. D./C.D./C.T.221).

Minutes of the hearing (document Conf. D./C.D./C.T./P.V. (hearing) 22 and 22 (a)).

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## AUSTRIA.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budget is prepared by the offices of the various Ministerial Departments concerned. The Federal Minister for Finance centralises the departmental estimates of expenditure. The Finance Minister, being responsible for balancing the budget, may ask the other Ministers to reduce their expenditure estimates. If no agreement is arrived at between the Finance Minister and the other Ministers, the question is settled by the Council of Ministers, which fixes the final draft budget.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget is submitted by the Government to the National Council (Nationalrat) not later than ten weeks before the close of the previous *exercice*. The Federal Council (Bundesrat) has no powers as regards granting of credits. Before being discussed in plenary session by the National Council, the draft budget is examined by the Financial and Budgetary Commission of the National Council, which draws up a report. Extracts from this report are published in the *Vienna Official Gazette*, and may be purchased at the Government Press.

The meetings of the National Council are public. A record of the discussions is published in the *Official Gazette*. The budget is promulgated immediately after the Finance Act is voted by the National Council—*i.e.*, generally during the previous December.

(b) National defence expenditure is voted annually as a part of the Finance Act—*i.e.*, generally before the beginning of the financial year. If the Finance Act is not voted in time, military expenditure forms a chapter of the provisional budget drawn up for the transitional period.

(c) Expenditure is always authorised by law. Federal expenditure not provided for in the Finance Act or in a special measure must, before being effected, also be approved by the National Council at the request of the Federal Ministry of Finance. In an emergency, commitments for such expenditure may be incurred by the Federal Government, with the approval of the Principal Committee of the National Council, provided the expenditure does not exceed one million schillings. The sanction of the National Council, which must in such cases be applied for subsequently, is also given in statutory form (supplementary or special law).

If the draft budget is not voted before the end of the financial period, the Government draws up a provisional budget for a period of not more than two months. No parliamentary vote is needed to put this budget into effect. If, on the expiry of the two months, no Finance Act has yet been passed, fresh authorisation must be conferred by a special vote of Parliament. In both the above-mentioned cases, the expenditure may not exceed the credits estimated for in the draft budget, the monthly expenditure being computed at one-twelfth of the said credits.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget, budget and final accounts are published officially.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The voting of a credit limits the amount of the payment orders that may be issued during the financial year—*i.e.*, from January 1st to December 31st.

The final accounts show, opposite to each budget vote, the payment orders issued during the financial period. They also show the total payments made during the financial period, irrespective of when the payment order was issued.

The payment orders are entered in the budgetary accounts on the basis of the pay-warrants issued by the various departments. In Austrian budgetary law, these warrants are usually cheques. Pay-warrants, in Austrian terminology, also include cash orders on the Caisse d'épargne postale in the form of cheques issued by the holders of postal cheque accounts.

(b) The rule of "annuity" is observed, inasmuch as those credits not expended at the end of the year in virtue of a payment order are cancelled. Unless otherwise expressly provided for in the Finance Act, the credits opened may only be used up to the end of the *exercice*. Only payments of debts which do not fall due until the next *exercice*, but for which payment orders have been issued before the beginning of that period, are charged to the year in which the due date for these debts falls.

Commitments payable by the State, which would involve the Federal Treasury in fresh permanent, unforeseen obligations, or would mean exceeding the votes for the current year or increasing expenditure in the following years, may be contracted by the departments authorised to issue orders for payment of expenditure, only with the prior consent of the Federal Minister for Finance, unless the said departments have been so authorised by special legislation. All documents regarding State debts must, further, be countersigned, if they involve an obligation on the State, by the President of the Court of Audit.

In Austria, credits may only be carried forward from one year to another in quite exceptional cases—chiefly for expenditure of a capital nature. Such carrying forward must be expressly authorised in the Finance Act, which shows, where necessary, the credits the transfer of which has been approved and the maximum amount of each credit which may be transferred.

#### 5. *Division of Expenditure in Budgets and Accounts.*

(a) Expenditure is presented, discussed and voted by chapters (Kapiteln), heads (Titeln), paragraphs (Paragraphen) and sub-paragraphs (Posten). There are a great many of these subdivisions and they give a clear idea of the nature and purpose of the expenditure.

Austrian budget expenditure is also subdivided, in the case of each section of the administration, into expenditure on personnel and expenditure on material. In the case of State monopolies and undertakings, the budget further shows separately current working expenditure and expenditure of a capital nature.

(b) The final accounts are drawn up in the same form as the budget.

(c) No transfers are permitted between the budgetary subdivisions which are voted by Parliament.

On the other hand, Ministers may make transfers between the various items in sub-paragraphs without the authority of the Finance Minister.

#### 6. *Unity of the Budget.*

(a) All national defence expenditure is shown in the Federal budget and accounts. There is no special fund or account relating to national defence.

There are no autonomous State establishments for the manufacture of armaments.

The Austrian delegation stated that there were no extra-budgetary resources utilised for national defence purposes, and no public or private bodies which subsidised defence expenditure, apart from the Federal Administration.

(b) Expenditure is shown in the budget and accounts on a gross basis.

#### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is secured :

(a) Through the supervision exercised by the responsible administrative authorities;

(b) Through accounts sections attached to the various Federal offices authorised to issue orders for payment of expenditure, and, in particular, to each Ministerial Department. Each section is administered by an expert accountant, who is under the direct control of the head of the department or office concerned.

The duties of these sections are to keep the account-books, to supervise the current administration of the votes opened for the office, the issue of expenditure payment-orders and of payments; they co-operate also in preparing draft budgets and render the partial accounts and the monthly closed accounts. The accounts sections, lastly, supervise the whole financial working of the departments authorised to issue orders for payment and of the pay and other offices subordinate to them.

(c) By the Federal Minister for Finance, who supervises the financial operations of the central authorities;

(d) By the Court of Audit (Rechnungshof), which, under the Federal Constitution, is responsible for supervising the general financial administration of the State, and which may also be entrusted with supervision of the affairs of undertakings in which the State is a shareholder.

#### 8. *Final Audit.*

Final audit is carried out :

(a) By the Court of Audit, which checks and establishes the annual accounts.

The Court of Audit is under the direct authority of the National Council, which appoints the president. The latter may only be removed by the National Council or by a judgment of the

Constitutional Court, before which he has been formally charged under a resolution of the National Council. The councillors are appointed by the Federal President on the proposal of the president of the Court of Audit.

The Court of Audit corresponds direct with all the Federal Departments. It may at any time ask the latter for any explanations it thinks necessary and for any supporting vouchers and other documents, may make local investigations, and receive, through its organs on the spot, any documents dealing with the affairs transacted.

The Court of Audit decides the form of the final accounts. After auditing these accounts, it forwards them to the National Council, together with its report on the results of its audit, not later than eight weeks before the next financial period expires.

The reports of the Court of Audit are published.

(b) By the National Council.

A permanent Committee of the National Council makes a preliminary examination of the accounts and reports of the Court of Audit. The debates of this Committee may not last more than six weeks.

The final accounts and report are then submitted for examination to the National Council, which passes an Act releasing the Federal Government from responsibility.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year is the same as the civil year and runs from January 1st to December 31st. There is no additional period during which commitments made during the previous budgetary year may be settled.

### 2. *Budgets and Accounts.*

There is no navy or air force. All expenditure on the land forces is shown in the budget and accounts of the Federal Ministry of Defence (Bundesministerium für Heereswesen).

### 3. *The Model Statement.*

The Model Statement refers to the budgetary year 1930. Only Table B (land forces) has been filled in.

The figures show gross expenditure.

The expenditure included in the Model Statement represents payments made from January 1st to December 31st, 1930, and has been taken from the closed account of the Federal Ministry of Defence. There is no national defence expenditure borne on the budgets of civil departments, or met out of extra-budgetary resources.

### 4. *Execution of the Budget.*

Expenditure payment-orders are issued by the Federal Minister of Defence, or by a senior official of the Administration appointed by him. Payment is made by issuing a cheque or pay-warrant on the Post Office Savings Bank. Supervision during the execution of the budget is effected by the departmental Audit Office of the Federal Ministry of Defence. The functions of administration, pay, accounting and internal audit are separate.

### 5. *The Account.*

The closed account of the Federal Ministry of Defence includes the whole expenditure on the land forces. It shows the payments made between January 1st and December 31st, 1930 (including the payments in respects of pay-warrants issued but not paid during previous years), and also the pay-warrants issued during the above year.

The figures are gross.

There are no autonomous State establishments for the manufacture of war material or special funds relating to national defence.

### 6. *Audit and Publication of the Accounts.*

The account of the Federal Ministry of Defence must be submitted to the Court of Audit within three months after the end of the budgetary year. The Court is bound, under the Constitutional Law, to present the account, together with its report, to the National Council not later

than eight weeks before the end of the next financial year. The account is at present submitted to the National Council about six months after the end of the year to which it refers, and is generally published in October. Approval is given to the closed accounts in statutory form (Loi de règlement).

### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. General Remarks.

(a) The relation between the accounts and the Model Statement has been established by means of a reconciliation table.

(b) The Model Statement only contains expenditure relating to the armed forces.

(c) The budgetary system has been found to present no obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) Deviations from the instructions regarding the universality of expenditure were noted in certain cases referred to below.

#### 2. Military Departments.

(a) The Model Statement includes the gross amount of *pay, salaries and wages* without deductions.

(b) *Advances* of pay, which are only granted in exceptional cases, are included in the figure for pay without corresponding deduction of refunds, which are made in their entirety to the Treasury and appear in the revenue budget. They are thus classified as actual expenditure although they have to be refunded. This duplication is explained by the instructions which at present have to be observed by the administration and do not permit of the amount of the advances being deducted.

(c) The Model Statement does not include expenditure relating to *pensions*, compensation for loss of employment or premature retirement or dismissal.

(d) Material acquired with the funds of one ministerial department may not be transferred to another department without a corresponding repayment; the *price of such transfers* corresponds to the real value of the material.

(e) All *military buildings* are the property of the State. All expenditure of a military character for the maintenance of drill-grounds, barracks, etc., figures exclusively in the budget of the Federal Ministry of Defence.

#### 3. Civil Departments.

(a) The Austrian budget does not include any national defence expenditure concerning *aviation* within the meaning of the draft Convention.

(b) The Federal Army and the Federal Military Administration do not receive any *free services* or *exemptions* granted by other public services, local authorities or private undertakings, as regards, for instance, the transport of troops by road or rail, the utilisation of camps, quarters or billets, the supply of electricity, gas or water, rates payable on military buildings, etc.

(c) The military administration bears on its budgets the *cost of postal, telephonic and telegraphic communications* in accordance with the law on the abolition of free postage and the administrative regulations of the said law. For this purpose a lump-sum payment has been fixed for ordinary letters and parcels, telephone calls and telegraphic communications. The lump sum is calculated on the basis of the number of letters, parcels, calls and communications on a date taken at random. Payment for registered letters and parcels is not included in the lump sum, and its amount appears separately in the accounts.

(d) The expenditure of the *Red Cross* is not included in the Model Statement. This organisation is responsible for the organisation of the voluntary health services. The Red Cross does not receive a subsidy either from the Federal Ministry of Defence or from the funds of the Military Administration. On the other hand, the Federal Ministry of Social Administration pays a subsidy to the Red Cross. This subsidy depends on the financial situation of the Austrian Republic, but does not exceed 10,000 schillings a year. It is granted in view of the Red Cross activities in the sphere of public health and with a view to reducing the costs of the civil health establishments of the State. This subsidy is to be found in Chapter 15 of the budget. The Austrian delegation does not consider that the expenditure of the Red Cross organisations should be entered in the Model Statement.

(e) The "*public funds*" administered by the State are not inserted in the budget or the closed account. Only the details of the receipts and expenditure of the church funds and hospital funds are attached to the closed accounts. The administration of the funds is supervised by the Court of Audit.

#### 4. Special Questions.

(a) The Model Statement contains no expenditure relating to formations organised on a military basis.

(b) Up to May 25th, 1933, the "Heimwehr" constituted a political association independent of the Government. As from that date, part of the "Heimwehr" was incorporated in the army and a sum of one million schillings was voted for the pay of the men thus enlisted for a period of military training of six weeks.

There are no accounts for the "Heimwehr," which is an organisation dispersed throughout the country, the local sections only meeting in exceptional cases. It is therefore not possible to supply particulars regarding the sums paid by the Government.

(c) No subsidy to physical training organisations is included in the Model Statement.

(d) Soldiers enlisted for a limited period under the military law receive on leaving the army the "Abfertigung"—i.e., a grant paid to provide for their subsistence for a certain time after the end of military service. The "Abfertigung" is not a pension and, according to the law, it constitutes an unemployment insurance. The amount of the "Abfertigung" is calculated according to a coefficient based on the last pay received. Hence the expenditure involved by the "Abfertigung" has been included in the Model Statement and not in Table F.

(e) The budget of the Federal Ministry of Defence contains in Article 28, Subdivision 2, entitled "Other preparations for the future civil life of soldiers", the expenditure on the maintenance of the Army apprenticeship workshops and the costs of running these workshops and acquiring machinery, tools and other articles.

(f) Expenditure for horse-breeding (Pferdezucht) does not constitute military expenditure and serves exclusively civil purposes. All the expenditure on the acquisition of horses for military purposes appears in the budget of the Ministry of Defence.

(g) The "Institutions for the Inspection of Rifles" ("Probieranstalten für Handfeuerwaffen") have no military character and only inspect civilian weapons. The examination of military weapons takes place exclusively at the Federal arsenal, whose requirements are provided for in the budget of the Federal Ministry of Defence.

(h) The Federal Ministry of Defence does not pay any subsidies to public or private undertakings, such as civil aviation undertakings, shipping companies, motor-car factories, etc.

(i) The Model Statement contains gross expenditure without any deduction.

(j) The receipts of the military administration are paid in full to the Treasury.

(k) Credits for purchases abroad are provided in the budget at fixed rates. These fixed rates are rectified from time to time by the Finance Ministry on the basis of the rate of exchange. The differences resulting from the exchanges are entered in the chapter "Cash administration" ("Kassenverwaltung").

### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUBHEADS OF THE MODEL STATEMENT.

#### 1. Separation of Expenditure on the Three Forces.

In the absence of naval and air forces, this question does not arise.

#### 2. Coast Defence.

There is no coast defence.

#### 3. Optional Columns.

The optional columns have not been filled in. No expenditure is indicated for formations organised on a military basis.

#### 4. Division between the Subheads of the Model Statement.

No serious difficulties have been encountered in dividing the totals shown in the closed accounts between the subheads of the Model Statement. In the majority of cases, this division has been effected by means of calculations based on administrative documents. Only in cases in which this method would have involved a loss of time out of all proportion to the value of the result was recourse had to estimates. Thus, as regards the expenditure entered in Head 2, paragraph 2, sub-paragraphs 22, 23 and 24, relating to the vocational instruction and advanced training of different categories of personnel, estimates had to be made of the amounts to be entered in subheads A, B and C respectively. The allocation of this expenditure was based on average percentages proportionate to the effectives of each category—i.e., 13.3 per cent for officers, 82.4 per cent for other ranks and 4.3 per cent for civilian personnel, and it also takes into account

the duration of the period of instruction of each category of personnel. More accurate figures could have been provided with the help of internal accounts had it not been for the excessive amount of work which such a procedure would have involved.

5. *Head IV : Separation from Other Heads.*

No distinction was made between military depots and factories for the purposes of the Model Statement, and all the expenditure of establishments in these two categories was entered in Head IV, the total of which has to this extent been unduly inflated.

No difficulty was found in separating all the elements of the overhead charges relating to the products of the State factory, with the help of the cost accounts kept for this establishment. These accounts are not published.

6. *Head IV : Division between Subheads.*

The amounts included in Subheads M and M (a) only indicate the expenditure on war material, etc., purchased from private undertakings and do not include any expenditure in respect of the State factory or of the military workshops or depots. All the working costs of the latter are included in Subhead N. As regards war material manufactured or repaired in the State establishments, the costs not only of internal transport but also of delivery to the depot have been included as a factor in general costs and placed under Subhead N.

7. *Special Questions.*

Allowances in cash have been included in the pay subheads; allowances in kind appear under Subhead E.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Tables A and B.*

As these tables have been omitted from the draft "Instruments for the Application of the System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

*Table C.*

This table has not been filled in. Credits are only carried over from one year to another in quite exceptional cases. As a rule, the balances of unexpended credits are annulled—*i.e.*, they cannot be utilised for the next *exercice*.

*Table D.*

This table has not been filled in. The Austrian delegation stated that, in 1930, no goods were delivered and no work was undertaken on credit.

*Table E.*

This table has not been filled in, no subsidy of the kind provided for in Table E having been granted in 1930.

*Table F.*

(a) Only Items I and II have been filled in.

Item I contains only two figures; the first relates both to old-age pensions and pensions granted for various reasons to military personnel, and the second represents invalidity pensions paid in 1930 to soldiers of the Austrian Federal Army who had become infirm and to men of the old Austrian provisional army.

(b) The sums indicated relate only to pensioners, officers, employees, professional N.C.O.s, and ex-officers of the Austro-Hungarian army who, after the revolution, served in the Austrian provisional army and in the Federal Army and Federal Military Administration, but the pensions for widows and orphans of the above persons are not included.

(c) The amounts indicated for invalidity pensions include the pensions paid to disabled ex-service men appearing in Chapter 15, Item 3.

(d) The disproportion existing between the pensions granted to military personnel and those received by civil personnel as compared with the amounts of the pay and salaries received respec-

tively by these two categories of personnel is due to the large number of former officers and employees of the Austro-Hungarian army who have been dismissed and whose retirement pensions are included among the pensions paid to civil personnel.

(e) The "Abfertigung" does not represent or take the place of a pension. It is a grant made to soldiers leaving the army at the end of a limited period of enlistment.

(f) The contribution to the "Hôtel des Invalides" at Vienna has not been included in Table F because this institution only admits professional officers and a few private soldiers of the former Austro-Hungarian army. The Austrian delegation would have no objection to the insertion of this expenditure in Table F.

(g) It will be seen from the reconciliation table that no part of the expenditure incurred in respect of advances to and remuneration of N.C.O.s, etc., has been inserted in Table F.

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### List of Documents.

Budgetary System: Reply of the Austrian delegation to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.48).

Model Statement (Table B). Annexed Table F. Reconciliation Tables (document Conf.D./C.D./C.T.108).

Draft Finance Act for 1930 ("Entwurf. Bundesfinanzgesetz"). Explanations regarding the Draft Finance Act for 1930 ("Erläuterungen zum Entwurf des Bundesfinanzgesetzes").

Budget voted for 1930 ("Bundesvoranschlag").

Closed Accounts for 1930 ("Bundesrechnungsabschluss").

Budgets of the provinces, capitals, towns and municipalities of over 5,000 inhabitants in 1930 ("Die Haushalte der Länder, Landeshauptstädte, Statutarstädte und Gemeinden mit mehr als 5,000 Einwohnern").

Summary Statement I: Receipts and expenditure ("Übersicht I: Die Einnahmen und Ausgaben").

Summary Statement II: Receipts derived from local taxes and supplementary taxes ("Übersicht II: Die Einnahmen aus selbständigen Abgaben und Zuschlägen").

Observations by the Technical Committee on the documentation submitted by the Austrian delegation (document Conf.D./C.D./C.T.132 and *Addendum*).

Replies by the Austrian delegation to the Technical Committee's observations (document Conf.D./C.D./C.T.171).

Minutes of the hearing of the Austrian delegation (document Conf.D./C.D./C.T./P.V., Hearing 20).

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## BOLIVIA.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budget is prepared by the various ministerial departments and co-ordinated by the Minister for Finance, who draws up the draft general budget. The draft budget is finally approved by the Council of Ministers.

#### 2. *Discussion and Voting of the Budget.*

(a) The President of the Republic submits the draft budget for the coming year to the National Congress at its ordinary session which opens on August 6th and lasts for sixty days.

The Congress consists of two Houses: the Chamber of Deputies and the Senate.

The meetings of both Houses and of Congress (the two Houses combined) are public.

The Ministers appointed by the President of the Republic may take part in the discussions in both Houses, but withdraw before a vote is taken.

In Congress the right of initiating expenditure is vested exclusively in the Chamber of Deputies.

(b) National defence expenditure is voted annually.

(c) Expenditure is authorised by law; it is the prerogative of Congress to determine the military forces to be maintained in time of peace and to vote the corresponding expenditure.

#### 3. *Publication of the Draft Budget, the Budget and Accounts.*

The draft budgets are published as an official document.

The Committee has not had the opportunity to examine any budget or closed account. It is not known whether these documents are published.

#### 4. *Conditions governing the Expenditure of Credits.*

The documents available have not enabled the Committee to determine the conditions governing the expenditure of credits.

#### 5. *Division of Expenditure in Budgets and Accounts.*

(a) The draft budgets (*presupuesto general*) contain a single figure for national defence expenditure, which is shown in the Summary (*Resumen de Ingresas y Egresas Ordinarios*);

(b) The budgets and closed accounts not having been furnished, the Committee is unable to ascertain whether national defence expenditure is shown in these documents in a single total or analysed under certain heads and sub-heads;

(c) The Committee is unable to say to what extent transfers are permitted.

#### 6. *Unity of the Budget.*

(a) It has been impossible, in the absence of sufficient documentary material, to judge whether all national defence expenditure is included in the aggregate figure of the budget of the War Ministry, which is the only national defence department;

(b) There is no information as to whether the expenditure shown in the budgets and accounts is gross or net expenditure.

#### 7. *Supervision of the Execution of the Budget.*

This supervision is exercised:

(a) Through the responsible administrative authorities;

(b) By the accountancy department at the War Ministry;

(c) By the Minister for Finance, who, acting on the returns of expenditure submitted periodically, may draw the attention of Ministers to the risk of credits being exceeded;

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NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Bolivia.

(d) By the National Court of Audit which audits the State account submitted by the Minister for Finance and reports thereon to Congress. The Committee has been unable to examine the composition of the National Court of Audit or to ascertain how its members are appointed.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from January 1st to December 31st.

### 2. *The Model Statement.*

No Model Statement has been supplied.

### 3. *Execution of the Budget.*

No statement on this subject is possible, owing to the complete lack of the necessary particulars.

### 4. *The Accounts.*

No statement on this subject is possible, as these documents have not been supplied to the Committee.

### 5. *Audit and Publication of the Accounts.*

The accounts are prepared and certified correct by the Minister for Finance. They are subsequently submitted to the National Court of Audit. After being duly approved by the latter, the law requires that they shall be submitted to Congress.

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## C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

The draft budget for 1930 contains one aggregate figure of 8,702,540.98 Bolivianos for the War Ministry.

### 2. *Military Departments.*

In the absence of the necessary documents, it has been impossible to ascertain whether civil expenditure is included in the budget of the War Ministry.

### 3. *Civil Departments.*

There is no information as to whether the budgets of civil departments contain expenditure relating to national defence. Expenditure on the police and gendarmerie appears in the budget of the Department of the Interior.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

The Bolivian Republic possesses land and air forces only. In the absence of the Model Statement, reconciliation tables and accounts, it is impossible to comment on the distribution of expenditure between the tables, heads and sub-heads of the Model Statement.

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## E. TABLES ANNEXED TO THE MODEL STATEMENT.

No remarks for the same reasons as in D.

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### List of Documents.

Constitution of the Republic of Bolivia as published in 1917. (DARESTE: "Les constitutions modernes"; Volume IV, Amérique latine, 1932.)

GUTIÉRREZ: "Derecho Administrativo", 1920.

"Presupuesto general" for the years 1929 and 1930.

Armaments Year-Book, 1933 (published by the League of Nations).

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## BRAZIL.

### A. BUDGETARY SYSTEM.<sup>1</sup>

#### 1. *Preparation of the Draft Budget.*

The draft budget is drawn up by the Executive and submitted to Parliament before May 31st of each year.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget is discussed by Parliament, which consists of two Houses—the Chamber of Deputies and the Federal Senate. The draft budget is then submitted for approval to the President of the Republic, who can veto any of its provisions. The Chamber of Deputies possess the right of initiative in matters of expenditure. The parliamentary discussions on the budget are published in the *Official Journal*. The budget as voted is promulgated by Presidential decree and submitted for registration to the Court of Audit.

(b) State expenditure is voted annually. If the budget has not come into force by January 15th, Parliament is required on that date to authorise the extension of the budget for the previous year.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

(a) The draft budget is published as an official document.

(b) The budget as approved is published in the *Official Journal (Diario Oficial)* in very full detail.

(c) The closed accounts are published (*Balanço Definitivo da União*).

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The budget is drawn up having regard to the obligations assumed by the State and the requirements of the public services; the difference between credits and commitments is cancelled; the difference between commitments and payments is transferred to a reserve fund to be used for covering commitments after the close of the financial exercise during which they were contracted, payment being subject to a credit being opened by the Head of the Government and due account being taken of the balances adjusted in each department.

(b) When the credits voted prove inadequate or when further expenditure becomes necessary the Executive has to apply to Parliament for fresh credits. These credits are called "additional" and are divided into: supplementary—when they are intended to increase credits which have been exhausted or are inadequate; special—if they are designed to meet expenditure not provided for in the Finance Act of the Union; extraordinary—when they are meant to cover expenditure of an urgent nature which cannot be postponed, as, for instance, expenditure on matters of public safety or public health.

(c) The budget covers only the financial exercise for which it was voted.

#### 5. *Division of Expenditure in Budgets and Accounts.*

(a) The budget of the Navy is divided into twenty-nine chapters or "verbas", which are subdivided into detailed "sub-consignações", and the budget of the War Ministry into seventeen chapters. The chapters show separately the expenditure on material and on personnel. The expenditure shown in each chapter is divided into two columns:

(i) Fixed expenditure relating to permanent liabilities and commitments;

(ii) Variable expenditure, comprising the remainder.

Generally speaking, the budget is set out in great detail, enabling the purpose of each item of expenditure to be identified.

(b) Transfers between chapters are strictly forbidden.

<sup>1</sup> The situation described in this summary is that which existed prior to October 1934.

#### 6. *Unity of the Budget.*

All national defence expenditure is shown in the State (Union) budget. This is not the case with expenditure on the Federal State Police, who are paid by each State out of its own funds, as the bodies in question are used solely for the maintenance of order in the States themselves. There are no budgetary, extra-budgetary or special funds devoted to national defence. Expenditure is voted on a gross basis.

#### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is exercised by :

- (a) Special commissions (Commission de reddition des comptes) in the various Ministries;
- (b) Officials representing the Court of Audit in the various Ministries.

#### 8. *Final Audit.*

The final audit is carried out by :

(a) The Court of Audit of which the members, appointed by the Executive with the approval of Parliament, enjoy the legal independence inherent in their office. The Court of Audit is responsible for ascertaining whether all expenditure has been effected for the purposes for which it was voted; the Central Accountancy Section of the Republic is responsible for submitting to the Minister of Finance a report summarising the general position of the State finances;

(b) As there is no Parliament at present, only the Court of Audit and the Central Accounts Department of the Republic examine the accounts.

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### B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

#### 1. *Budgetary Year.*

The budgetary year coincided up to 1930 with the calendar year. It now runs from April to March. Before 1930 there was an additional period of three months during which no fresh expenditure could be incurred, and it was only permitted to settle unpaid commitments contracted between January and December of the previous budgetary year. Commitments assumed in virtue of liabilities entered in the accounts of a particular year and unpaid at the end of the financial *exercice* are not entered in the budgetary accounts of the following year or years, but in special accounts of the National Treasury opened specifically for the purpose and called "Accounts of liabilities outstanding from past *exercice*".

#### 2. *Budget and Accounts.*

(a) The budget has separate divisions for the land and naval forces. There is no separate division for the air forces, as the budgetary credits therefor are provided both in the division for the land forces and in that for the naval forces, according as they are regarded as granted to the army or the navy, which form the chief arms of national defence. Expenditure on the air forces can be identified in the Army and Navy divisions of the budget so far as personnel and material are concerned, but not in the case of administrative and overhead charges (foodstuffs, etc.).

(b) Expenditure was voted partly in paper and partly in gold; it is now voted in paper only. Expenditure in gold was intended to meet liabilities contracted abroad and was calculated at the average rate of exchange for each country.

(c) The particulars given in (a) and (b) apply to the expenditure estimates, but not to the accounts, no copy of which has been supplied.

#### 3. *Model Statement.*

The Model Statement refers to the financial year 1930.

The three tables have been drawn up on the basis of gross expenditure, and the figures entered therein show the liabilities contracted in the twelve months of the budgetary period, it being understood that during the additional period no fresh liabilities could be contracted.

#### 4. Execution of the Budget.

Expenditure commitments are incurred on the authority of the competent organs of the department concerned, which also takes the necessary steps to implement them, after liquidation, through the medium of the accountancy services of the same department.

Payments are made by the National Treasury or by the Ministerial Treasuries at Rio de Janeiro or by the fiscal branches of the National Treasury in the Federated States.

#### 5. The Accounts.

Accounts are closed on the last day of the additional period; the closed accounts, as drawn up by the Central Accountancy Service of the Republic, are now submitted to the Minister of Finance by July 1st of each year; they are laid before the Court of Audit within sixty days following the close of the financial *exercice* to which they refer.

#### 6. Audit and Publication of the Accounts.

The closed accounts are audited by the Court of Audit and submitted for the approval of the Chamber of Deputies.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### I. General Remarks.

No reconciliation tables or closed accounts have been supplied, which would enable the Model Statement to be related to the expenditure actually incurred on national defence.

Certain expenditure mentioned as relating to land formations organised on a military basis (military police of the various Federated States) is shown as an aggregate figure in a supplementary Table A (*bis*). This expenditure has not been included in the table for land forces because the cost of the latter is borne by the Union—*i.e.*, out of the general budget of the Republic—whereas the cost of the former is borne out of the domestic revenue of the States to which they belong, as already stated.

The budgets of civil departments and Federal States do not contain any credits for national defence expenditure, which is centralised in the military departments.

The expenditure on the naval air forces has been shown in Table A and not in Tables C and D, as it cannot be subdivided.

#### 2. Special Questions.

There are no *special funds* or *extra-budgetary resources* from which national defence expenditure may be met.

There are no *State establishments* enjoying budgetary autonomy.

*Pensions* to personnel (civil and military) of the national defence departments are included in the Army and Navy budgets.

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### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

#### I. Separation of Expenditure on the Three Forces.

Expenditure has been divided, in so far as Tables B, C and D are concerned, between the land forces, naval forces and land air forces. Expenditure on the naval air forces is given as an aggregate figure in Table A, but is not included in the subsequent Tables B, C or D.

Separate budgets, and presumably, therefore, separate accounts, do not exist for the three forces. Expenditure on the naval air forces is included in the naval budget. Expenditure on the land air forces is included in the army budget. It does not appear practicable from the structure of the army and naval budgets to isolate with any exactitude the total expenditure on the air forces (see, however, B, 2).

Certain expenditure common to the land and land air forces and to the navy and naval air forces appears in the army and naval budgets respectively. It has been possible to distinguish

to some extent the portions of this expenditure allocated to the land and naval forces and to the land and naval air forces respectively, on the basis of the budgets.

2. *Coast Defence.*

Expenditure on coast defence is provided in that section of the budget which relates to land forces.

3. *Optional Columns.*

The optional columns have not been completed in Tables B, C and D. A separate figure for certain land formations organised on a military basis (military police) is given in supplementary Table A (b).

The Brazilian delegation states that the only land formations organised on a military basis which should be inserted in Table A (bis) are the Federal district police and the firemen's corps of the Federal capital, these being the only formations included in the general budget of the Republic.

Brazil has no colonies or oversea possessions and no air formations organised on a military basis.

4. *Division of Expenditure between the Various Sub-heads of the Model Statement.*

The structure of the budget should enable a large number of the items of estimated expenditure to be transferred direct to the appropriate sub-heads of the Model Statement, but it is not known whether the same can be said of the expenditure shown in the accounts.

In Table C (Naval Forces), sub-heads H and K have not been completed, although certain expenditure in respect of buildings is stated to have been included in sub-head E.

5. *Head IV.*

In the absence of reconciliation tables, it is not known on what basis the expenditure shown under head IV in Tables B, C and D has been determined, nor is it known how these figures have been distributed between the various sub-heads of head IV.

The expenditure on military personnel employed in head IV establishments has been included in head I.

Sub-head L, Table C, has not been completed, and the relevant expenditure is presumed to be included in sub-head N, the description of which differs from that proposed by the budgetary experts.

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## E. TABLES ANNEXED TO THE MODEL STATEMENT

The tables annexed to the Model Statement have not been completed.

Tables A and B not having been retained in the draft "Instruments for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for on this subject.

In regard to annexed Table C, block credits covering expenditure for more than one year are not voted at the present time.

As regards expenditure on pensions (Table F), the provision in 1930 appears to have been approximately 37,120,000 milreis.

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### List of Documents.

Budgetary system : Reply by the Brazilian delegation to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.140).

Model Statement (document C.323.M.197.1932.IX (Conf.D.104)).

*Diario Oficial* (various dates) promulgating the State budgets for 1930, 1931, 1932, 1933.

*Memorandum on Public Finance, 1922-1926* (published by the League of Nations).

*Encyclopædia Britannica* : fourteenth edition, 1929.

Sir Otto Niemeyer's report on the finances of Brazil, July 4th, 1931.

Various communications from the Brazilian delegation.

## BULGARIA.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The estimates prepared by the Supervisory Financial Services of the different ministerial departments are co-ordinated by the Finance Minister (Ministerstvo na finansite), who draws up the draft of the general budget. The Finance Minister has the right to reduce proposals of expenditure put forward by the different Ministries. If this should lead to disagreement between him and any Minister, the question is settled by the Council of Ministers.

After being approved by the Council of Ministers, the draft budget is submitted by the Finance Minister to the Chamber of Deputies (Sobranje).

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget is voted by the Sobranje. All proposals for increase or decrease of the estimated expenditure must be considered beforehand by the Budget Commission of the Sobranje before being discussed in plenary debate.

The plenary discussions of the Sobranje are public and the debates are published in the reports of Parliamentary sittings.

The budget, after being voted, is submitted for approval to the King, who signs a Ukaz on the subject. It comes into force on promulgation in the *Official Gazette*.

(b) In principle, the budget is voted before the beginning of the budget year, and, in any case, not later than March 20th. If it has not been voted before the beginning of the budget year, the Sobranje is asked to vote provisional twelfths until such time as the budget is voted.

When it is not possible to summon the Sobranje to vote the budget, the duration of the current budget is prolonged until it is superseded by the passing of the new budget.

(c) Expenditure has to be authorised by law.

Application has to be made to Parliament for supplementary credits in the course of the budget year for the purpose of meeting expenditure found necessary for which no provision, or inadequate provision, was made in the budget.

If the Sobranje is not sitting, the Finance Minister is empowered, after scrutinising and approving the reasons put forward by the Ministry concerned, to apply to the Council of Ministers for credits to cover expenditure not provided for in the budget. Such credits may not exceed a total of 1 million leva for the whole year or for all Ministries.

The decrees according credits in the above cases have to be submitted to the Sobranje for its approval at its next session.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget is not published officially; it is printed for the use of members of the Sobranje.

The budget (budget) is published officially not later than March 25th.

The closed accounts are published (Doklad na Varhovnata Smetna Palata).

#### 4. *Conditions governing the Expenditure of Credits.*

The vote of the budget limits the amount of payments which may be made during the budget year and the additional period. Any excess of credits over payments at the close of the *exercice* lapses automatically. It is forbidden to incur commitments after March 31st in respect of the credits for the past budget year.

In exceptional circumstances, when the nature of the undertaking does not permit of the works being executed in a single year, the Council of Ministers may authorise the incurring of commitments for certain purposes (contracts for the construction or acquisition of material), for which payment is to be made in the course of three consecutive *exercices*; but the annual instalments of such expenditure have to be shown in the successive budgets.

The carry-forward of credits from one year to another is prohibited except in the case of extraordinary expenditure, the credits for which are drawn from extra-budgetary receipts or loans.

### 5. *Division of Expenditure in Budget and Accounts.*

(a) Expenditure is shown in chapters (Glava), divided into paragraphs (paragraph) of which there are eighty-five in the 1930-31 budget, these being themselves divided into items. Expenditure is voted paragraph by paragraph. It is grouped and classified in the budget according to its technical character and having regard to the categories of the administrative services concerned. The pay of personnel is shown in separate paragraphs from the expenditure on materials. Expenditure on materials is distributed in paragraphs under which all expenditure of the same kind is grouped. There is a paragraph entitled "Reserve Fund" in the budget of each Ministry for the purpose of increasing credits for material where necessary. The amount set aside under these paragraphs may not exceed 2 per cent of the total budgetary credit for material expenditure.

Reserve Funds are drawn on by order of the Finance Minister at the request of the Minister concerned.

(b) The closed accounts are submitted in as great detail as the budget.

(c) Transfers between chapters, paragraphs or items are forbidden.

### 6. *Unity of the Budget.*

(a) In principle, all State expenditure is included in the general budget, but the Pernik State Mines (coal mines) and the State Railways have autonomous administrations and budgets which do not form part of the general budget. The expenditure in the case of the railways is, however, subject to the same scrutiny and supervision as other State expenditure.

There are no establishments for the manufacture of arms possessing budgetary autonomy.

(b) The expenditure shown in the budgets and accounts is gross expenditure.

### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is exercised :

(a) By the "Supervisory Service" of each ministerial department, the members of which (though they belong to the Ministry concerned) are appointed by the Finance Minister, may be removed from their post by him, and are directly responsible to him.

No commitment may be incurred or payment effected without the consent of these Supervisory Services. In particular, the Supervisory Services are required to examine beforehand all measures involving liabilities to the State. They may not countersign such measures unless they conform with the provisions of the current law. They are called upon to draw attention to any illegal or irregular action, and to make representations with a view to the cancelling of such action, and the imposition of penalties on any official interfering with the exercise of their right of supervision.

The final decision rests with the Finance Minister in the event of differences between the administrative departments and the Supervisory Services other than the differences referred to under paragraph (b) below.

(b) By the Court of Audit (Smetna Palata), which countersigns payment warrants, and has an absolute right of vetoing illegal or irregular measures. If it considers that certain expenditure is illegal or irregular, it declines to countersign the orders for payment concerned, and no administrative authority has any power to disregard its decisions. The Court of Audit is the arbiter of differences arising between the Supervisory Services and administrative departments in connection with contracts and purchase or sale transactions.

### 8. *Final Audit.*

The final audit is carried out by the Court of Audit.

The Court of Audit is appointed by the Chamber of Deputies and acts on its behalf. It has rights of supervision over all Ministers and officials of the Administration, including the Finance Minister and the authorities under him.

The Court of Audit consists of a President with six councillors appointed by Royal Decree issued on the report of the President of the Council of Ministers (Prime Minister). They have the same rank as councillors of the *Cour de Cassation* and can only be deprived of office by a vote of the Sobranje acting on a report by the President of the Council of Ministers stating the grounds for such action.

The Court of Audit makes a general audit of expenditure.

It has to prepare a report each year on the results of the execution of the budget. The report is submitted to the Sobranje. A copy of the report and its annexes must be sent before December 1st in the year following the close of the *exercice* to the Finance Minister, who transmits it to the other Ministers inviting them to submit any explanations they may have to make on the conclusions of the report. Such explanations are submitted by the Finance Minister to the Sobranje together with the Bill for the closure of the budget *exercice*.

The law for the closure of the budget *exercice* constitutes the Final Accounts Act. It is subject to the approval of the King and is promulgated in the *Official Gazette*.



## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from April 1st to March 31st. There is an additional period of two months. Expenditure for account of the year just elapsed may be liquidated and payment orders issued in respect of it up to May 1st of the new year. The payments may be effected up to May 31st, but must be shown in the accounts for the past year. Credits in respect of expenditure incurred but not paid for on May 31st are cancelled, and continue to be shown only as commitments for previous years (old debts), payment being made in respect of them when the budget contains a special appropriation for the purpose.

### 2. *Budgets and Accounts.*

There is only one national defence Ministry (the Ministry of War). Bulgaria has no naval or air forces.

### 3. *The Model Statement.*

The Model Statement includes all expenditure in respect of which payment was made during the budget year 1930-31, including the additional period.

The Model Statement could not be based on the accounts of the year in question, as the latter have not yet been closed.

The delegation states that the figures in the Model Statement are based on the accounts of the Supervisory Service attached to the War Ministry, and that these figures are practically final, because they are checked each month with the books of the Court of Audit.

### 4. *Execution of the Budget.*

The voting of the budget does not entitle the departments to draw on the credits assigned to them. The authority of the Supervisory Service (*i.e.*, an organ of the Finance Ministry) attached to each Ministry is required for this purpose.

Having obtained the authority of the Supervisory Service, the department concerned is entitled to incur expenditure subject to the provisions of the current law. The documents in support of such expenditure must be sent to the Supervisory Service, which proceeds to check them with a view to issuing the order for payment. Payment orders do not take effect until countersigned by the Court of Audit. Payment is made by the National Bank of Bulgaria on presentation of the payment orders so countersigned.

### 5. *The Accounts.*

All national defence expenditure is included in the general accounts of the State.

The accounts show the amounts of the payments effected during the budget year and the additional period.

### 6. *Audit and Publication of Accounts.*

Supervision after the execution of the budget is exercised by the organs of the Finance Ministry and by the Court of Audit.

The Court of Audit is required to draw up a report each year on the execution of the budget. The report, which is published, is submitted to Parliament. The accounts are audited by the Court of Audit before the December 1st following the *exercice* to which they relate. Publication of the accounts follows on the promulgation of the law for the closure of the accounts. The law for the closure of the accounts is voted by Parliament at the first ordinary session following on the conclusion of the budget *exercice*. It is subject to the approval of the King, and is promulgated in the *Official Gazette*.

Only the total figures are published in the text of the law for the closure of the accounts, and not the figures for the separate chapters or items.

The last closed account published is that for the year 1928-29, and the law for the closure of this account was passed on December 10th, 1931.

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## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

(a) The relation between the accounts and the Model Statement is shown by reconciliation tables.

(b) The Model Statement contains expenditure relating to the *armed forces*, the *Frontier Guard* and the *gendarmerie*.

(c) The budget system appears to present no obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) Derogations from the instructions with regard to the universality of expenditure have been noted in certain cases referred to below.

## 2. Military Departments.

(a) The Model Statement includes the whole amount of *pay and wages* without deduction of tax or contributions payable by personnel for the purpose of pensions or social insurance.

The Model Statement includes *retiring pensions and compensation payments for loss of employment* in the event of premature dismissal.

(b) There are no *advances* of pay.

(c) The *foreign exchange* required by the National Defence Ministry is obtained out of the credits shown in the paragraph of the budget of the National Defence Ministry authorising the relevant purchases from abroad. The assent of the Finance Minister must, however, be secured.

(d) The Bulgarian Government is of opinion that the *Frontier Guard* and the *gendarmérie*, whose expenditure is included in the same account as the expenditure on the army, should not be regarded as formations organised on a military basis. The expenditure relating to them has, however, been included in the Model Statement pending a decision on the subject by the competent organs of the Disarmament Conference. There are no separate accounts for these two forces, their expenditure being carried on the same account as that of the army proper.

## 3. Civil Departments.

(a) The National Defence Ministry and all military units and establishments enjoy *postal and telegraphic franchise*.

(b) The railway administration gives reductions of rates up to 75 per cent for *military transportation*.

(c) All expenditure of the *supervisory service* of the National Defence Ministry is included in the Model Statement under national defence expenditure.

(d) There are no *private organisations* concerned with national defence.

The expenditure of the *Red Cross* is not shown in the Model Statement.

(e) No *railways* of military interest were constructed in 1930-31.

## 4. Special Questions.

(a) The *maritime and river police* is not, in the opinion of the Bulgarian delegation, a formation organised on a military basis. The expenditure for these forces in the Railways budget amounted to 37,988,000 leva in 1931. This expenditure cannot be regarded as national defence expenditure.

(b) There is not, in the opinion of the Bulgarian delegation, any institution for purposes of *physical training* whose expenditure should be included in whole or in part in the Model Statement.

(c) There are no *free services* rendered to the National Defence Administration by other State, regional or municipal administrations, etc.

(d) The *Bulgarian Navy Fund* instituted by Royal Decree of October 22nd, 1915, represents at the present time a sum of 30,520 leva.

(e) There is no establishment in Bulgaria for the *manufacture of arms* having budgetary autonomy.

(f) All expenditure shown in the Model Statement is *gross* expenditure.

(g) *Receipts* from the sale of surplus stocks or scrapped materials are paid into the Treasury and may not be used for national defence purposes.

(h) Expenditure on the *upkeep of military graves* should be excluded from the Model Statement.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. Separation of Expenditure on the Three Forces.

Bulgaria has no naval or air forces, and the question of the separation of expenditure as between the three forces does not therefore arise.

### 2. Optional Columns.

The optional columns for formations organised on a military basis have been completed in respect of expenditure on (1) the Frontier Guard, and (2) the gendarmerie. The Bulgarian Government considers, however, that these forces should not be treated as organised on a military basis. The relevant expenditure has nevertheless been included in the Model Statement pending

a decision on the subject by the competent organs of the Disarmament Conference. There are no separate accounts for these two forces, the expenditure thereon being included, together with that for the army proper, in one account.

3. *Division of Expenditure between the Sub-heads of the Model Statement.*

The form of the accounts enables a fairly considerable proportion of the items appearing therein to be transferred bodily to the sub-heads of the Model Statement.

Where expenditure recorded under one paragraph of the account has had to be divided amongst two or more sub-heads of the Model Statement, the division has been made by estimation.

The Bulgarian Government states that no special difficulties have been encountered in fulfilling the instructions of the budgetary experts for the classification of the several items of expenditure between the heads and sub-heads of the Model Statement.

4. *Head IV : Separation from Other Heads.*

The expenditure shown under head IV includes the wages of workmen. It does not, however, include the pay, salaries, etc., of military and civil salaried personnel employed in head IV establishments, which have been included in head I, sub-heads A, B and C. The Bulgarian Government states that it is almost impossible to separate the pay, salaries, etc., of such personnel from that of similar personnel employed elsewhere, but that the amounts involved are not large.

It is noted, however, that certain expenditure in the nature of overhead charges—*e.g.*, rents, fuel and light—has been included in head I for all establishments, and the Bulgarian Government states that it is impossible to split this expenditure according to the nature of the establishment. Other expenditure of a head IV nature—*e.g.*, motor transport—has similarly been shown under other heads.

The total expenditure included in head IV is only 4.3 per cent of the total expenditure shown in the Model Statement. For the army proper—*i.e.*, excluding expenditure on the Frontier Guard and gendarmerie—the corresponding percentage is 6.2. Even the latter percentage is small compared with the average percentage returned by other States.

5. *Head IV : Division between Sub-heads.*

The Bulgarian Government states that the expenditure proper to each of the three sub-heads M, M(a) and N of the Model Statement can be transferred bodily from the accounts. It appears, however, that certain expenditure proper to these sub-heads is contained in other chapters of the accounts together with expenditure proper to other sub-heads of the Model Statement (see paragraph 4).

The expenditure shown under sub-head N was 78.7 per cent of the total expenditure shown under head IV for the army proper and 73.9 per cent for all forces. This high proportion is ascribed to the fact that heavy expenditure was being incurred in 1930-31 in the erection of a State factory and that such expenditure has been included in sub-head N.

6. *Special Questions.*

*Civil and Military Personnel.*—With the exception of workmen employed on a daily wage basis in head IV establishments, all expenditure on personnel has been included in sub-heads A, B and C or E.

*Allowances.*—Cash allowances have, for the most part, been charged to the pay sub-heads, but travelling expenses and allowances have been charged to sub-head E.

*Heating, Lighting, Hire of Buildings.*—All expenditure has been included in sub-head E.

*Veterinary Services.*—Expenditure has been included in sub-head E.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Tables A and B.*

As these tables have been omitted from the draft "Instruments for the Application of the System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

*Table C.*

No observations in regard to the entry "Nil". Credits may not be carried forward. There are no global credits.

*Table D.*

No observations in regard to the entry " Nil ". There were no purchases on credit in 1930-31.

*Table E.*

No observations in regard to the entry " Nil ".

*Table F.*

This table includes the amount of long-service pensions paid to military personnel, together with the relief grants to war orphans, widows and disabled ex-service men. The pensions are paid out of the special Pensions Fund, which covers all personnel, civil and military, in such a manner that it is not possible to distinguish the amounts received by officers, non-commissioned officers and civilian officials of the national defence services respectively.

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**List of Documents.**

- Budgetary system: replies of the Bulgarian delegation to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.23; French text only).
- Model Statement. Annexed tables. Reconciliation tables (document Conf.D./C.D./C.T.94; French text only).
- Details of expenditure (document Conf.D./C.D./C.T.94; French text only).
- Budget for 1930-31 (Buzhet za prihodite i razhodite na Tsarstvo za Bulgaria za 1930-31 finansova godina).
- Report of the Court of Audit on the close of accounts of the 1930-31 budget (Doklad na Vartovnata Smetna Palata do Narodnoto Sobranie).
- Law for the closure of the accounts for 1928-29, promulgated in the *Official Gazette (Darjaven Vestnik)* No. 223/1931, Ukaz No. 44.
- Finance Ministry, *Bulletin of Information on the Public Finances*, July 1931; Supplement to the *Official Gazette* for August 27th, 1931.
- Observations of the Technical Committee on the information supplied by the Government of Bulgaria (document Conf.D./C.D./C.T.107).
- Replies of the Bulgarian delegation to the Technical Committee's observations (document Conf.D./C.D./C.T.181).
- Additional observations of the Technical Committee and replies by the Bulgarian delegation (document Conf.D./C.D./C.T.240).
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## CANADA.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budget (estimates) is prepared by the Minister for Finance, based on estimates from the various Government Departments. It is then considered by the Treasury Board and the Government. The draft budget (estimates), as finally decided upon, is submitted to the House of Commons with a message of approval from the Governor-General.

#### 2. *Discussion and Voting of the Budget.*

(a) Parliament consists of two Houses (the House of Commons and the Senate).

Before being passed by the House of Commons, the estimates are discussed and considered by a Committee of the whole House, called the Committee of Supply. The discussions in plenary session are published.

After approval by the House of Commons and the Senate, and the assent of the Governor-General, the budget (Appropriation Act) comes into force.

(b) All revenues go into an account known as the Consolidated Revenue, but no payments may be made without the authority of Parliament. Such authority may be secured in two ways: 1st, by statute; 2nd, by annual appropriations. Examples of the first are: Interest on Public Debt, and Service and Disability Pensions; while an example of the second is the expenditure for ordinary administration of the activities of the Government. About 45 per cent of the annual disbursements is made under continuing statutory authority and 55 per cent under annual appropriations.

Should the budget not be voted before the opening of the budgetary year, interim supply is granted by Parliament under special acts until final funds are voted.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The statement of the Minister for Finance introducing the draft budget is published in the official reports of the House of Commons debates.

The estimates and appropriation acts are published.

The closed accounts are published.

#### 4. *Conditions governing the Expenditure of Credits.*

The voting of an appropriation by Parliament limits the amount of payments which may be made during the fiscal year.

Credits cannot be carried forward from one year to another.

Balances of appropriations which remain unexpended at the end of the fiscal year lapse.

If, when Parliament is not in session, expenditure not foreseen or insufficiently covered by the budget becomes necessary, the Governor-General may issue decrees granting special credits in order to meet such expenditure. Such credits are subject to the same laws as other appropriations.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) In the budget statement of the Minister for Finance, expenditure is usually divided into ordinary capital and special expenditure and non-interest-bearing loans and advances.

The estimates for the public services of the State are drawn up under a few main heads, subdivided in their turn into sub-heads corresponding to the several credits.

The estimates for National Defence Expenditure (with certain exceptions discussed in C.3 (a) below) comprise four heads and sixteen sub-heads.

(b) The published accounts are drawn up in a similar manner.

In the annual report of the Auditor-General on the accounts of each financial year, the expenditure is recorded in great detail.

(c) The credits cannot be allocated to expenditure other than that for which they have been voted. There is no provision permitting of transfers between votes.

6. *Unity of the Budget.*

(a) In general, all State expenditure is included in the general budget.

There are no special funds or accounts.

There are no public or private bodies, apart from State departments, entitled to finance national defence expenditure.

There are no establishments for the manufacture of armaments having budgetary autonomy. No extra-budgetary resources are used for national defence purposes.

(b) Expenditure is shown in budgets and accounts on a gross basis.

7. *Supervision during the Execution of the Budget.*

Supervision is exercised :

(a) By accounting officers designated by the Minister for Finance and attached to each department of the public service. Such officers are under the direction and control of the Comptroller of the Treasury;

(b) By the Auditor-General, who, if he deems it expedient, may station one or more of his officers in any department or branch of the public service.

8. *Final Audit.*

Final audit is carried out by the Auditor-General, who reports annually to the House of Commons the result of his examination and audit of the accounts in such manner as will exhibit the true state of each account at the termination of the financial *exercice*.

The reports of the Auditor-General are laid before the House of Commons by the Minister for Finance.

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B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. *Budgetary Year.*

The budgetary year covers the period from April 1st to March 31st.

There is an additional period of thirty days, during which commitments entered into during the budgetary year may be paid and charged to the accounts of that year.

2. *Budgets and Accounts.*

There is one Ministry of National Defence for the three forces.

The budget and accounts show expenditure pertaining to each force separately.

The figures in the accounts represent actual expenditure.

3. *The Model Statement.*

The Model Statement is based on the closed accounts for the year 1930-31. The figures represent gross expenditure.

4. *Execution of the Budget.*

In general, all supply is released to the various Ministries by Order in Council and expenditure is supervised by the Treasury Board, which is a sub-committee of the Cabinet.

The payment and the accounting of national defence expenditure are carried out under the direction of the Finance Department.

5. *The Accounts.*

The accounts contain the payments made during the budgetary year and the additional period.

The accounts show the expenditure for the year as compared with that for the previous year.

6. *Audit and Publication of the Accounts.*

The closed accounts of the National Defence Ministry are submitted to the Auditor-General and the Minister for Finance about May 15th following the close of the financial year.

The closed accounts audited by the Auditor-General, together with his annual report, are submitted to the House of Commons by the Minister for Finance on or before October 31st following the financial year to which they relate, if Parliament is then sitting, or, if it is not sitting, within one week after Parliament has next assembled. The accounts and the report are published.

The closed accounts do not receive Parliamentary sanction in the form of law, though they are subject to the scrutiny of Parliament.

## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

(a) The relation between the accounts and the Model Statement has been established by the aid of reconciliation tables.

(b) No difficulties have been caused by the budgetary system in including all national defence expenditure in the Model Statement.

(c) Losses on exchange are entered in the accounts of the Treasury. The expenditure which this involves for the National Defence Ministry has not been included in the Model Statement.

### 2. *Military Departments.*

(a) The Model Statement includes the total amount of pay, salaries and wages without deduction of taxes or contributions made by the personnel for pensions or social insurance purposes.

(b) The following items of expenditure which appear in the accounts of the National Defence Department have been excluded from the Model Statement :

- (1) Battlefield Memorials, \$144,000.
- (2) Imperial War Graves, \$573,756.12.
- (3) Quebec Gates and Walls, \$49,855.42.

(c) An amount of \$452,164.36, representing expenditure on Cadet Services, has been entered in the Model Statement. The Canadian delegation subsequently stated that this item should not be included in the Model Statement since the cadets do not receive military training.

Expenditure on military rifle clubs has been included in the Model Statement under Head I, sub-head D.

### 3. *Civil Departments.*

(a) Certain expenditure, which is civilian in character, is voted directly to the Department of National Defence and controlled by the Minister of that Department, namely :

- (1) Pay and other allowances to the officers and men allotted to the N.W.T. Wireless Services, \$78,509.61;
- (2) Payments to the civil staff of the National Defence Departments, \$815,002.08;
- (3) Pay and other allowances to the military personnel employed in the Civil Aviation Service, \$875,348.00.

(b) Certain expenditure concerning national defence appears in other budgets than that of the National Defence Ministry for 1930-31, namely :

- (1) Expenditure relating to the construction of buildings undertaken by the Ministry of Public Works, \$124,708.01.
- (2) Rent of buildings paid by the Ministry of Public Works, \$379,185.12;

(c) The pay and allowances of national defence personnel employed on civil aviation have been included in the table of the Model Statement relating to the Air Force. No other expenditure connected with civil aviation has been included in this table.

(d) The Model Statement does not include any expenditure in respect of the Royal Canadian Mounted Police, which is under the administration of the Department of Justice.

## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE AMONG THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure on the Three Forces.*

Under the system of Canadian accounting, it is, in general, possible to separate the expenditure on land, air and naval forces. The tables relating to the three forces have been completed.

In some cases, estimates have had to be made. For instance, the portion of the salaries and other expenditure of the civil administration relating to national defence has been divided between the three forces in the following proportion :

- 62 per cent for the land forces,
- 20 per cent for the naval forces,
- 18 per cent for the air forces.

2. *Optional Columns.*

No entry has been made in these columns.

3. *Division of Expenditure between the Sub-heads of the Model Statement.*

Certain difficulties have been encountered in distributing the expenditure between the various sub-heads of the Model Statement. These difficulties are due to the fact that the classification of expenditure under the Canadian system of accounting necessarily conforms to departmental requirements and is quite different from the classification laid down in the Model Statement.

The division of expenditure between the several sub-heads of the Model Statement has been effected by means of internal accounts on the basis of actual expenditure.

The Canadian delegation has stated that a sum of \$1,723,423.75, representing expenditure on "non-permanent active militia", allocated to sub-head D of the Model Statement, includes the maintenance charges of the whole of this militia.

Certain expenditure in the nature of maintenance allowances has been included under sub-heads A to D, such as allowances in lieu of rations, horse allowance and wagon, baggage and marching allowance.

4. *Head IV.*

The general remark under 3 above applies to Head IV.

The Canadian delegation has explained that the sum of \$586,814.29 entered in the Model Statement of the land forces under sub-head N of Head IV represents expenditure in connection with the Dominion Arsenal, Quebec. This sum represents the total cost of the labour and material expended, together with all items of overhead cost specified in paragraph 27 of the draft annex to the Budgetary Experts' report.

In the case of establishments constituting combined depots and workshops for war material, no difficulty was experienced in computing the expenditure to be charged to sub-head K and Head IV respectively.

A sum of \$27,284.77, representing expenditure on miniature rifles for cadet services, has been shown under sub-head D of Head I, these arms not being regarded as war material.

E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Tables A and B.*

As these tables have been omitted from the "Draft Instruments necessary for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

*Table C.*

The system of carrying forward credits does not exist (see A. 4).

*Tables D and E.*

There are no entries in these tables.

*Table F.*

The following expenditure in respect of pensions for the year 1930-31 has been shown under this head :

(i) Military personnel :

(a) Service pensions	}	.....	\$879,193.74
(b) Invalidity pensions			
(c) Mixed pensions			

(ii) War pensions..... \$44,258,989.64

A sum of \$3,065.42 shown in the public accounts under the heading of civil pensions of the National Defence Department has not been included in the statement. The Canadian delegation has stated that this amount represents special compensation granted to individuals for various reasons, such as death of husband, accident, loss of limb, etc. The compensation in each case and for each individual is separately voted by Parliament.

The Canadian delegation considered that the following amounts should not be entered in Table F :

(a) War veterans' allowance .....	\$331,363.00
(b) Soldiers' land settlement expenses.....	\$826,233.45
(c) Care of patients .....	\$2,593,017.00



**List of Documents.**

Budgetary System : Reply of the Canadian Delegation to the Questionnaire of the Technical Committee (document Conf.D./C.D./C.T.29).

Model Statement (document C.698.M.304.1931.IX [Conf.D.26]).

Reconciliation Statements for the Model Statement (document Conf.D./C.D./C.T.147).

Estimates for the fiscal year ending March 31st, 1931.

Supplementary Estimates for the fiscal year ending March 31st, 1931.

Public Accounts for the fiscal year ended March 31st, 1931.

Report of the Auditor-General for the year ended March 31st, 1931.

20/21 George V (Various Appropriation Acts for the financial year ending March 31st, 1931).

21/22 George V (An Act to amend the Consolidated Revenue and Audit Act, 1931).

Observations of the Technical Committee on the documentation furnished by the Canadian delegation (document Conf.D./C.D./C.T.190).

Replies to Observations of the Technical Committee (document Conf.D./C.D./C.T.279).

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## CHILE.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budget is prepared by the several Ministries and submitted to the budget department (« Oficina del Presupuesto ») of the Ministry of Finance, by which the draft general budget of the State is drawn up. This department prescribes to the Ministries beforehand the limits within which their individual draft budgets must be framed in the light of the total figure of national revenue, which it also compiles.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget is presented to Congress (« Congreso »), which consists of two Houses : the Chamber of Deputies and the Senate. The sessions of the Chamber of Deputies and Senate are public and a record of the parliamentary debates is published in the *Boletín de Sesiones* of each House.

The provision for fixed expenditure, which chiefly relates to rates of remuneration and emoluments, is permanently laid down by statute, while that for variable expenditure is subject to discussion and modification by Congress. Any increase in expenditure, however, must first be approved by the President of the Republic.

The budget is presented by Congress to the President, who may veto the draft adopted by Congress and refuse to enact it. Congress may, however, disregard the President's veto if it decides to do so by a two-thirds majority.

(b) The budget must be voted annually within four months from the date when the draft budget is tabled in Congress.

If the budget is not voted within the above period, the draft budget is put into effect.

If the budget has not been voted before the financial year opens, the Government may, so far as national defence expenditure is concerned, make payments in advance up to 6 million pesos, to meet essential requirements for food supplies, forage and clothing.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget is published.

The budget is published in separate parts relating respectively to the several Ministries, and also in a general form, for the use of the administrative authorities. The budget is summarised in the law whereby it is enacted, which is promulgated through the medium of the *Official Gazette*, normally three days after it has been passed by the two Chambers of the Legislature.

The closed accounts are published.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The credits voted indicate, in the case of fixed expenditure, the amounts to be paid during the financial year, and, in the case of variable expenditure, the maximum commitments which may be incurred and paid in pursuance of such credit.

(b) The rule of "annuity" is observed. Neither in the case of fixed expenditure nor in that of variable expenditure<sup>1</sup> may the difference between the budgetary credits and the payments up to December 31st be carried forward to the following year, and these amounts are paid automatically into general receipts.

In the following cases such amounts are credited, not to general receipts, but to a special deposit account known as "Liabilities Outstanding" :

(1) *Fixed Expenditure.*—When the Treasury accountants or authorised officials and the administrative officers of the military services make a request to this effect in writing to the treasuries before December 25th in the case of pay or salaries which they are unable for any reason to draw from the treasuries before December 31st. No applications can be made for leaving lump sums in the "Liabilities Outstanding" account, and the names of personnel not paid, the month in respect of which pay was due, the amount of such pay and the budget credit to which it is chargeable must be specified.

<sup>1</sup> See below under A, 5.

(2) *Variable Expenditure.*—(a) Payment vouchers drawn on the Treasury (*giros a Tesorería*), on account of lump-sum credits given by supreme decree, where the treasuries have received and hold in their possession such payment vouchers and where they have for any reason been unable to pay them to those concerned by December 31st; (b) the total amount or the outstanding balances of payment warrants mentioning by name the person to whom payment is due (personal warrants) and reaching the Treasury by December 31st.

The period of validity of the deposit account "Liabilities Outstanding" is one year—*i.e.*, until December 31st of the following year. Balances in this account not expended by December 31st of the following year are finally and irrevocably paid into the general receipts of the country.

Should the appropriation for a particular article prove to be inadequate, a "supplement" may be resorted to. Due provision must be made for this supplement either from special resources or by transferring the surplus from other articles of the budget.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The budget is divided into sections (*partidas*) corresponding to the requirements of Congress, of the several Ministries and of the independent services. Each section is divided into chapters (*capítulos*), which, in their turn, comprise several articles numbered serially by the section and divided into paragraphs (*items*) and items (*letras*). The articles are grouped according as they relate to administrative or general expenditure, the former being subdivided further into fixed expenditure (relating to the pay and allowances of military and civil personnel on fixed rates of remuneration) and variable expenditure (covering the emoluments of certain civilian personnel, together with expenditure on material and services).

The expenditure on the three forces is presented separately in the budgets and accounts.

The documentary material supplied shows that, in the 1932 budget, there were 63 subdivisions of national defence expenditure for the Ministry of War, 22 for the Ministry of Marine, and 32 for the Air Forces.

The Finance Act has a special article for unforeseen expenditure, headed "Unforeseen".

(b) The closed accounts are divided and subdivided in the same way as the budgets, apart from the subdivisions of each "letra".

(c) Transfers from one "item" to another require the sanction of Congress. The transfer of funds between "letras" of "item" 4 (variable expenditure), provided they take place within the same chapter, may be effected direct by the President of the Republic by ordinary decree, without the approval or sanction of the Legislature being necessary.

#### 6. *Unity of the Budget.*

(a) National defence expenditure is provided for either by the ordinary budget, the extraordinary budget or by special laws.

The extraordinary budgets and the special laws are intended to meet expenditure not included in the ordinary budgets, either because of its nature or the inadequacy of ordinary resources.

Apart from Government departments, there are no public or private bodies which contribute towards national defence expenditure. There are no extra-budgetary sources from which national defence expenditure can be met.

(b) The expenditure entered in the budget is gross expenditure.

#### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is exercised by the Controller-General of the Republic (*Contralor General de la República*), who is appointed by the President of the Republic, in whose name he acts, but who is independent of the executive power. The Controller-General enjoys the same immunity as members of the High Courts of Justice with regard to dismissal. The Deputy Controller (*Sub-Contralor*) enjoys the same immunity.

The treasuries are obliged to account to the "Contraloría General", with vouchers in support, of the use of their funds in the case both of fixed and of variable expenditure (see also under B, 4).

Only in exceptional cases do the public departments draw from the Treasury sums in virtue of warrants ordering the grant of lump-sum credits without specifying the persons to whom payment is due or the amounts due to them. In such cases the public departments which have drawn funds in this way must account to the Contraloría General direct as to the use made of these funds, with vouchers in support.

Disbursement accounts are submitted monthly to the Contraloría General within the first five days of the succeeding month. The Contraloría examines and pronounces on these accounts monthly, as and when received.

Officials administering public funds are in every case required to produce a surety or guarantee for their integrity in the performance of their duties, and are held personally and pecuniarily

responsible for their administration. They are only relieved of their responsibility when they have accounted for their administration and produced the necessary supporting vouchers.

In reviewing the accounts, on the basis of the examination of the disbursement accounts submitted to the Contraloría General by the public departments, the Deputy Controller takes a decision in the first instance, and the Controller-General pronounces the final judgment.

The Controller-General is informed daily by the Treasurer-General of all movements of funds, whether expenditure or receipts.

Within twenty days from the receipt of a decree, the Controller-General may object to such decree on the ground that it is unconstitutional or illegal, and make representations on the subject to the President of the Republic. He must, however, accept the decree and enforce it if the President of the Republic, with the support of all the Ministers, insists on its execution, the Controller being thereby discharged from his responsibility.

In the annual report which the Contraloría submits to the President of the Republic and to the National Congress, the Controller-General must mention all the decrees on the execution of which the President has thus insisted.

Independently of the functions performed by the Contraloría General, and without prejudice to those functions, the army supervises military expenditure through the medium of supervisors attached to each divisional command, and other supervisors attached to the military establishments not incorporated in the army divisions.

The same applies to the navy and air force, which possess similar institutions.

## 8. *Final Audit.*

Final audit, as well as supervision during the execution of the budget, is effected by the Controller-General of the Republic responsible for auditing the national accounts. The various audit sections examine the accounts on the Controller's behalf and report any irregularities.

Appeals against the proceedings of the audit sections are dealt with by the Controller, whose decision is final. His audit covers the accounts of departments of State, semi-public administrations such as the railways, the accounts of municipalities and public funds devoted to charity.

His decisions within the ambit of his functions may not be challenged by any other authority in the State.

The Controller-General does not approve specifically the closed accounts of each year. He pronounces each month on the disbursement accounts submitted to him by each of the officials responsible for handling public funds.

Within the first fifteen days of each month, the Controller-General submits to the President of the Republic a report on the audit operations of the past month; this report contains the returns, schedules and other data stipulated in the regulations. A copy of this report is sent to the Finance Minister.

Not later than April 30th of each year, the Controller-General submits to the President of the Republic and to the National Congress a report on the financial administration of the past year, and on the other transactions of the Contraloría during the same period. This report is published in the form of a volume entitled "Memoria de la Contraloría General y Balance de la Hacienda Pública" (Memorandum of the Contraloría-General and Balance-Sheet of the Public Finances).

At the same time, the Contraloría publishes the closed accounts of the national budget ("Inversión del Presupuesto ordinario de la Nación"), which is submitted to the President of the Republic, to the National Congress, to the various Ministries and to the central public departments.

The National Congress does not vote a law approving the closed accounts each year; it tacitly approves them by not rejecting them.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from January 1st to December 31st.

### 2. *Budgets and Accounts.*

There were two separate budgets for the army and the navy up to the end of 1932. In 1932, the air force budget was included in that of the Ministry of the Interior, where it was shown under separate heads.

### 3. *The Model Statement.*

The Chilean delegation observes that the Model Statement has been drawn up on the basis of the final accounts for the budgetary year 1932 ("Inversión del Presupuesto ordinario de la Nación en 1932"). The figures in the case of the army and air force expressed in thousands of pesos appear to have been rounded off upwards.

The expenditure figures in the Model Statement show, in the case of fixed expenditure, the amounts due for payment in 1932 and, in the case of other expenditure, the payment orders issued up to December 31st, 1932.

The tables for the three forces have been filled in.

#### 4. Execution of the Budget.

For the disposal of the sums voted in the budget in respect of *fixed expenditure*, the Government does not promulgate a decree authorising their expenditure. It is sufficient for the Treasury accountants or authorised officials (*habilitados*) of the civil departments of State and the administrative officers of the army, navy and air force to submit to the treasuries a payment order accompanied by a "liquidation" return or sheet indicating by name the persons whose pay and salaries are due to be paid, the month in respect of which such pay and salaries are due, and the credit to which they are chargeable in the budget. The treasuries, after checking and verifying the said "liquidation" sheets or schedules, issue a cheque on a bank for the total amount of the "liquidation" sheet or schedule, and the Treasury accountants, in turn, pay individually the personnel for the payment of whose salaries they are responsible.

For the disbursement of the sums voted in the budget in respect of *variable expenditure*, a warrant is required, signed by the President of the Republic and countersigned by the Minister concerned, authorising the total or partial expenditure of a credit contained in the variable expenditure chapter of the budget; such warrant must be previously endorsed by the representatives of the Controller-General.

Personal warrants are cashed at the Treasury direct by those concerned, while warrants authorising the payment of lump credits to be charged to an item of variable expenditure voted in the budget are issued to the account of the public departments concerned. Subsequently, the accountants or competent officials in the civil departments of State or the administrative officers of the military services, as the case may be, issue to the persons to whom payment is due a payment voucher on the Treasury for the exact amount due to each of them individually. The creditors concerned remit to the Treasury the payment vouchers accompanied by the receipted invoices. Payments are made either in cash or by cheques drawn on the Caisse d'Épargne nationale or on one of the banks.

#### 5. The Accounts.<sup>1</sup>

The way in which the accounts are presented makes it possible to identify the payments made in a particular year, either on the basis of the ordinary and extraordinary budgetary accounts or on that of the "outstanding liabilities" account, since both the payment warrants and the payment vouchers drawn on the treasuries indicate the exact purpose of the expenditure.

### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### I. General Remarks.

I. As the closed accounts on which the Model Statement has been based were not received in due time by the Committee,<sup>2</sup> it is impossible to say whether all national defence expenditure is included. The Chilean delegation stated that the national defence expenditure authorised under extraordinary credits and special laws and effected during 1932 (buildings, constructions, etc.) had been included in the Model Statement.

#### 2. Military Departments.

(a) No expenditure on the *construction of fortifications* has been shown in the Model Statement.

(b) No expenditure on the *provision of arms, ammunition and war material* (sub-head M) has been shown in the Model Statement for land forces.

(c) That part of the expenditure on *pensions* which is provided for in the army budget has been included in Table B of the Model Statement.

(d) Expenditure on *harbour-masters' staffs, naval dockyards, lighthouses and buoyage, hydrography, the Meteorological Office and the Mercantile Marine*, which is provided for in the naval budget, has been included in Table C of the Model Statement.

#### 3. Civil Departments.

(a) The Model Statement does not include any expenditure on the *Carabineers*, who are under the Ministry of the Interior.

(b) Certain expenditure on behalf of the *air force* borne on the budget of the Ministry of Public Works has been included in Table D of the Model Statement.

(c) Apart from the expenditure borne on the budget of the Ministry of Public Works, the Chilean delegation stated that no other national defence expenditure is included in the budgets of civil departments.

<sup>1</sup> For audit and publication of the accounts, see above under A. 8.

<sup>2</sup> Since the above was written, the Chilean delegation has sent a copy of the closed accounts for 1932 ("Inversión del Presupuesto ordinario de la Nación").

#### 4. *Special Questions.*

There are no *establishments for the manufacture of armaments* possessing budgetary autonomy. It should be mentioned that the financial balance-sheet gives a table showing the all-in cost of running a *military railway*. This is a small narrow-gauge railway used for the field training of the railway regiment.

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### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

#### 1. *Separation of Expenditure on the Three Forces.*

As stated at B, 2 above, there were separate departments and budgets in 1932 for the land and naval forces.

Air force expenditure, however, was shown in separate paragraphs in the budget of the Ministry of the Interior. Since the end of 1932, the War and Navy Departments and that of the Under-Secretary of State for Air have been merged in a National Defence Ministry with a separate Under-Secretary for each force.

Separate tables of the Model Statement have been submitted for each force.

The Chilian delegation stated that the only service common to the three national defence forces is that for the supply of small-arms ammunition, the expense of which is met out of the army funds specially appropriated to this purpose. In addition the small-arms used by the air force and police are supplied from army stores.

#### 2. *Coast Defence.*

It is impossible, on the information supplied to the Committee, to say to which table of the Model Statement expenditure on coast defence, if any, has been charged.

#### 3. *Optional Columns.*

The optional columns have not been filled in.

#### 4. *Division of Expenditure between the Sub-heads of the Model Statement.*

Judging from the reconciliation table and in view of the fact that the distribution of expenditure was based on the closed accounts, the form of the latter would appear to admit of a large proportion of the figures relating to variable expenditure being transferred *en bloc* to the Model Statement.

In the case of fixed expenditure, it has been necessary to divide the total figures between sub-heads A, B and C of the Model Statement. This division has been made where necessary by means of estimates based on the more detailed particulars supplied by the budget and on administrative experience.

In certain cases, lump-sum grants for maintenance services have been posted to sub-head E, though including elements of expenditure attributable to other sub-heads.

In the case of the navy, certain expenditure on the movement and transport of personnel and material has been merged with payments to personnel and charged to sub-heads A, B and C.

There is no indication of expenditure on the construction of fortifications or defence works (sub-head H of the Model Statement).

#### 5. *Head IV : Separation from Other Heads of the Model Statement.*

Separate heads for war material appear in the budgets of the army, navy and air force. It is not possible to state, on the information before the Committee, the nature of the material comprised under these heads. Part of the overhead charges on manufacture of war material has been posted to sub-head E. The pay of certain personnel employed in military arsenals seems to have been entered in sub-head C. Expenditure on the upkeep of motor vehicles seems to have been charged in its entirety to sub-head G.

#### 6. *Head IV : Division between the Sub-heads of this Head.*

Sub-head M of the Model Statement for the land forces has not been filled in.

In the case of the navy, the total for Head IV—viz., 1,277,000 pesos—has been distributed between the sub-heads as follows : sub-head M, nil; sub-head M (a), 30,000; sub-head N, 1,247,000.

Whereas the specimen Model Statement for the air force has only one sub-head, the Chilian delegation has returned this kind of expenditure under two sub-heads—viz.:

M (arms, ammunition and fighting material), 730,000 pesos;

N (pay of workshop personnel), 1,181,000 pesos.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Tables A and B.*

As these tables have been omitted from the draft "Instruments necessary for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

*Table C.*

The Chilean delegation made a "nil" return for annexed Table C.

*Table D.*

The following are the figures given for credit purchases and deferred payments :

Land forces .....	}	£	78,334
		\$	15,487
Naval forces .....	}	Pesos	393,786
		Pesos	2,000,000

*Table F.*

The total estimated expenditure on service and disability pensions for the military and civil personnel of the three national defence forces in the budget of the Finance Ministry for 1932 was 29,318,202 pesos. The same budget had an appropriation for war pensions amounting to 11,600,000 pesos.

The budget of the War Ministry also contains certain expenditure on pensions; this has been included in Table B of the Model Statement.

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**List of Documents.**

Budgetary system: Reply of the Chilean Delegation to the Questionnaire of the Technical Committee (document Conf.D./C.D./C.T.197).

Model Statement. Annexed tables. Reconciliation tables and explanations (document Conf.D./C.D./C.T.259). (The data contained in this document replaces that appearing in document C.535.M.268.1932.IX (Conf.D.130).)

Ministerio de Guerra: Ley de Presupuestos, 1928-1931.

Memoria de la Contraloría General y Balance General de la Hacienda Pública (1932).

Armaments Year-Book, 1932 (published by the League of Nations).

Encyclopædia Britannica (1929 edition): Article on Chile.

**Documents communicated after the above summary was written :**

Closed accounts for 1932 ("Inversión del Presupuesto ordinario de la Nación").

Budget voted for 1934 ("Ley de Presupuesto de Entrados y Gastos ordinarios de la Administración Pública de Chile").

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## CHINA.<sup>1</sup>

### A. BUDGETARY SYSTEM.

#### 1. Preparation of the Draft Budget.

Each State service, whether national or local, draws up its own expenditure estimates (estimates of the first *échelon*). Each ministerial department of the Central Government of Nanking and each provincial or municipal auditor asks the subordinate service to submit these estimates of the first *échelon* before November 30th. Each of these higher services collects the estimates of the first *échelon* and draws up the estimates of the second *échelon*, which are based thereon. The latter are submitted before January 15th to the financial control service of the Government (Chen-Ki-Pou), which is an accountancy department of the organ (yuan) of Control (Kieh tch'a yuan). This service draws up the general estimates for the whole country and submits them to the Central Political Council of the Kuomintang before March 15th.

The Central Political Council examines the general estimates, modifies or approves them and sends them back to the financial control service.

The expenditure estimates of the military organisations are examined and finally drawn up by the Military Department as the higher authority.

The financial supervisory service submits the draft general budget of the *exercice* to the National Government before May 15th.

#### 2. Discussion and Voting of the Budget.

(a) The draft budget is sent by the National Government (State Council, consisting of the President of the National Government and the Government's counsellors appointed by the Central Committee of the Kuomintang with the approval of the Central Political Council) to the legislative authority (Legislative Yuan).

The Legislative Yuan (Li fa yuan) comprises from 50 to 100 members, half of whom are appointed, on the proposal of its President, by the President of the National Government. The other half of the Legislative Yuan is elected by the legally constituted organisations of the people.<sup>2</sup>

After being examined by a special commission, the budget is voted by the Legislative Yuan before June 15th. The Committee has been unable to ascertain the dates of the meetings of the Legislative Yuan or the length of its sessions.

The meetings of the Legislative Yuan at which the budget is discussed are public, but the Committee does not know if the Minutes of these discussions are published.

During the discussion, the Legislative Yuan may ask other authorities and all Ministers for any useful information.

(b) The national defence expenditure of the Central Government is voted each year.

No additional credits are ever granted during the year, but, should the budgetary credits prove inadequate, recourse is had to the extra-budgetary procedure for meeting expenditure (Article 34 of the Regulations, November 1st, 1931). In urgent cases an extraordinary budget is adopted, providing for the expenditure from Treasury reserves.<sup>3</sup>

If the general budget is not finally drawn up before May 31st, a provisional budget is submitted to the National Government. This provisional budget is based on previous budgets and passed by the National Government. It is valid until the end of the month during which the general budget is voted.

<sup>1</sup> Up to April 1933, the principle of the many monetary units current in China were the Shanghai tael and the Yuan dollar. In April 1933, the Chinese national dollar was introduced (1 national dollar = 0.699 Shanghai tael and 0.983 Yuan dollar).

<sup>2</sup> "The method of election of the said members shall be determined by a special law." (Article 30 of the Constitution of the Chinese Republic of June 1st, 1931.) The Committee does not know whether this law has come into force and is not in possession of the necessary particulars regarding the method of electing the members of the Legislative Yuan and their financial powers.

<sup>3</sup> The Committee has not been able to ascertain the precise procedure regarding extrabudgetary expenditure and budgets for extraordinary expenditure charged against the Treasury reserves.

NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of China.



3. *Publication of the Draft Budget, Budget and Accounts.*

The budget is published.

The Committee was unable to examine any draft budget or account and does not know whether these documents are published.

The Minister for Finance publishes a report for each financial year showing for each service of the National Government the aggregate amounts of payments effected. Only one aggregate figure is given in this report for national defence expenditure.

4. *Conditions governing the Expenditure of Credits.*

The Committee did not possess the information necessary to enable it to ascertain the conditions governing the expenditure of credits.

Certain credits which are declared valid for a period of years may be carried forward.

5. *Division of Expenditure in Budget and Accounts.*

(a) There is a special division (chapter) of the budget for ordinary military expenditure. In the 1931-32 budget, this was subdivided as follows :

- Article 1.—National Military Council;
- „ 2.—Ministry of Foreign Affairs, War;
- „ 3.—Ministry of Marine;
- „ 4.—General Staff;
- „ 5.—General Directorate of Military Training;
- „ 6.—Military Advisory Commission;
- „ 7.—Explosives Office;
- „ 8.—Ordinary military expenditure;
- „ 9.—Reserve Fund.

Some of these articles are subdivided into paragraphs in a table annexed to the budget. The number of these paragraphs varies considerably according to the articles; while Articles 1, 4, 5, 6 and 9 are not subdivided at all, Article 2 comprises 9 paragraphs; Article 3, 4 paragraphs; Article 7, 8 paragraphs; and Article 8, 525 paragraphs.

The main feature of the Chinese budget as regards military expenditure is that the expenditure under Article 8 is classified by services, establishments, units and formations, rather than by the actual nature of the expenditure.

There is also extraordinary military expenditure.

In the 1931-32 budget, this expenditure, the amount of which was comparatively small, was subdivided as follows :

- Organisations under the Ministry of War;
- Increase in the air forces;
- Organisations under the Ministry of Marine;
- General Staff; and
- Subordinate organisations.

(b) As the Committee had no accounts at its disposal, it was unable to ascertain whether the latter are or are not rendered in the same form as the budget.

(c) Transfers between the chapters of the budget are prohibited except in the cases provided for by law. The Committee does not possess fuller particulars regarding the transfer procedure.

6. *Unity of the Budget.*

The general budget of the State does not include all national defence expenditure; for instance, the 1931-32 budget did not include the army expenditure in certain provinces. In those provinces the military authorities have been allowed, on behalf of the Central Government, to use the national revenue for the payment and maintenance of the troops under their command.<sup>1</sup>

The 1930-31 budget did not include under ordinary expenditure any expenditure in respect of the naval air force, which is in process of formation.

<sup>1</sup> In the *Statistical Monthly*, 1933, issued by the Chinese Government, particulars are given of the military expenditure of certain provinces (expenditure incurred during the first half of 1930-31) :

	Chinese dollars
Hupeh.....	2,642,577.10
Honan.....	392,712.30
Shantung.....	733,340.02
Ninghsia.....	944,943.26
Shensi.....	4,680,949.59

No figures are given for the military expenditure of the other provinces. The Committee has been unable to ascertain from what accounts the figures given for the five provinces mentioned above have been taken.

See note on page 96.

### 7. *Supervision of the Execution of the Budget.*

The same organisations are responsible for supervision during the execution of the budget and for the final audit. This supervision of the departments is exercised by the Control Yuan (Council), which represents one of the five authorities composing the National Government.

The Organic Law of December 26th, 1931, contains the following provisions :

“ *Article 8.*

“ The National Government consists of five independent Councils (Yuans) exercising severally executive, legislative, judiciary, examining and supervisory powers, viz. :

- “ 1. The Executive Yuan;
- “ 2. The Legislative Yuan;
- “ 3. The Judiciary Yuan;
- “ 4. The Examining Yuan;
- “ 5. The Control Yuan.

“ Each of these Yuans may, in accordance with the law, issue decrees.”

“ *Article 10.*

“ The National Government consists of a President and from 24 to 36 members. Each Yuan has a President and Vice-President chosen and appointed by the Central Executive Committee (Kuomintang).”

The above texts would seem to imply that the President and Vice-President of the Control Yuan are members of the National Government.

The Control Yuan consists of 30 to 50 members appointed by the President of the National Government on the proposal of the President of the Control Yuan; one-half of these members are elected by the legally constituted organisations of the people. The method of this election is laid down in a special law of which the Committee was unaware.

The members of the Control Yuan other than the President and Vice-President may not legally hold any other public office.

The Control Yuan includes a secretariat and a number of counsellors. They can only be dismissed in certain cases in which their probity in discharging their duties is involved. The Control Yuan establishes local control centres and may appoint inspectors to be distributed among these centres. It may order any investigations it considers necessary to be carried out, and for this purpose may ask the National Government to appoint special control inspectors to visit the various public services and all departments to find out whether the Government's decisions are being carried out. The Control Yuan may also undertake any other form of investigation. The members of the Control Yuan and its agents are protected in the exercise of their duties by law.

The Control Yuan includes an audit department to which the monthly accounts of receipts and expenditure of the administrative authorities under the National Government are submitted.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from July 1st to June 30th.

There is an additional period of three months during which commitments entered into in the course of the financial year can be “liquidated”. Expenditure may be settled during a supplementary period of six months.<sup>1</sup>

### 2. *Budgets and Accounts.*

There are separate ministries for the army and navy. The ordinary expenditure of the military air force was included in the 1930-31 budget in the expenditure of the War Ministry. This budget did not include expenditure on the naval air force, which was in process of formation at that time. The Chinese Government also stated that the expenditure involved by the scheme for the organisation of national aviation, which is now being carried out, was not included in the statement.

Certain expenditure on aviation was also included among the extraordinary expenditure.

As the Committee was unable to examine the accounts, it is impossible for it to make any observation as to their presentation.

### 3. *Model Statement.*

It is not possible to ascertain whether the Model Statement of expenditure for the 1930-31 *exercice* was based on the budget or on the accounts. As pointed out by the Chinese Government itself, the figures shown in the Model Statement do not correspond with the budget estimates.

<sup>1</sup> The report of the Finance Minister on the 1931-32 *exercice* states that military expenditure amounted to 300 million taels, including 48 millions paid during previous financial periods.

The Committee did not possess precise information as to what these payments of 48 million taels consist of

See note on page 96.

The amount inserted in the estimates for the armed forces was 450,405,848 Chinese dollars, whereas the total expenditure given in the Model Statement amounts to 389,867,122 dollars. Moreover, in the annual report of the Minister for Finance for 1932, military expenditure for the 1930-31 *exercice* is shown as 312 million dollars.

The tables relating to the three forces have been filled in.

#### 4. *Execution of the Budget.*

The Committee does not possess sufficient data to enable it to describe the method by which commitments are entered into, liquidated, passed for payment or paid during the *exercice*, or how these various operations are supervised.

During the execution of the budget, the National Government has the power to reduce the amounts of the credits shown in the budget with the consent of the Central Political Council.

#### 5. *The Accounts.*

No actual accounts have been submitted to the Committee, which has only received the annual reports of the Minister for Finance, which are published and include a table showing the receipts and payments for the *exercice*.

This report contains a single aggregate figure of payments for military expenditure. The annual report for the 1928-29 *exercice* was published in March 1930; the report for the 1929-30 *exercice*, in June 1930; lastly, owing to special circumstances, the two reports for the 1930-31 and 1931-32 *exercices* were published, not separately, but together, on December 15th, 1932.

According to Article 13 of the law relating to the organisation of supervision, it would appear that the Audit Department keeps monthly accounts of the receipts and expenditure of the various administrative authorities of the National Government. The Committee does not know whether the monthly accounts are recapitulated in annual accounts and whether both the former and the latter are published.

#### 6. *Audit and Publication of the Accounts.*

The Control Yuan includes an Audit Department (Chen-Ki-Pu). The Committee has no information as to the actual structure of the accounts or the date on which they must be submitted to the Audit Department or as to their publication.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

In the absence of reconciliation tables, it has not been possible to ascertain the precise basis on which the Statement was drawn up.

#### 2. *Military Departments.*

As far as can be judged, all expenditure included in the ordinary part of the budget (military expenditure) has been transferred to the Statement.

#### 3. *Civil Departments.*

It has not been possible to ascertain whether any national defence expenditure is included in the civil budgets.

#### 4. *Special Questions.*

The Model Statement does not include the proposed expenditure on the *naval programme*, the expenditure on the *naval air force* or the expenditure involved by the *national aviation scheme*.

The total expenditure shown in the Model Statement amounts to 389,867,122 Chinese dollars. This figure is considerably higher than that of the expenditure incurred as shown in the Finance Minister's annual report for the same year : 312,000,000 Chinese dollars. It is not known whether the Statement includes the military expenditure of certain provinces and whether this explains the difference between these two figures. Nor is it known whether the Model Statement includes expenditure on *police* and similar formations.

## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure on the Three Forces.*

In the budget, expenditure on the army and navy is shown separately. There are, however, items of expenditure which are common to these two arms.

Expenditure on the land air forces is shown among the expenditure of the War Ministry. It is, however, clearly distinguished under special headings devoted to the offices, establishments, aerodromes, units and formations of the air forces.

For the purposes of the Model Statement, expenditure on the three forces has been separated, but as regards the air forces it is only expenditure on the land air arm which has been isolated. Expenditure on the naval air force and on national aviation has not been included in the Model Statement.

In the absence of reconciliation tables, it is not known whether it was necessary to have recourse to estimates in separating the expenditure of the three forces.

### 2. *Optional Columns.*

Only the column in Table C (Naval Forces) relating to formations organised on a military basis has been filled in.

As regards Table D (Air Forces), a column has been added and the expenditure is shown separately for the active forces and the administrative authorities (services, workshops and schools).

### 3. *Division of Expenditure among the Sub-heads of the Model Statement.*

In the absence of reconciliation tables, it is not possible to make any useful observation on this point.

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## E. ANNEXED TABLES.

No figure has been supplied for the Annexed Tables.

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### List of Documents.

Particulars with regard to the Position of Armaments in China (document C.367.M.210.1932.X (Conf. D.109)).

Ministry of Finance : Annual report of the fiscal years July 1928-June 1929; July 1929-June 1930; July 1930-June 1931; July 1931-June 1932.

Budget of the Central Government for 1931-32.

*The China Year-Book*, 1931-32, 1933.

DARESTE : " Les Constitutions modernes ".

Regulations of November 1st, 1931, concerning the procedure for drawing up the budget.

Law of September 24th, 1932, relating to the principles for drawing up the budget.

China : Commission of Financial Experts : Summary of projects of law dealing with financial planning, budget preparation, etc., December 1929.

## COLOMBIA.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budget is prepared by the various ministerial departments. The Finance Minister (Ministro de Hacienda y Crédito público) draws up a draft general budget of the State, which is finally approved by the Council of Ministers.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget, when finally approved as described above, together with a memorandum from the Finance Minister on the financial and budgetary situation of the preceding and the current years, is submitted to Congress (Congreso) in the first ten days of the ordinary session, which opens on July 20th and lasts ninety days. The draft budget is first examined by the Parliamentary Commission for Accounts (Comisión Legislativa) of the Chamber of Deputies and is then discussed in plenary and public session by the Chamber of Deputies (Cámara de Representantes) and the Senate (Senado) in turn.

The Ministers, who are appointed by the President of the Republic, may attend the meetings of Congress but are not entitled to vote. The budget is voted in each House. To acquire force of law it must obtain the sanction of the Government, which is bound to promulgate it within ten days or refer it back within the same period to Congress, together with a statement of its objections. In the latter case, if the draft budget on re-examination is adopted by a two-thirds majority of each House, it acquires the force of law.

(b) In principle, expenditure is voted annually before the financial year opens. If the budget is not adopted by December 15th, the budget for the previous year is prorogued.

(c) Expenditure must be authorised by statute. No expenditure may be effected unless budgetary provision has been made for it. To meet unforeseen and urgent expenditure due to war, internal disturbances or public calamities, the Finance Minister may open extraordinary credits on his own responsibility but must subsequently ask Congress to ratify his action.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget, budget and closed accounts are published as official documents.

#### 4. *Conditions governing the Expenditure of Credits.*

The vote of a credit limits the commitments which may be incurred during the budgetary year. Credits may not be carried forward. Those credits in respect of which no commitments have been incurred lapse at the end of the budgetary year. Commitments in respect of which no payments have been made by the end of the budgetary year are transferred to a Treasury account called "Payments outstanding", which is debited with the payments subsequently made.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) Expenditure is divided in the State budget into chapters and articles (capítulo, artículo) numbered in a single series. Articles are sometimes divided into sections and paragraphs.

There is only one National Defence Ministry (Ministerio de Guerra), the ordinary expenditure of which for 1933 is divided into seven chapters (Nos. 34 to 40) and twenty-seven articles (Nos. 119 to 146).

The budget shows expenditure on pay separately from other expenditure.  
Most of the expenditure on war material is shown separately.

(b) The closed accounts are rendered in the same form as the budget.

(c) Transfers may be made between chapters if approved by the Council of Ministers and countersigned by the Comptroller-General of the Republic.

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NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Colombia.

6. *Unity of the Budget.*

(a) The general budget includes, in principle, all State expenditure. There are some doubts on the question to know if certain extra-budgetary funds are appropriated to national defence expenditure.

(b) The budgets and accounts show gross expenditure.

7. *Supervision of the Execution of the Budget.*

This supervision is exercised :

(a) By the responsible administrative authorities.

(b) By the Accountancy Section of the National Defence Ministry.

(c) By the sections responsible for preventive supervision, which are attached to each ministerial department.

The members of these sections (auditores seccionales) are appointed and can be removed from office by the Comptroller-General of the State. They are completely independent of the authorities responsible for the execution of the budget. They are entitled to make inspections and local investigations of all accountancy documents and also the cash in hand. They verify the regularity of the orders for payment issued by the responsible officials to satisfy themselves that the corresponding disbursements have actually been made and that they have been correctly posted in the accounts.

(d) By the Audit Department (Departamento de Contraloria), which is a higher accountancy and supervisory organ independent of the Government.

The Comptroller-General elected by the Chamber of Deputies draws up monthly and annual reports of the State's financial operations. These reports are published. The annual reports in which the several heads and sub-heads of the budget are discussed *senatim* are issued six months after the end of the budgetary year.

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B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. *Budgetary Year.*

The budgetary year runs from January 1st to December 31st. There is no additional period.

2. *Budgets and Accounts.*

Expenditure on the land, naval and air forces is not shown in separate sections.

3. *The Model Statement.*

No Model Statement has been supplied.

4. *The Execution of the Budget.*

The credits voted for the National Defence Ministry are allocated monthly by the Finance Minister.

The Minister may enter into contractual commitments for the whole amount of the annual credits or even of the credits of several subsequent years, provided that the first ensures that the necessary provision will be made.

The vouchers in support of payments must be sent by the Accountancy Section to the Audit Section for examination and approval.

5. *Audit and Publication of the Accounts.*

The Comptroller-General draws up the closed accounts of the State and submits them to the Chamber of Deputies six months after the close of the budgetary year.

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C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

*General Remarks.*

No Model Statement of national defence expenditure has been supplied.

The total of the credits entered in the national defence budget for 1933 amounts to 3,764,615 pesos.

There is a special section in the State budget for extraordinary credits for the service of a patriotic loan authorised by a law of 1932 and intended for national defence. These credits amount to 1,110,000 pesos.

The Committee cannot say what expenditure effected out of this loan during the 1932 budgetary year should be shown in the Model Statement.

D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

1. *Separation of Expenditure on the Three Forces.*

The Republic of Colombia possesses land, naval and air forces. The expenditure on these three forces is included in a single budget for national defence and is not shown under separate subdivisions.

In the absence of a Model Statement and reconciliation tables, no definite inferences can be drawn as to the difficulties involved in separating this expenditure.

It would, however, seem that no serious difficulties of this nature are to be apprehended.

2. *Division of Expenditure among the Sub-heads of the Model Statement.*

The expenditure on pay is separated from other expenditure in the budget.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

These tables have not been supplied.

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List of Documents.

Leyes financieras. 1930.

Ley número 64 de 1931 (15 de Mayo "Organica del Presupuesto").

Ley número 911 de 1932 (Mayo 23) — por el cual se reorganiza las leyes organicas de la Contabilidad oficial de la Nación y del Departamento de Contraloria.

Decreto número 1842 de 1931 (Octubre 16) por el cual se reorganiza el ramo de Guerra.

The budget voted. (Presupuesto Nacional de rentas y Ley de apropiaciones par el año fiscal de 1º de enero a 31 de diciembre de 1933.)

Draft budget for 1934. (Proyecto de Ley de Presupuestos Nacionales de rentas y Gastos para el periodo fiscal de 1º de enero a 31 de diciembre de 1934.)

"Memoria" by the Finance Minister for 1931. ("Memoria" que presenta el Ministro de Hacienda y Credito público al Congreso nacional en la Sesiones ordinarias de 1931.)

"Memoria" of the War Minister for 1932 and 1933. ("Memoria" que el Ministro de Guerra presenta al Congreso de 1932, 1933.)

"Boletin de la Contraloria General de la Republica" (January, February, March and April 1929).

Informe financiero del Contralor general de la Republica de Colombia 1932.

Constitution of the Republic of Colombia, published in 1925 and amended on November 12th, 1930 (DARESTE: "Les constitutions modernes"; Volume IV, Amérique latine, 1932).

## COSTA RICA.

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### A. BUDGETARY SYSTEM.

#### 1 and 2. *Preparation, Discussion and Voting of the Budget.*

The draft general budget of the State is submitted by the Finance Minister to Congress, the single-chamber body which exercises legislative power. This draft is discussed and voted by Congress, which, either at the same meeting or in an extraordinary session, votes the necessary appropriations to meet any extraordinary expenses which may be incurred.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget is published.

The voted budget is published in the supplements to the *Official Journal (Alcance a la Gaceta, Diario Oficial)*.

#### 4. *Division of Expenditure in Budgets and Accounts.*

(a) National defence expenditure relates to the army only, there being no navy or air force. The army credits are inserted in special sections of the chapter of the budget appropriated to the Department of Public Security and the Maintenance of Order, where they are subdivided into seven articles. Other sections of the same chapter relate to the Military Police and to Military Bands. The expenditure on neither of the latter appears to be regarded as national defence expenditure by the Government of Costa Rica. The articles are divided into items clearly indicating the object of the expenditure in each case.

(b) No copy of the accounts having been furnished, it was impossible to say whether they are submitted in the same form and with the same degree of detail as the budget.

#### 5. *Unity of the Budget.*

In the absence of the requisite documentation, it is impossible to say whether all national defence expenditure is included in the State budget.

No provision for such military objects as the supply of horses and motor transport, or for the execution of work, is identifiable in the budget of the army. Presumably the expenditure on these purposes is borne by the budgets of civil departments.

The budget appears to show the gross expenditure.

#### 6. *Supervision of the Execution of the Budget.*

There is an Accountant-General's Department (Contaduría Mayor), a Paymaster-General's Department (Pagaduría Nacional) and an Audit Office (Oficina de Control). No information is available regarding the relations between these organs and the Army Department. Apparently the accounts of public expenditure are presented to Congress.

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### B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

#### 1. *Budgetary Year.*

The budgetary year runs from January 1st to December 31st. It is impossible to determine on the evidence available whether there is an additional period.

#### 2. *Budgets and Accounts.*

There are only land forces, most of the expenditure on which is shown in a separate section of the State budget.

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NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Costa Rica.



3. *Model Statement.*

National defence expenditure has been set out in a table consisting only of sub-heads A, B, C, E and K. The figures are stated to have been taken from the 1931 budget, no copy of which has been supplied to the Committee. In the absence of the latter and of a reconciliation table, it is impossible to say how far the budget in its present form lends itself to the compilation of the Model Statement.

C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

*General Remarks.*

(a) The following are the amounts returned by the Government of Costa Rica :

	Colones
Sub-head A .....	140,460
B .....	159,900
C .....	42,360
E .....	90,437
K .....	37,400
	Total... 470,557

(b) The expenditure on pensions is borne on the budget of the Ministry of Finance.

(c) It is impossible to say on the evidence in the Committee's possession whether any expenditure on national defence is borne on civil budgets or extraordinary credits, or by public or private individuals or associations.

D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

Expenditure has been shown under sub-heads A, B, C, E and K only.

In the absence of reconciliation tables and accounts, it has been impossible to check the correctness of this distribution.

E. TABLES ANNEXED TO THE MODEL STATEMENT.

These tables have not been filled up.

**List of Documents.**

Estimates :

- " Proyecto de Presupuesto, 1925."
- " Proyecto de Presupuesto, 1929."

Voted budgets :

- " Ley de presupuesto ", 1932, published in the supplement to the *Official Journal* of February 24th, 1932 (*Alcance a la Gaceta*, No. 40).
- " Ley de presupuesto ", 1933, published in the supplement to the *Official Journal* of April 9th, 1933 (*Alcance a la Gaceta*, No. 84).

" American Constitutions ", by J. I. RODRIGUEZ (1925).

*Armaments Year-Book*, 1932 (published by the League of Nations).

*Encyclopædia Britannica*, 1929 edition.

## CUBA.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budgets are prepared by the various ministries and co-ordinated by the Minister for Finance. The latter, who is responsible for ensuring the equilibrium of expenditure and revenue, may request the other Ministers to reduce their estimates.

The Council of Ministers, with the President of the Republic presiding, settles the final form of the draft budget.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget, finally drawn up in the manner described under point 1, is submitted by October 15th to the Budgetary Commission of Congress, which is composed of two Chambers (Chamber of Deputies—"Camara de representantes" and Senate—"Senado").

The budget is then discussed in both the Chamber of Deputies and the Senate. Usually, the initial debate takes place in the Chamber of Deputies and Senate in alternate years.

The procedure for discussion is the same in both the Chamber and Senate.

The meetings of the Chambers of Congress are public and the debates are published in the parliamentary records.

Members of Parliament enjoy the right of initiative in matters of expenditure.

The budget is voted by Congress and forwarded to the President of the Republic, who is empowered, under certain conditions, to veto the adoption of the budget and to refer it back to Congress for further examination.

(b) National defence expenditure is voted annually.

The Congress may, however, pass a law authorising the expenditure of a credit to be spread over several annual budgets. The Executive is empowered to enter into commitments up to the total amount voted, but that part of the expenditure which is to be effected each year must be included in the annual budget.

In the event of the budget's not being adopted before the beginning of the financial year, the President of the Republic enacts, without special authority from Parliament, the budget of the previous year, less all credits relating to services already rendered and work already carried out, as also all credits of a provisional character.

(c) Expenditure is authorised by law.

#### 3. *Publication of the Draft Budget, the Budget and Accounts.*

The budget as voted is published as an official document.

The last voted budget available, that of the year 1933-34, was published on June 30th, 1933.

The Committee has not had an opportunity of examining either a draft budget or a closed account; it is not known whether these documents are published.

Article 462 of the Organic Law of the Executive provides that the "Interventor General" must submit a memorandum on the execution of the budget to the Minister for Finance and that the latter must publish this memorandum.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) Under the law the credits voted determine the limit within which commitments may be entered into in the course of a budgetary year—*i.e.*, within which public liabilities may be incurred.

Should the total commitments entered into in the course of a year fall short of the amount of the credits voted, the difference between the commitments and the credits is cancelled at the end of the year. The amounts of the commitments liquidated remain available until payment.

(b) The rule of *annuité* (automatic cancellation of unexpended credits) is strictly observed. Credits may not be carried forward from one year to another nor commitments entered into in anticipation of a credit to be voted in the course of a subsequent year.

There is no additional period during which payments may be made.

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NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Cuba.

5. *Division of Expenditure in Budgets and Accounts.*

(a) The budget of the Ministry of National Defence (Secretaría de Guerra y Marina) presents the expenditure in three chapters (Capítulos) (General Administration, War Department, Naval Department), subdivided into articles (Artículos).

The expenditure is voted for each article of the national defence budget separately; there are fifteen articles, subdivided into items clearly specifying the object of the expenditure. The fixed expenditure relating to the pay of the personnel is analysed in greater detail than that of the variable expenditure relating to maintenance and material.

(b) It is not known whether the accounts are rendered in the same form as the budget.

(c) It is not known whether and under what conditions transfers are authorised between the various budgetary items.

6. *Unity of the Budget.*

According to the replies given by the Cuban Government to the questionnaire on the budgetary system :

(a) National defence expenditure is shown in the State budget only.

There are no special accounts or funds relating to national defence.

(b) The budgets and the accounts show gross expenditure.

7. *Supervision during the Execution of the Budget.*

Supervision is ensured :

(a) By the responsible administrative authorities.

(b) By an accountancy bureau attached to each Ministry and responsible to the Minister concerned for the supervision which it exercises over the expenditure.

(c) By the Minister for Finance, who issues the payment vouchers, and to whom statements of revenue and expenditure effected are forwarded monthly and quarterly by the other ministries and services.

The Minister for Finance is empowered to order local audit of any account.

(d) By the Auditor-General of the State. The Committee has not been able to obtain (Interventor General) information relating to the attributes of the Auditor-General.

8. *Final Audit.*

Final audit is carried out by :

(a) The Auditor-General of the State. He acts under powers delegated to him by the President of the Republic, to whom he is directly responsible.

The closed accounts of all the ministries are forwarded to the Minister for Finance.

The latter, after verifying them, sends them to the Auditor-General of the State, who is required to examine whether the account has been drawn up in accordance with the regulations and whether it tallies with his own records.

The Auditor draws up a report on the results of the audit. The report is published.

(b) On the basis of the report of the Auditor-General, by Congress, which discharges the Ministers and higher administrative authorities of their responsibility.

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B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. *Budgetary Year.*

The budgetary year extends from July 1st to June 30th. There is no additional period. It is not known whether payments made after June 30th and entered in the account of the floating debt are included in the budgetary accounts.

2. *Budget and Accounts.*

There is only one National Defence Ministry and only one national defence budget, which, however, comprises separate parts for the army and for the navy. As aviation forms part of the army, expenditure in respect of the air forces is included in the army budget.

3. *The Model Statement.*

The Model Statement relates to the 1930-31 budgetary year. The tables completed are those relative to the land and naval forces only.

In the absence of the closed accounts, the Committee has not been able to ascertain the basis of the figures in the Model Statement—*i.e.*, whether they represent solely payments relating to the year to which the Statement refers or if they include also arrear payments relating to preceding years.

#### 4. *Execution of the Budget.*

All payments are made by officials in the various Departments specially empowered for the purpose, from credits allocated to them by the Finance Department in accordance with the provisions of the budget as voted.

#### 5. *The Accounts.*

As the Committee has had no opportunity of examining the closed accounts of Cuba, it has been unable to ascertain whether the figures shown therein represent commitments or payments.

#### 6. *Audit and Publication of the Accounts.*

The accounts are drawn up and certified by the Minister for Finance, who submits them for audit to the Auditor-General through the intermediary of the Treasury-General of the Republic. The date on which they are thus submitted is not fixed by law.

The date for the examination of the closed accounts by Congress and their publication are not laid down by law.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

(a) The Model Statement shows the expenditure effected in the course of the 1930-31 financial exercise by the Minister of National Defence and the expenditure on the gendarmerie and rural police.

(b) As no accounts or reconciliation tables have been furnished, the relationship between the Model Statement and the accounts cannot be established.

(c) In view of the absence of documents, it has been impossible to ascertain whether the nature of the budgetary system raises any obstacle in the way of the inclusion of all national defence expenditure in the Model Statement.

A civil aviation section is attached to the Staff (see *Armaments Year-Book*, Special Edition, 1932, page 70). It has been impossible to ascertain whether the expenditure on this section has been included in the Statement.

#### 2. *Military Departments.*

The Model Statement includes the total amount (gross) of pay and wages without deductions of any kind.

It appears probable that the expenditure on the mercantile marine is included in the military budget.

#### 3. *Civil Departments.*

Lack of adequate documents has made it impossible to ascertain whether the civil budgets include specifically military expenditure or whether any facilities are provided therein for the military authorities.

Nevertheless, Article X of Chapter V in the budget of the "Secretaría de Obras Públicas" is headed: "Construcciones civiles y militares".

#### 4. *Special Questions.*

(a) The Model Statement shows expenditure in respect of the armed forces. There are no formations organised on a military basis, as this term is interpreted by the Government of Cuba.

(b) There are no special budgets or funds administered by the National Defence Ministry.

Apart from the State administration, there are no public or private bodies for financing national defence expenditure.

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### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

#### 1. *Separation of Expenditure on the Three Forces.*

Though there is only one single Ministry of National Defence, it draws up separate accounts for the army and navy expenditure respectively.

The air forces are considered as forming part of the land forces, and the expenditure relating thereto is included in Table B of the Model Statement.

In Table A of the Model Statement (Summary), however, the total expenditure in respect of each of the three forces has been separated.

2. *Coast Defence.*

The total cost of coast defence is included in the Model Statement for the navy, with the exception of coast defence artillery, which appears to have been included in the accounts of the land forces.

3. *Optional Columns.*

These columns have not been filled in.

4. *Division of Expenditure between Sub-heads of the Model Statement.*

No remarks, in view of the absence of the necessary documents.

5. *Head IV.*

Sub-head L has been entered as "nil", although there are two warships and the budget includes a credit relating to the same objects as sub-head L of the Model Statement.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

1. *Tables A and B.*

As these tables have been omitted from the draft "Instruments necessary for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

2. *Tables C, D, E and F.*

It has been impossible to reach any conclusion regarding the tables annexed to the Model Statement on account of the lack of the necessary documents.

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**List of Documents.**

Budgetary system : Replies of the Cuban delegation to the questionnaire drawn up by the Technical Committee (document Conf.D./C.D./C.T.40).

Model Statement and Annexed Tables (document C.205.M.106.1932.IX (Conf.D.70).

Communication, with annexes, from the Cuban delegation, dated July 31st, 1933.

Estimates (*Leyes de presupuestos*) for 1928-29, 1929-30, 1930-31, 1931-32, 1932-33, 1933-34.

Constitution of the Republic of Cuba, of February 21st, 1901. (DARESTE : *Les constitutions modernes*; Volume IV, *Amérique latine*, 1932.)

"Ley Organica del Poder Ejecutivo", 1909.

*The Bulletin of International News* (published by the Royal Institute of International Affairs, London).

*Armaments Year-Book*, 1932 and 1933 (published by the League of Nations).

## DOMINICAN REPUBLIC.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budget is prepared by the Executive, which consists of the President of the Republic and eight Ministers (Secretarios de Estado).

#### 2. *Discussion and Voting of the Budget.*

The Constitution requires that the budget shall be voted by Congress, which consists of two Houses—the Senate and Chamber of Deputies. The draft budget is submitted to Congress during the session commencing on August 16th. Both Chambers have the right to propose amendments to the draft budget as submitted by the Executive, but a majority of two-thirds of the members of each House is required for their adoption. The President, on behalf of the Executive, may refer the amendments back for further consideration to the House originating them. If, however, they are revoted by Congress with the same two-thirds majority, they must be accepted.

The reports of debates in Congress are published.

Expenditure, including national defence expenditure, is granted for one year and is normally voted before the year begins. In the event of the budget not being voted before the beginning of the year, the budget for the preceding year continues in force.

The budget, when voted by Congress and approved by the Executive, is enacted by law.

#### 3. *Publicity of the Draft Budget, Budget and Accounts.*

It is not known whether the draft budget is published.

The budget as voted is promulgated by presidential decree and is published.

No accounts have been received and it is not known to what extent they may be considered as public.

#### 4. *Conditions governing the Expenditure of Credits.*

It is not known whether the voting of a credit limits the payments which can be made against that credit.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) Expenditure on the armed forces is for the most part included in the chapter (capítulo) entitled "Secretary of State for the Interior, Police, Army and Navy". Expenditure other than that on civil administration is shown in a special section (Ejército) of that chapter. This section contains numerous subdivisions and items which show fairly clearly the purpose for which the expenditure is intended.

(b) No accounts have been received. It is not known whether they are rendered in the same form and with the same details as in the budget.

(c) Transfers are not permitted.

#### 6. *Unity of the Budget.*

(a) In the absence of the necessary particulars, it is not known whether all national defence expenditure is included in the State budget.

The budget includes a special chapter devoted to special expenditure (fondo especial), which is apparently supervised by the Ministry of Finance and accounts for approximately one-third of the total State expenditure. This special chapter is shown in considerably less detail than the other chapters of the budget and may contain expenditure proper to the armed forces. It is observed that in the 1933 budget this chapter includes credits for petrol and lubricants for the motor-vehicles of the public services.

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NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of the Dominican Republic.

In the light of the available information, it is not possible to say whether there are any special funds or resources outside the ordinary budget from which national defence expenditure can be met.

(b) It would appear that the figures for expenditure indicated in the accounts are gross.

#### 7. *Supervision of the Execution of the Budget.*

Supervision during the execution of the budget is carried out by officials belonging to the Comptroller and Auditor-General's Department, which is under the authority of the Minister of Finance.

The expenditure for the year requires to be approved by Congress on the advice of the Court of Audit, the five members of which are nominated by Congress. The Committee was unable to ascertain the character of the duties of the Court of Audit or the extent to which it is independent of the Executive. According to the Constitution, the President is required to address to Congress, in the course of the session beginning February 27th, a message—accompanied by reports from the Secretaries of State—in which he renders an account of his administration during the preceding year.

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### B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

#### 1. *Budgetary Year.*

The budgetary year extends from January 1st to December 31st. It is not known whether there is an additional period.

#### 2. *Budgets and Accounts.*

There is only one defence force—viz., the land forces. Expenditure on these forces is, for the most part, shown in a separate section of the budget.

An account is prepared shortly after the close of the financial year and submitted to Congress for approval. The Committee does not know on what dates the accounts are closed, are approved by the Court of Audit and by Parliament, and are published. The Committee furthermore does not know whether there exists a *loi de règlement*.

#### 3. *Model Statement.*

The Government of the Dominican Republic has not submitted a Model Statement.

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### C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

The Dominican Republic has no naval<sup>1</sup> or air forces. The provision for the land armed forces as shown in the relevant section of the budget for 1933 was \$1,123,261.50.

The land armed forces are also the police forces of the Republic.<sup>2</sup>

#### 2. *Military Departments.*

Certain expenditure in the nature of pensions appears to be included in the Army chapter of the budget.

#### 3. *Civil Departments.*

Certain expenditure in respect of the national defence forces—e.g., expenditure on buildings, veterinary and survey services, postal and telegraphic communications—appears to be included in those chapters of the budget which relate to the civil departments.

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<sup>1</sup> This statement requires confirmation, as the department is described as the "Secretaría de Estado del Interior, Policía, Guerra y Marina".

<sup>2</sup> It has not been possible to confirm this statement, which is taken from the *Armaments Year-Book* of the League of Nations and other publications. Article (Titre) XIII of the Revised Constitution provides that all citizens have the right to vote, save, amongst others, "those belonging to the armed forces or to the police corps". If the police force is distinct from the land armed forces, the Committee would need information as to whether the police force should be regarded as a formation organised on a military basis and where the relevant expenditure is provided for in the budget.

**D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.**

No Model Statement has been supplied.

If the accounts of actual expenditure show the same degree of detail as the expenditure chapters of the budget, there should be no great difficulty in dividing the expenditure on the armed forces between the various sub-heads of the Model Statement.

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**E. TABLES ANNEXED TO THE MODEL STATEMENT.**

No such tables have been supplied.

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**List of Documents:**

Communication from the Dominican Republic, dated November 24th, 1931, regarding the composition of the armed forces (document C.206.M.107.1932.IX [Conf.D.71]).

Budgets (Presupuestos) of the Dominican Republic, as voted, for the years 1928, 1930, 1931, 1932, 1933.

DARESTE : " Les Constitutions modernes ". Volume IV, *Amérique latine*.

*American Constitutions*, by J. I. RODRIGUEZ (1905).

*Encyclopædia Britannica*, 1929.

*New International Encyclopædia : supplement*, 1930 (published by Dodd, Mead, New-York).

*Statesman's Year-Book*, 1933.

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## EGYPT.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budget is prepared by the several ministries and is sent to the Ministry of Finance where the various estimates of requirements are co-ordinated and submitted, together with the estimate of revenue, to the Finance Committee, which is presided over by the Minister of Finance. After examination and discussion of the proposals made by the various departments, the Committee submits the draft general budget to the Council of Ministers, who, after further discussion and making any amendment considered necessary, submit it to Parliament.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget is discussed and voted by Parliament. Parliament consists of two Houses—viz., a Senate and a Chamber of Deputies.

The Civil List and the Grants to the Royal Family, being fixed by the Constitution, are not made the subject of a vote.

The sittings of Parliament are normally public, and the proceedings are published.

(b) The budget is normally voted before the beginning of the financial year.

(c) The budget is authorised by law. If the budget has not been passed by the beginning of the year, the budget for the *exercice* then expiring is extended by ministerial decree. This decree, which determines the conditions of the extension, emanates from the Ministry of Finance: it remains in force until the law authorising the new budget is promulgated.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget is printed for parliamentary use.

The budget as voted, together with the law authorising it, is published in the *Official Journal*: it is also published separately. The closed account for the *exercice* is published.

#### 4. *Conditions governing the Expenditure of Credits.*

The credits voted represent sums for which cheques or Treasury warrants can be issued during the financial year.

Authority to enter into commitments for future years is given by the Ministry of Finance: capital expenditure is distinguished in the budget into (a) expenditure affecting the current year only, (b) expenditure spread over several years. In the latter case, the estimated total cost is shown in a special column of the budget.

Any proposal to exceed the total provision made by Parliament involves the presentation of a Supplementary Estimate.

The rule of annality is observed.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) Expenditure is divided in the budget into divisions, subdivisions, titles and articles. It is voted under titles.

Each division represents a single Ministry and commonly includes:

Title I: Pay and allowances.

Title II: Material and other general expenses of an ordinary character.

Title III: Extraordinary expenditure (new services, etc).

The budget of the Ministry of War and Marine is voted in two subdivisions and thirty-six articles classified under the various titles of the budget.

The articles give very detailed information as to the precise object for which the expenditure is intended, except in the case of the global sum of £E750,000 for the army in the Sudan (see C, 1).

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NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Egypt.

(b) The accounts follow the same form as the budget but omit sub-headings of individual articles.

(c) Transfers between articles of the same title have to be submitted for approval beforehand to the Ministry of Finance or the Council of Ministers according to the sum involved.

#### 6. *Unity of the Budget.*

(a) All national defence expenditure is shown in the State budget. One division of the budget is devoted wholly to national defence expenditure; but certain expenditure relating to national defence (stationery, Government Press, police, head office buildings and postal services) is provided for in civil divisions of the budget. The percentage of such expenditure to the total of the defence expenditure (excluding the expenses of the army in the Sudan, the Frontiers Administration and pensions to military personnel) is normally about one per cent.

Pensions to military and civil personnel of the national defence services and their dependants are provided for in the division of the budget relating to pensions to State personnel generally. The provision for pensions covers the gratifications paid to conscripts at the end of their obligatory service.

There are no special budgets or accounts relating to national defence.

There are no establishments possessing budgetary autonomy.

(b) The budget and accounts show gross expenditure. The Ministry of National Defence cannot increase the expenditure voted by Parliament for national defence by recourse to special funds.

#### 7. *Supervision during the Execution of the Budget.*

The regularity of the execution of the budget is ensured by the continuous supervision of accounting and finance branches of the Ministry of Finance which are attached to each ministerial department, and also by the Audit Department, which is equally a subordinate department of the Ministry of Finance.

Expenditure may, in general, be incurred by the competent officials of the department concerned; but contracts for furniture and works must receive the prior sanction of the Ministry of Finance.

#### 8. *Final Audit.*

Final audit is carried out by the Audit Departments.

The Account is prepared by the Ministry of Finance, approved by the Council of Ministers and sanctioned finally by Parliament, which passes a law for this purpose.

There is no independent supreme auditing authority and there is no specific checking of the accounts by Parliament.

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## B. INDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from May 1st to April 30th.

There is no additional period: but cheques or orders for payment issued before April 30th may nevertheless be cashed after that date, a suspense account being opened by the Treasury for the purpose with a credit corresponding to the amounts of the unpaid orders. These sums are regarded as forming an effective part of the expenditure of the year just ended.

### 2. *Budgets and Accounts.*

There is only one Ministry of National Defence—the Ministry of War and Marine. The Ministry of War and Marine owns no naval forces. There are a few preventive vessels belonging to the Coastguards Department.

The budget and the closed account distinguish between the expenditure on the pay of personnel and the war material of the two military forces (land and air), but not between the expenditure on general administration and maintenance relating thereto.

### 3. *The Model Statement.*

The Model Statement submitted by the Egyptian Government is based upon the estimated expenditure on national defence for the year 1931-32.

The tables relating to the land and air forces have been completed.

#### 4. Execution of the Budget.

For the incurring of commitments for future years see under A, 7.

Orders for payment are issued by the accounting branch of the Ministry of Finance which is attached to the particular department concerned. Payments are effected by cheques drawn on banks or by Treasury warrants.

#### 5. The Accounts.

The accounts are based on actual incomings and outgoings.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. General Remarks.

(a) The Model Statement has been compiled on the basis of estimated expenditure.

(b) No reconciliation tables have been furnished to show from what sources the expenditure has been transferred to the Model Statement; but there is no reason to suppose that the drawing-up of the Model Statement has presented any special difficulty.

(c) No expenditure is shown in the Model Statement for *formations organised on a military basis*.

(d) The only *special budgets* and *special accounts* are those for :

The Egyptian University;  
The National Library;  
The Sanitation, Maritime and Quarantine Council;  
The Ministry of *Wakfs*;  
Mohammedan Establishments for Religious Instruction.

These special budgets and accounts contain no expenditure on national defence.

#### 2. Military Departments.

(a) Expenditure on the *Frontiers Administration*, which is provided for in the national defence division of the State budget, has not been included in the Model Statement. *Frontiers Districts Administration* is a civil and semi-military organisation governing the desert parts of Egypt; it maintains car-patrols and a camel corps, whose expenses are not distinguished in the budget from similar expenses on account of the police, education, judiciary and other services, which it also maintains. The budgetary provision for the *Frontiers Administration* was £E243,774 in 1931-32.

(b) The £E75,000 shown in the Egyptian budget since 1925 for "*Expenses of the Army in Sudan*" is an annual subvention paid to the Sudan Government as a contribution to the cost of preserving Egypt's southern boundary. It has not been included in the Model Statement.<sup>1</sup>

#### 3. Civil Departments.

The division of the budget and accounts which provides for pensions also includes "*gratifications to conscripts at the end of their obligatory service*". The provision for the latter in 1931-32 was £E61,820; but it is not clear whether the corresponding expenditure has been included in Table B of the Model Statement. It is not included in the amount shown in annexed Table F.

The evidence at the Committee's disposal is not sufficient to show whether part of the expenditure borne on other civil budgets (posts, State buildings, etc.) should be shown in the Model Statement as relating to national defence.

#### 4. Special Questions.

*Civil aviation* is administered by a separate department attached to the Ministry of Communications.

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<sup>1</sup> Note.—There are also British troops stationed in Egypt or in the Sudan, the expenditure for which is included in the Model Statement of the United Kingdom.

#### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

##### 1. *Separation of Expenditure.*

No expenditure is shown for naval forces (Table C), the Model Statement containing a note to the effect that there are no such forces.

The Air Force is stated in the Model Statement to be a new force in course of formation.

##### 2. *Coast Defence.*

The coastguard and supervision of fisheries service is provided for in the civil division of the budget and accounts (Ministry of Finance); and expenditure thereon has not been included in the Model Statement.

It is not known whether expenditure in connection with military defences on shore is included in the Model Statement (Table B); it cannot be identified in the budget or accounts.

##### 3. *Optional Columns.*

These have not been completed.

There are no oversea forces.

##### 4. *Division of Expenditure between the Various Sub-Heads of the Model Statement.*

No great difficulty appears to have been encountered in making such division as has been made.

In Table B (land forces) one combined figure only is given for sub-heads A and B.

No figure is given under sub-head E in Table D. The expenditure on maintenance of personnel of the air forces is presumed to be included in the table for land forces.

Two separate figures are shown for head IV, sub-head M, in Table D (air forces); but the nature of the respective figures is not indicated.

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#### E. TABLES ANNEXED TO THE MODEL STATEMENT.

##### *Tables A and B.*

As these tables have been omitted from the draft "Instruments necessary for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

##### *Tables C, D and E.*

No remarks.

##### *Table F.*

Pensions are not included in the national defence division of the budget, and they are presumed not to have been included in the Model Statement. The division of the budget and accounts which provides for pensions also provides for "gratifications to conscripts at the end of their obligatory service": the provision for the latter in 1931-32 was £E61,820.

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#### List of Documents.

Budgetary system: reply of the Egyptian Government to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.166).

Model Statement and Annexed Tables (document C.200.M.102.1932.IX [Conf.D.66]).

Budget as voted for 1933-34 ("Ministry of Finance: Budget of the Egyptian State").

Closed account for 1925-26 ("Ministry of Finance: Final Account").

Armaments Year-Book, 1932 (published by the League of Nations).

## SPAIN:<sup>1</sup>

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The preliminary draft budgets are prepared by the various ministerial departments in accordance with general instructions from the Ministry of Finance. After being drawn up, they are transmitted to the General Audit of the Administration of the State at the Ministry of Finance (*Intervención General de la Administración del Estado*), which, after examination, informs the Minister of the department concerned. The preliminary drafts of each of the Ministers, accompanied by the observations of the General Audit of the Administration of the State, are submitted, after acceptance by the Minister of Finance, for the consideration of the Council of Ministers, which draws up the final text of the draft budget to be submitted to the Chamber for approval.

#### 2. *Discussion and Voting of the Budget.*

The final draft budget, which must be presented before October 5th in each year, is submitted to the Legislative Chamber (Cortes), on whom the duty of approving it devolves.

The Budget Committee of the Chamber examines the entire draft; it appoints for each ministerial department a sub-committee, which draws up a report which is submitted for the approval of the plenary Committee.

Each of these reports, together with the amendments proposed by the members of the Chamber, are first published in the annexes to the Parliamentary Journal (*Diario de Sesiones*) and then submitted for the consideration and approval of the Chamber in public ordinary session.

A debate first takes place on the entire draft and then on each of the budgets of the departments, and, in the latter case, the discussion may refer both to the draft as a whole and to each chapter or article.

A report of the debates is published *in extenso* in the *Diario de Sesiones*.

The deputies cannot submit amendments involving an increase of credits except with the signature of one-tenth of their number, and, in this case, such amendments, in order to be adopted, must obtain an absolute majority of votes in the Congress.

The general budget acquires force of law by the sole vote of the Chamber; it is not necessary for it to have been promulgated by the Head of the State.

The budget remains in force for one year.

If it has not been possible to vote the budget before the beginning of the budgetary year, the last budget is extended by quarterly periods, though such extensions may not exceed four in number.

The Constitution does not stipulate on whom it devolves to grant these extensions; but, on the occasions on which use has hitherto been made of this right, the extensions were enacted by law.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget is laid before the Chamber by the Minister of Finance and published in the Official Journal (*Gaceta de Madrid*) with details of the credits corresponding to each section, chapter and article.

As soon as the vote has taken place in the Chamber, the budget is published first as an annex to the Parliamentary Journal (*Diario de Sesiones*) and afterwards in the Official Journal (*Gaceta de Madrid*) by order of the President of the Chamber, with details by sections, chapters and articles. Later, the Ministry of Finance in turn publishes the voted budget with all the details of expenditure by items.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The credits appearing in the budget of expenditure represent the maximum amount of the commitments which the departments may recognise and liquidate during the current year.

The Government cannot exceed the credits voted and cannot effect expenditure for which there is no corresponding credit, unless the Cortes grants it supplementary or extraordinary credits for this purpose. The Constitution, however, provides for the grant of supplementary or extraordinary credits by decrees of the Council of Ministers when the Cortes is not sitting, in

<sup>1</sup> Some of the information contained in this summary relates to the year 1930. The Spanish Government stated (see document Conf.D./24) that, in consequence of the reorganisation of the army, the budgets for the following years would differ both in amount and in structure from that of the year 1930.

case of war or threat of war, serious disorders or the threat of serious disturbances of the public order, public calamities or international obligations.

The procedure requires the preparation of a file proving the absolute necessity and urgency of this expenditure and the submission of a report by the General Audit of the Administration of the State and the State Council on such cases. In order to acquire force of law, the decrees granting such credits must be first submitted to the Court of Audit of the Republic. At the first sitting of the Cortes, the Government must give an account of the credits which it has granted by decree and communicate the files drawn up for the purpose.

(b) The credits which have not been used to meet recognised and liquidated obligations during the budgetary year are cancelled. The credits which have not been used to effect payments and which represent expenditure (recognised and liquidated obligations) remaining to be paid at the end of the financial year may be used during subsequent years in order to pay these arrears (Gastos pendientes de pago). These payments are indicated in special chapters of the accounts entitled: "Resultas de ejercicios cerrados".

The commitments of previous years which for any reason have not been recognised and liquidated during these years must, in order to be paid, be entered in special chapters of the budget entitled "Commitments requiring a legislative credit" (Obligaciones que carecen de credito legislativo).

Credits may not be carried forward.

Before a commitment can be entered into relating to several budgets, a decision of the Council of Ministers is necessary. Previous to such a decision, the Council of State must give an opinion, and the Minister of Finance must be informed of that opinion before the meeting of the Council of Ministers.

The Public Debt and any other transactions involving direct or indirect financial liability on the part of the Treasury always include the credits necessary for payment of capital and interest, and such credits may not even be discussed provided they do not exceed the exact limits within which their issue was authorised.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The budget is divided into two parts—namely, charges of the State (Office of the President of the Republic, Legislative Chamber, Public Debt, Pensions and Annuities, Court of Audit) and charges of the ministerial departments, which are at present divided into eighteen sections (sección). A distinction is made within these sections according to whether the charges are permanent, temporary or in respect of closed financial years. Each section is subdivided into chapters (capítulos), articles (artículos) and items.

The national defence expenditure for the budgetary year 1930 is comprised:

- (1) In Section III, Ministry of War (Ministerio del Ejército), thirty chapters;
- (2) In Section IV, Ministry of the Marine (Ministerio de Marina), nineteen chapters;
- (3) In Section XIII, Action in Morocco (Acción en Marruecos), Ministry of War, twelve chapters; Ministry of the Marine, four chapters;
- (4) In Section XV, Debts to be paid by the ministerial departments, Ministry of War, one chapter; Ministry of the Marine, one chapter.

The chapters are subdivided into numerous articles and items and show clearly the purposes of the expenditure.

(b) The accounts are shown by articles.

(c) Transfers are prohibited.

#### 6. *Unity of the Budget.*

(a) National defence expenditure is shown only in the budget of the State and is paid entirely out of credits provided in the budget.

There do not exist at present any special funds of any importance, the assets of the principal funds which previously existed having been included in the budget as from the year 1932.

There are no armaments factories enjoying budgetary autonomy.

The budgets of the autonomous administrations (provinces, municipalities) do not include any credit for the purpose of national defence.

There are no extra budgetary resources used for national defence purposes.

(b) The budgets and accounts are drawn up according to the principle of gross accountancy.

#### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is carried out by the "General Audit of the Administration of the State", by officials under the authority of the said audit possessing an exclusively civilian character even as regards the auditing of military and naval expenditure. In the discharge of their duties, the officials enjoy complete independence of the Ministries under their supervision. The supervision is carried out under the following aspects:

(1) Critical supervision of the recognition and liquidation of claims, commitments or expenditure effected by the General Audit and its delegates on the basis of the documents submitted to them;

(2) Formal supervision over the issue of payment warrants and material supervision over payments effected by auditors, delegates of the General Audit who are attached to the various bureaux or funds which issue payment warrants;

(3) Supervision over the use of sums intended for the remuneration of services, payment of works or purchases, etc., which is exercised in the cases specially provided for by law and through the intermediary of officials specially appointed for each individual case.

Supervision over the budget is essentially administrative. Parliament possesses the power of inspection conferred on it by the Constitution; the latter makes no special mention of financial powers.

The auditors must object to any illegal or irregular measure, and, if the authority competent to take such a measure ignores their opposition, they must report the matter to the Ministry of Finance in order that the latter may settle the point at issue.

#### 8. *Final Audit.*

The Court of Audit examines all the accounts of the State and submits to Parliament a memorandum concerning the said accounts.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from January 1st to December 31st. There is no additional period.

### 2. *Budgets and Accounts.*

There are two Ministries of National Defence (Ministerio del Ejercito and Ministerio de Marina), whose expenditure is comprised within Sections III, IV, XIII, and XV of the general budget.

The expenditure on the land forces and the expenditure on the naval forces are shown in separate chapters.

The expenditure on the air forces is included in the chapters of the Ministry of War (military aviation) or the Ministry of the Marine (naval aviation).

### 3. *The Model Statement.*

The Model Statement relates to the year 1930.

It has been drawn up on the basis of the provisional accounts for the 1930 budget (*Liquidación provisional del presupuesto de 1930*) and contains the figures of the final commitments for the budgetary year 1930.

The tables relating to the three forces have been filled in.

### 4. *Execution of the Budget.*

The adoption of the budget implies permission to make use of the credits voted for each service.

The Council of Ministers fixes each month the allocation of funds—that is, the part of the budgetary credits that shall be available during the month.

Commitments are entered into, within the limits of the budgetary credits thus allocated, by the Ministers or by the officials to whom they may delegate their powers.

Payment orders are also issued by the Ministers, or by the officials delegated, who have authority over the services concerned. Payment warrants are always issued in the name of the Minister for Finance.

Payments are made by means of cheques drawn on the Bank of Spain, which is responsible for the Treasury Service. In exceptional cases, payments are effected direct by the Treasury funds.

### 5. *The Accounts.*

The accounts are drawn up in the same form as the budgets, so far as concerns the sections within which the expenditure is grouped.

They are compiled by articles and show :

(a) The credits voted under the budget and the changes made in the initial credits during the budgetary year;

(b) The credits carried forward from the previous budget (see under A, 4);

(c) The claims in respect of previous years, and recognised and paid during the year;

(d) The liabilities incurred during the year;

(e) The payments effected during the year;

(f) The total credits cancelled (difference between the credits and recognised liabilities);

(g) The liabilities incurred and not paid (difference between the sum of the recognised liabilities and the total payments);

(h) The credits carried forward to the following budget.

The accounts show the amount of the payments effected out of the credits for the year and out of the credits and the commitments carried forward from the previous year.

The general accounts are drawn up by the General Audit of the State, which is under the authority of the Ministry of Defence, within a period of seven months after the close of the budgetary year.

#### 6. *Audit and Publication of the Accounts.*

The General Audit of the Administration of the State must draw up and submit to the Court of Audit of the Republic the general accounts of the State (*Cuenta general del Estado*) accompanied by a statement of the main principles adopted for drawing up the budget both as regards revenue and expenditure.

The accounts drawn up by the General Audit of the State are submitted to the Court of Audit, which must examine them within four months. It submits to Parliament a memorandum concerning the general accounts of the State which is published in the Official Journal (*Gaceta de Madrid*).

The Court of Audit is under the direct authority of the Chamber and carries out its duties by delegation from the latter, those duties being to examine and approve the accounts of the State.

The accounts, when approved by the Court of Audit, are transmitted to the Government, which must submit them to Parliament for approval within two months, being responsible also for having them printed immediately.

The accounts are published and approved by the passing of a law.

The General Audit of the State is responsible for publishing every month a table of the revenue and expenditure effected since the beginning of the year and during the corresponding period of the four previous years.

A provisional statement of budget payments is also published containing the same details as are required for the general accounts.

### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

(a) All the expenditure shown in the Model Statement is included in the published accounts.

(b) The relation between the accounts and the Model Statement is established by reference to reconciliation tables.

(c) The Model Statement contains only expenditure relating to the armed forces.

(d) No difficulty arising out of the budgetary system has been noted so far as concerns the possibility of including all national defence expenditure in the Model Statement.

#### 2. *Military Departments.*

(a) The sections of the general budget concerning national defence expenditure also include expenditure on *pensions or salaries in respect of non-active service*. The relevant sums have not been entered in the Model Statement. The personnel belonging to the reserve and the retired personnel are not generally called upon to do active service.

(b) The *advances* granted in cases of need to the personnel on their pay are not included in the Statement.

(c) Although the expenditure of the *merchant marine*<sup>1</sup> is included in a section of the naval budget, it has been excluded from the Statement. The same applies to the expenditure for the personnel of the *fishery inspections* and for that of the *semaphore service*. The Spanish delegation stated that this personnel did not possess any military character.

On the other hand, the expenditure for the *fishery guard* has been included in the Statement because the personnel in command, together with the crews, formed part of the navy before the reorganisation.

(d) The heading "*Commitments outstanding*" includes the total sums paid to the personnel of the naval services as a result of the successive reorganisations of the navy, whether they belong to the cadres of their respective corps or to those of the various organs of the navy which are being suppressed.

(e) As regards the *African army*, the Spanish delegation stated that the only expenditure included in the Statement was that appearing in the budget under the respective headings of the Ministries of War and of the Navy, in Section XIII (Action in Morocco).<sup>2</sup>

Certain expenditure without any military character has been deducted from the total amount appearing under these headings, such as expenditure relating to the travelling expenses of certain officials of the Protectorate, hydrographic studies, Customs service, etc.

<sup>1</sup> After the last reorganisation of the navy, all the services allotted to sea-fishing, including the fishery guard, ceased to belong to the navy and were transferred to the Under-Secretariat of the Merchant Marine, whose budget forms a separate sub-section of the naval budget. The Spanish delegation has stated that these services have no military character and that their expenditure is consequently quite unconnected with national defence expenditure.

<sup>2</sup> The Spanish delegation stated that all the expenditure of the African army as regards personnel, material and maintenance, even if the material has been supplied in the peninsula, together with the cost of purchasing cattle and the expenditure of aviation units, is charged to Section XIII of the budget.



### 3. Civil Departments.

(a) No expenditure appearing in sections other than those relating to national defence has been included in the Model Statement. It would seem, however, that part of the expenditure on Section I, "Dirección General del Instituto Geográfico y Catastral", although it forms a civil service, together with a part of the expenditure included in Chapters 7, 8 and 9 of Section XIII, "Action in Morocco", under the heading "Presidencia" (hospitals, miscellaneous expenditure and military forces), should have been shown in the Model Statement.

(b) The Spanish delegation has stated that none of the expenditure of Chapter 18 of Section I, "Presidencia" (Personal y Servicios de la Dirección General de Navegación y Transportos Aéreos), has a military character.

(c) The officers, personnel and military goods are transported by *rail* at a reduced rate. The national defence forces of the home country and overseas do not enjoy any other *free service* or any *reduction in rates*. *Free postal facilities* are, however, granted to a limited number of authorities.

In addition, *postal and wireless correspondence* exchanged between the military authorities enjoys special exemption from charges, but there are no particulars which would enable the amount of the expenditure resulting from this exemption to be estimated even approximately in case it had to be paid.

### 4. Special Questions.

(a) *Exchange* differences in respect of certain expenditure on personnel and material effected abroad are borne by the Ministry of Finance. Such items have not been included in the Model Statement.

(b) No expenditure borne on the budget of the State or the local budgets has been included in the Model Statement so far as concerns the *Spanish colonies*.

(c) Formations exist concerning which the Spanish Government has stated that they cannot be regarded as *formations organised on a military basis* (Security and Civil Guard Corps paid by the Ministry of the Interior (Gobernación), Corps of Carabineers paid by the Ministry of Finance, Provincial Corps paid by the "Deputations" of the provinces concerned). None of the expenditure attaching to these formations has been shown in the Model Statement.

(d) The expenditure for *pre-military training* is included in the army budget. There are no similar credits in the navy budget.

(e) There is no *physical education* in Spain which is encouraged for military purposes.

(f) During the year 1930, there were no *special funds* relating to national defence.

(g) There are *military factories* for the manufacture and repair of material. The expenditure on these establishments has been included in heads I and IV of the Statement.

(h) The expenditure on the *motor traffic service* is intended to cover the costs of the military motor school and schools of mechanics for maintaining and repairing motor-cars.

No *subsidies* are granted to motor-car industries for national defence purposes.

(i) The Spanish delegation has stated that the grant of 1,500,000 pesetas, which the Ministry of War, like the other Ministries, has had to make towards realising the *town-planning scheme of Barcelona*, has no connection with national defence.

(j) Legislation does not provide for cases of *donations and legacies* made by private persons for military purposes (and hitherto such cases have not occurred).

## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. Separation of Expenditure on the Three Forces.

There are two Ministries of National Defence—the Ministry of War and the Ministry of the Marine. The sections of the general budget relating to these Ministries include expenditure on the air forces. The section concerning the Ministry of War includes the expenditure on land aviation, and the section which concerns the Ministry on the Marine, the expenditure on naval aviation.

In the heads of the sections of the budget of the Ministry of War and the Ministry of the Marine, the expenditure relating to aviation is shown separately. At the same time, in the case of certain general expenditure, the separate expenditure on the air forces has had to be calculated by means of internal accounts or estimates.

The expenditure for the personnel of the air forces of the navy has been separated from the total expenditure on the personnel of the naval forces, on the basis of the composition of the cadres and the various corps and services of the navy. The statement of the air forces only includes the personnel performing permanent service in these forces and excludes the temporary personnel.

There are services common to the air force, the army and the navy. They deal, *inter alia*, with supplies, barracks, hospitals, transport and munitions. The expenditure on these various services has been separated on the basis of the respective effectives of the forces using them.

2. *Coast Defence.*

The expenditure on coast defence is included in the section of the general budget relating to the Ministry of War, and has been shown in the statement for the land forces.

3. *Optional Columns.*

The column relating to armed forces stationed overseas has been filled in only in the table for land forces.

The Spanish Government has stated that there are no formations organised on a military basis.

4. *Division of Expenditure between Sub-Heads of the Model Statement.*

Part of the heads of the accounts can be transferred as they stand to the sub-heads of the Model Statement or by means of splitting up the actual variations proportionately.

In cases in which the arrangement of the heads of accounts relating to national defence expenditure did not correspond to the division of the sub-heads in the Model Statement, the distribution of the expenditure between these sub-heads has been effected by means of internal accounts or estimates.

The expenditure on the military personnel of the *military factories* for the manufacture and repair of material, which appears in a separate article of the accounts, has been entered in sub-heads A, B and C of the Statement, while the wages of the workmen are included in the sub-heads relating to material, in the accounts and in the Statement.

5. *Head IV.—Separation from the Other Heads and Division between Sub-Heads.*

No special difficulty has been met with as regards this separation.

As regards the method followed for the allocation of expenditure under head IV and the relevant sub-heads, see under D, 4.

6. *Special Questions.*

The proportions of the expenditure on naval construction entered under sub-heads L, and M respectively amount to 94 per cent and 6 per cent.

The personnel in the maritime provinces, although military, has been shown under sub-head C, because it is employed in essentially civil duties.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

Spain has supplied two series of annexed tables—one for land forces and army aviation and one for naval forces and marine aviation.

*Tables A and B.*—As these tables have not been retained in the draft “ Instruments necessary for the application of a system of publicity of national defence expenditure ” (document Conf.D./C.G.160), there is no need for any observation on this point.

*Tables C, D and E.*—These tables have not been supplied. Table C should, it would seem, have included the total of commitments not paid at the end of the budgetary year 1930.

*Table F.*—The table for land forces shows the different kinds of pensions which are specified in a detailed statement, whereas the table for naval forces gives a single figure. In Table F, it would seem, there should also have been shown the expenditure of Section IV of the budget, “ Retirados de guerra y marina ”, amounting to 58,334,289 pesetas, and, perhaps in addition, other expenditure included in the same section.

The pensions allotted to widows and orphans of various deceased personnel, which are entered in the accounts under the heading “ Montapio Militar ”, are not included in annexed Table F.

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List of Documents.

Budgetary System: Reply of the Spanish delegation to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.63).

Model Statement: annexed tables, reconciliation tables (document Conf.D./C.D./C.T.165).

Budget of the Ministry of the Army for 1929 and 1930 (Presupuesto del Ministerio del Ejercito para los ejercicios economicos de 1929 y 1930).

Budget of expenditure of the Ministry of the Marine for 1930 (Presupuesto de Gastos del Ministerio de Marina para el año economico 1930).

Provisional accounts for 1930 (Liquidación provisional del Presupuesto de 1930 a su terminación en 31 de diciembre de 1930).

Statistical summaries of sums recovered and paid and provisional liquidation of the budget for 1930 (Resumenes Estadísticos de Recaudación y Pagos y Liquidación provisional del Presupuesto de 1930).

Observations of the Technical Committee on the documents supplied by the Spanish delegation (document Conf.D./C.D./C.T.194).

Replies of the military experts to the observations of the Technical Committee transmitted on July 2nd, 1934.

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## ESTONIA.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budgets are prepared by the various Ministerial Departments. A Commission for the examination and co-ordination of such draft budgets is set up at the Ministry for Economic Affairs; it consists of representatives of that Ministry, the other Ministries concerned and the State Comptroller's Department. The representative of the Ministry for Economic Affairs is required to verify whether the estimated expenditure is necessary and in accordance with the laws in force; he may propose that certain items be reduced or entirely struck out. In the event of a difference of opinion between the Minister for Economic Affairs and his colleagues, the provisions of the draft general budget are finally settled by the Government as a whole.

The draft budget is submitted by the Government to the Parliament (" Riigikogu ") by January 20th at the latest.

#### 2. *Discussion and Voting of the Budget.*

(a) Legislative powers are vested in Parliament, which consists of a single House (" Riigikogu ").

Before being discussed by the Riigikogu in plenary session, the draft budget is examined by its Finance Commission. The Commission's discussions are not public and no report is published.

The plenary sessions of the Riigikogu are public; they can only be declared private by a decision adopted by a two-thirds majority of the members present.

The Riigikogu's debates in plenary session are published verbatim in the " Proceedings of the Riigikogu " (" Riigikogu koosolekute protokollid ").

After being voted by the Riigikogu, the budget is enacted by its publication in the Official Journal (" Riigi Teataja ").

In the event of a budget's not being brought into force before the opening of the budgetary year, the Minister for Economic Affairs is empowered by the law governing the State budget to allocate to the various Ministerial Departments provisional monthly credits, the amount of which in any given month may not exceed one-twelfth of the total of the budget for the preceding year, including the supplementary budgets.

This procedure is followed until such time as the budget is adopted.

(b) National Defence expenditure is voted annually.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

A limited number of copies of the draft budget is printed for members of the Riigikogu, Ministers and the various Government Departments.

When approved by Parliament, the budget is at once published in the Official Journal (" Riigi Teataja ").

The closed accounts (" Aruanne ") are not published in an official document. A limited number of copies is printed for the use of Parliament and Government Departments. The Estonian delegation states that the accounts (" Aruanne ") may be regarded as published documents within the meaning of Article B of the " Draft Instruments for the Application of a System of Publicity of National Defence Expenditure " (document Conf.D./C.G.160). Copies of these accounts have been communicated to the Technical Committee.

The Official Journal only publishes the law passing the closed accounts. The law merely specifies the total in respect of each Ministry.

#### 4. *Conditions governing the Expenditure of Credits.*

The credits voted represent actual financial provisions.

There is no additional period for the payment of expenditure incurred during the financial year and budgetary credits not expended by the end of the *exercice*, that is to say on March 31st, are in principle cancelled.

The Budget Law does not empower the Government of the Republic to enter into commitments or to issue orders for payment chargeable against subsequent *exercices*. Such expenditure can only be authorised by a special law adopted by the Riigikogu. Such laws specify in each

case : (a) what commitments may be entered into, and (b) up to what amount, and (c) against what *exercice* the expenditure is to be charged.

In certain cases, credits may be carried forward by order of the Minister for Economic Affairs with the assent of the State Comptroller. The accounts showing in what manner such credits have been employed are entirely distinct from the accounts showing the expenditure of the current *exercice*. They are included in the closed accounts of the year during which the credits were employed, where they are shown in separate columns.

Each credit carried forward remains open until the end of the budgetary year following that in which the credit originally appeared. On the expiry of that period, the credit is finally cancelled and any payments still outstanding must be charged against the credits of the new *exercice*.

Supplementary budgets may be introduced each year. Whenever the credits voted prove inadequate or new expenditure is found to be necessary, and when, furthermore, the fact that the Riigikogu is in recess precludes the possibility of applying for credits to cover such expenditure by means of a supplementary budget, the President of the Republic, on the proposal of the Government, may allocate the necessary sums from the special credits included in the State budget for the purpose of unforeseen expenditure. Such credits are shown in the expenditure budget of the Ministry for Economic Affairs and must not exceed a total of 250,000 crowns. The provisional credits allocated by the President are embodied in a supplementary budget, which is submitted to the Riigikogu for approval within a fortnight of the opening of its next session,

#### 5. Division of Expenditure in Budget and Accounts.

(a) The budget as published is divided into two parts :

Revenue and expenditure : ordinary,

and

Revenue and expenditure : extraordinary.

Ordinary and extraordinary expenditure are shown separately for each Ministry and subdivided into chapters corresponding to the various Departments; the chapters are subdivided into paragraphs, which may be still further subdivided into articles.

The budget of the National Defence Ministry forms a separate chapter and includes the expenditure on all three forces.

The budget includes twenty-eight paragraphs for ordinary expenditure and seven paragraphs for extraordinary expenditure.

(b) The accounts are drawn up in the same form as the budget.

The draft budgets originally drawn up by the various Ministerial Departments and the internal accounts of such Departments go into greater detail than the budget, the paragraphs being subdivided into articles.

(c) Transfers between chapters of the budget are illegal. Transfers between paragraphs may only be effected with the authorisation of the Riigikogu as embodied in supplementary budgets. In the case of the National Defence budget, transfers between the articles of any given paragraph may only be effected by authority of the War Council presided over by the National Defence Minister or his Under-Secretary of State.

Decisions relating to transfers between articles are communicated to the Ministry for Economic Affairs and the State Comptroller's Department. If the Ministry for Economic Affairs does not make any objection within three days, such transfers acquire final validity.

#### 6. Unity of the Budget.

(a) The general budget includes all State expenditure.

There are certain autonomous establishments for the manufacture of war material (arsenals) which are operated on a commercial basis in accordance with regulations approved by the Government. The budget and accounts of such establishments are not attached to the State budget or general account; nor are they printed or published. The budget, accounts and, generally speaking, all papers relating to the operation of such establishments are subject to auditing by the State Comptroller's Department. Their budget and accounts are approved by the Government.

The prices of goods delivered to the National Defence services are the same as those of goods delivered to private individuals.

The budgets of the civil departments and autonomous bodies do not contain any National Defence expenditure (see, however, the remarks under C.3).

No extra-budgetary resources are used for National Defence purposes.

(b) In principle, the budgets and accounts show gross expenditure; certain sums, however, are deducted from the closed accounts of the National Defence Ministry on account of receipts used for the renewal of credits.<sup>1</sup>

<sup>1</sup> The funds in question consist of sums received in payment of supplies sold to third parties.

*Example:* The National Defence Ministry purchases munitions out of its own budget. It sometimes happens, however, that the Ministry sells part of its munitions to third parties—e.g., the Civic Guard. The proceeds of such sales are not shown as receipts in the State revenue account but are entered in the credit account of the National Defence Ministry so as to permit of that Department's replacing the munitions sold.

7. *Supervision during the Execution of the Budget.*

(a) Administrative supervision during the execution of the budget is exercised by officials specially designated by law. These include the intendants of divisions and the official responsible for issuing orders for payment against the available credits. The latter official verifies all appropriations of credits together with vouchers relating to National Defence expenditure. The intendants are attached to the different units over which they exercise permanent and continuous supervision.

(b) Prior supervision is also exercised by the State Comptroller's Department.

8. *Final Audit.*

(a) The audit is carried out by the State Comptroller's Department ("Riigicontrolör"). The State Comptroller acts on behalf of the Riigikogu, to which he is responsible for the verification of all State expenditure.

The State Comptroller's comments on the auditing of the closed accounts together with the accounts themselves are printed and communicated to the members of the Government and Riigikogu and to all central public administrations. No provision is made for the official publication of these documents, but they may be communicated to the Press.

Before being printed, the closed accounts are certified correct by the Ministry for Economic Affairs.

(b) The Riigikogu approves the closed accounts.

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B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. *Budgetary Year.*

The budgetary year extends from April 1st to March 31st. There is no additional period.

2. *Budgets and Accounts.*

There is only one National Defence Ministry. All National Defence expenditure is shown in its budget and accounts.

The figures shown in the closed accounts represent actual payments together with payment warrants which for various reasons have not been cashed by the branches of the Eesti Pank by the end of the budgetary year.

3. *Model Statement.*

The Model Statement relates to the 1930-31 budgetary year. The tables in respect of all three forces have been completed.

The figures entered in the Model Statement are based upon the closed accounts.

4. *Execution of the Budget.*

As soon as the budget is promulgated in the "Riigi Teataja", the branches of the Eesti Pank<sup>1</sup> open accounts crediting the various Ministries with the amount of their requirements as indicated by the Ministries themselves with the assent of the Comptroller-General and by order of the Minister for Economic Affairs.

In the course of the following months, the Minister for Economic Affairs makes a further allocation each month of the credits applied for by the various Ministries to meet their current requirements. The Ministries have the right to enter into commitments and issue payment warrants up to an amount not exceeding 500 crowns in each case. Commitments in excess of 500 crowns must be authorised in advance by the Minister for Economic Affairs.

5. *The Accounts.*

The closed accounts are arranged under the same heads of expenditure as the published budget.

The figures shown in the accounts are gross and represent payments actually made during the twelve-month period.

6. *Audit and Publication of the Accounts.*

At the end of the budgetary year, the National Defence Ministry prepares the closed accounts for its department and transmits them not later than May 15th to the State Comptroller's Department and to the Ministry for Economic Affairs.

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<sup>1</sup> The Eesti Pank is a private company governed by a charter approved by the Riigikogu. This Bank has the keeping of all sums derived from taxation together with all other State funds. It makes payments on behalf of the State and keeps the various accounts in accordance with the instructions of the Minister for Economic Affairs.

The Audit Committee of the State Comptroller's Department examines the accounts and vouchers and certifies that the payments made are in order.

The Ministry for Economic Affairs draws up the general closed accounts on the basis of the accounts submitted by the central public authorities.

The general closed accounts are submitted to the Riigikogu within nine months of the end of the budgetary year.

As a general rule, the Riigikogu approves them during the following year. The law does not specify any date in this respect.

The closed accounts are not published as an official document; but a limited number of copies are printed for the use of Parliament and Government departments.

Only the totals are officially published in the Official Journal.

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## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### I. General Remarks.

All the expenditure shown in the Model Statement is to be found without exception in the closed accounts of the National Defence Ministry.

The expenditure shown in the closed accounts of the National Defence Ministry and in the Model Statement includes supplementary expenditure entailed by the rise in foreign exchange rates.

The relationship between the accounts and Model Statement is shown by means of reconciliation tables.

### 2. Military Departments.

(a) To judge by the headings under which the expenditure of the National Defence Ministry is classified, it would appear that the accounts of that department do not include any expenditure of a civil character.

(b) The civil authorities benefit by certain *survey* and *hydrographical* work carried out by the military authorities. The Estonian Government is of opinion that the precise value of such work to the civil authorities cannot be estimated.

### 3. Civil Departments.

(a) The Estonian Government has not included in the Model Statement expenditure in respect of either the *Frontier Guard* (which is under the Ministry of Interior) or the *Civic Guard*.

(b) A small item of expenditure on the *preparatory military training* of young men, which is charged to the budget of the Ministry of Education and Social Welfare, has not been included in the Model Statement, as the Estonian Government takes the view that it is not in the nature of National Defence expenditure.

(c) During the 1930-31 budgetary year, various *works* were carried out for *National Defence purposes* and charged against the budgets of civil departments. The expenditure on this account, which represents only a small proportion of the total amount of National Defence expenditure, has not been included in the Model Statement.

### 4. Special Questions.

(a) The military authorities enjoy a reduction of 50 to 80 per cent on railway *transport* and transport by State waterways. No figures have been supplied to show the total value of these concessions to the National Defence services.

(b) Certain sections of the *railway* system are operated by the National Defence services.

(c) During the 1930-31 budgetary year there were no *donations* or *legacies* for National Defence purposes.

(d) In 1930-31 there were no *special funds* for National Defence purposes.

(e) The *establishments for the repair and manufacture of arms* are autonomous. They are not in receipt of any State subsidies. The arms which they manufacture (sporting guns and pistols) may be sold to members of sporting associations.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure on the Three Forces.*

The tables for all three forces have been completed.

The budget and accounts of the National Defence Ministry do not show the expenditure on the three forces. The expenditure in respect of each force has, however, been calculated on the basis of internal accounts and by means of estimates; a Model Statement for the 1930-31 budgetary year has been supplied in respect of each force. The Estonian Government states that it would be possible, by developing its accountancy system, to show the whole of the expenditure relative to each force separately, if such separation of expenditure should be provided for in an international Convention ratified by Estonia.

### 2. *Coast Defence.*

The entire cost of coast defence is included in the Model Statement for the Naval Forces.

### 3. *Optional Columns.*

The optional columns have not been filled in.

### 4. *Division of Expenditure between the Sub-heads of the Model Statement.*

The classification of expenditure adopted for the purposes of the Model Statement differs appreciably from that employed in the accounts. Difficulty was therefore experienced in distributing certain expenditure among the sub-heads of the Model Statement.

The pay and allowances appropriate to *sub-heads A, B and C* respectively cannot be accurately separated; but the Estonian delegation states that any errors resulting from the splitting-up of such expenditure cannot exceed 1 or 2 per cent of the total amount under each sub-head.

The sums entered in sub-heads A, B and C of the Model Statement were arrived at by means of a proportional estimate together with information to be found in documents of an internal character.

The Estonian delegation states that, if necessary, the sums paid to officers, non-commissioned officers, men and civilians could be separately shown in the budgets and accounts, if such information were recognised as necessary by an international convention ratified by Estonia.

The amounts entered in *sub-head D* are shown separately in the internal accounts of the National Defence Ministry. The figures entered in this subdivision of the Model Statement therefore represent actual expenditure.

No expenditure is shown in *sub-head H*.

### 5. *Head IV.—Separation from the Other Heads : Division between Sub-heads.*

The Estonian Government has met with no difficulty in isolating expenditure appropriate to Head IV of the Model Statement or in distributing it among the sub-heads of that section.

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## E. TABLES ANNEXED TO THE MODEL STATEMENT.

### *Tables A and B.*

As these tables have been omitted from the draft "Instruments necessary for the Application of the System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

### *Table C.*

Although it has not entered any figure in Annexed Table C, the Estonian Government recognises that the balance of a block credit of 5 million crowns specially voted in 1928 for the purchase of war material over a period of several years—viz., 3,375,307.88 crowns—should have been shown under this head.

### *Tables D and E.*

These tables have not been completed.

*Table F.*

Expenditure in respect of pensions is shown in Annexed Table F, where figures are given for three classes of pension.

Expenditure on pensions is to be found in the budget of the Ministry of Education and Social Welfare, where war pensions are included with disablement pensions and no distinction is made between civil and military pensions.

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**List of Documents.**

- Budgetary system: Reply of the delegation of Estonia to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.7).
- Model Statement and annexed tables. Reconciliation tables (document Conf.D./C.D./C.T.196).
- Budget for 1930-31 ("Eesti Vabariigi kulude ja tulude eelarve 1930/31. aastaks") published in the Official Journal ("Riigi Teataja") No. 25 of March 31st, 1930.
- Supplementary budget for 1930-31 ("Eesti Vabariigi 1930/31 a. kulude ja tulude lisaelarve nr. I"), published in the "Riigi Teataja" No. 23 of March 18th, 1931.
- Closed accounts for 1930-31 ("Eesti Vabariigi 1930/31 a. Eelarve täitmise ning kassa Aruanne ja Riigikassa bilanss 31. Märtsil 1931. a.").
- Law approving closed accounts for 1930-31 ("Eesti Vabariigi 1930/31 aasta eelarve täitmise ja kassa aruande ning riigikassa bilansi kinnitamise seadus"), published in the "Riigi Teataja" No. 32 of April 12th, 1932.
- Observations of the Technical Committee on the documentation submitted by the delegation of Estonia (document Conf.D./C.D./C.T.210).
- Replies from the delegation of Estonia to the observations of the Technical Committee (document Conf.D./C.D./C.T.233).
- Additional questions put by the Technical Committee and the replies of the delegation of Estonia (document Conf.D./C.D./C.T.274).
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## ABYSSINIA.<sup>1</sup>

### A. BUDGETARY SYSTEM.

#### 1. *Preparation, Discussion and Voting of the Budget.*<sup>2</sup>

Under the Constitution of July 16th, 1931, Parliament consists of a Chamber of Deputies and a Senate.

The first Parliament met after the promulgation of the Constitution; the second opened on November 2nd, 1932.

The part of the new Constitution which concerns the budget is entirely contained in Article 55 :<sup>3</sup>

“ The law provides that the revenues of the Government Treasury, of whatever nature, shall only be expended in conformity with the annual budget, which prescribes the moneys placed at the disposal of each Ministry.

“ The annual budget shall be drawn up on the basis of the proposals of the Minister of Finance considered by the Chamber of Deputies and Senate in session, whose recommendations shall be submitted to His Majesty the Emperor for his approval.”

Under the Constitution, the executive authority may issue decrees (*awag*) when the Chamber of Deputies is not in session; in this case, however, the Chamber of the Council for the definition of laws (*ya-hegg mawassara mekr bel ya quarratawun nagor*) may confer on these decrees the character of laws (*hegg*).

The laws are of two kinds :

- (a) Fundamental laws (*wännawoc heggoc*) enacted by the will of the Emperor;
- (b) Special laws (*yammihonut heggoc*) voted by the majority of the two Chambers.

It is not clear whether the budget law is considered as a fundamental or a special law.

#### 2. *Execution of the Budget.*

The Minister of Finance (*Bagirond*) is responsible for the execution of the budget.

The Committee is not aware of the various regulations for the execution of the budget.<sup>4</sup>

#### 3. *Supervision of the Execution of the Budget.*

There would seem to be no organ of supervision in the proper sense of the term.

### B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

#### 1. *Budgetary Year.*

This is the Coptic year running from September 11th of one year till September 10th of the next; it is divided into thirteen months.

<sup>1</sup> The present Constitution of Abyssinia dates from July 16th, 1931. The following information relates to the period subsequent to the promulgation of the Constitution.

<sup>2</sup> The above deals with the budget of the “ Imperial Government ” only. The Abyssinian Government is requested to state whether there still exist any armed forces not paid or maintained by the Imperial Government but by the Provinces, as the *Dedjazmatch Nadeon* informed the League (see *Information, etc., League of Nations Journal*, 1923, page 1480).

<sup>3</sup> From the French translation of Article 55 in DARESTE's work : “ *Les Constitutions modernes* ”, page 479.

<sup>4</sup> In the summer of 1932, the *Bagirond Takle-Hawaryat* published an eighteen-page handbook in Amharic (*Imperial Press, Addis Ababa*) containing certain information on this subject.

NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Abyssinia.

2. *Budgets and Accounts.*

The Committee has not had an opportunity of examining either a budget or a closed account for Abyssinia.<sup>1</sup>

3. *The Model Statement.*

The Model Statement has not been submitted.

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C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

I. *Total Amount of National Defence Expenditure.*

Abyssinia is the only country concerning which the Committee has been unable to obtain even an approximate idea of national defence expenditure.

For the period up to December 31st, 1931, Abyssinia proposed to expend 10,000,000 French francs per annum on the purchase of rifles, portable arms (machine-guns, etc.) and ammunition for the same. (Official statement concerning the Abyssinian Government's intentions with regard to purchases : see document C.713.1930.IX, "Regulation of the Importation of Arms, Ammunition and Implements of War into Abyssinia".)

It will rest with the competent organs of the Conference to decide what formations can be regarded as armed forces. Pending a decision on this matter, the Committee will content itself with the following observations :

(a) Only part (about 8,000 men) of the Royal Guard (Yakebr Zabanoc) is organised on European lines. This organisation is now in process of being extended to the Province of Bale;

(b) In the capital and along the Jibuti railway there are 3,000 gendarmes (Zebegna);

(c) A large part of the fighting forces should probably be regarded as forces of the regular army and not as police.

4. *Special Questions.*

It is not known whether the black-powder factory at Addis Ababa is to be regarded as an autonomous establishment.

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D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

Abyssinia has no navy, but possesses an air force. In the absence of any information, it is impossible to say whether the expenditure on the land and air forces is shown separately in the budgets and accounts, and whether it could be distributed without any difficulty among the tables, heads and sub-heads of the Statement.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

As no documentation has been furnished, it is impossible to make any observations on this subject.

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List of Documents.

DARESTE, "Les Constitutions modernes".

"Oriente Moderno" (years 1931, 1932, 1933, 1934).

League of Nations Official Journal, 1923, page 1480.

Document C.713.1930.IX : "Regulation of the Importation of Arms and Ammunition and Implements of war into Abyssinia".

Almanach de Gotha.

Statesman's Year-Book.

Corrado ZOLI, "Cronache etiopiche" (1930).

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<sup>1</sup> Certain recent works on Abyssinia indicate that some of the State revenue is received and some expenditure is effected in kind (corn, honey or cattle).

See note on page 129.

## FINLAND.

### A. BUDGETARY SYSTEM.<sup>1</sup>

#### 1. *Preparation of the Draft Budget.*

Proposals for expenditure are drawn up by the various Ministries, centralised by the Ministry of Finance and examined by the Budget Committee of the Council of Ministers ("Valtioneuvoston raha-asiainvaliokunta"). In the light of the decisions of this Committee, the draft general budget is prepared by the Ministry of Finance. This draft is submitted for approval to the Council of Ministers and thereafter adopted finally by the President of the Republic, with a view to its submission to the Chamber of Representatives.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget is submitted to Parliament, which consists of a single Chamber, the Chamber of Representatives ("Eduskunta"), generally at the beginning of September.

After a short discussion of the general outlines of the draft budget, the latter is referred to the Finance Committee of the Chamber ("Eduskunnan valtiovarain valiokunta"). This Committee makes a report, which is published. The draft budget is then discussed and voted by the Chamber of Representatives. This vote is final if the report of the Committee is adopted without amendments. Alternatively, in the event of amendments being proposed, these are referred back for consideration by the Committee. The meetings of the Chamber are public, and the verbatim record is published in full ("Eduskunnan pöytäkirjat" or "Riksdagens Protokoll").

After passing the Chamber of Representatives, the budget is promulgated by the President of the Republic.

In principle, the budget does not require the approval of the President of the Republic, but the credits voted by the Chamber of Representatives on the initiative of Parliament require his special sanction.

(b) National defence expenditure is voted each year before the beginning of the budgetary year.<sup>2</sup>

If, quite exceptionally, the budget, which should be presented to the Chamber at least two months before the end of the parliamentary session, were not passed before the beginning of the budgetary year, the Government would be authorised to effect provisionally the expenditure prescribed by the laws and decrees in force, on the general basis of the credits voted in the previous budget.

Such expenditure must be regularised by the subsequent voting of the budget.

(c) All State expenditure is authorised by law.

If the budget proves insufficient, the Government must place before the Chamber a request for supplementary credits.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget and also supplementary budgets are published in the Collection of Laws ("Suomen Asetuskokoelma" of "Finlands Författningssamling"), shortly after adoption by the Chamber of Representatives.

The closed accounts are published.

#### 4. *Conditions governing the Expenditure of Credits.*

The closed accounts show the difference between credits voted and payments relating to commitments incurred during the year and paid for during the year or during the additional period. There is a period of two months after the end of the budgetary year, during which expenditure relating to commitments entered into during the year in question may be liquidated, orders for payment issued, payments effected and the relevant entries made in the accounts of the year just elapsed.

<sup>1</sup> The laws relating to the budgetary institutions of Finland were largely amended in 1932. The above statement is based on the amending legislation.

<sup>2</sup> The dates on which the budget was voted in 1928, 1929, 1930 and 1931 were the following: 1928, December 27th, 1927; 1929, December 30th, 1928; 1930, December 20th, 1929; 1931, December 19th, 1930.

There are no authorisations for commitments, properly so called. For important works or supply contracts extending over several years, commitments may, with the approval of Parliament, be entered into before the year of actual payment. Certain credits may be carried forward to subsequent years by express decision of Parliament. Credits may not be carried forward for more than two years, unless the Council of Ministers gives special permission for a further period, which itself may not exceed two years. Credits transferred from one financial year to the following may be used during the latter without further permission from the Chamber. The closed accounts show how credits carried forward have been utilised.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) There is an ordinary and, should the need arise, an extraordinary budget (supplement to the budget). Each of these is divided, as regards expenditure, into two main categories: current and capital expenditure. The latter is again subdivided into expenditure yielding a profit to the State and that not yielding a profit.

Expenditure is shown under heads ("pääluokat") and sub-heads ("luvut"), which are subdivided into items ("momentit").

The national defence budget contains seventy-three items.

There are certain small credits in the budget which permit the Council of Ministers to provide for unforeseen expenditure.

(b) Closed accounts are drawn up in the same form as the budget.

(c) Transfers between the various subdivisions which are voted separately by the Chamber of Representatives are prohibited.

#### 6. *Unity of the Budget.*

(a) In principle, all State expenditure is included in the general budget. By way of exceptions to this rule there is a certain number of special funds, one only of which concerns national defence; but expenditure from these funds appears in the general closed accounts. The creation of new extra-budgetary funds is prohibited except under the direct authority of the Chamber.

There is only one Ministry of National Defence ("Puolustusministeriö").

The Prefects of the Provinces are responsible for certain expenditure on pensions, or allowances to families of conscripts.

The following State undertakings are attached to the Ministry of National Defence, but are autonomous establishments: a powder factory, a cartridge factory, a rifle factory, an aircraft factory, a naval dockyard, a military equipment factory. All these undertakings debit the Ministry with all goods they supply to it. All their expenditure is borne by a special head in the general budget. They receive no State subsidy.

There are no extra-budgetary resources available for expenditure on national defence.

There is no public or private body for financing national defence expenditure, properly so called. Private individuals, as well as certain local authorities, merely grant subsidies to local groups of the Civic Guard.

The State budget includes the "credits at the disposal of the Council of State" for expenditure which, although provided for in their levanted laws and decrees, is not set out under separate heads, such as, "fund at the disposal of the Council of State for unforeseen needs".

Gifts and legacies, even for national defence, must, according to the rules in force, appear in the State closed accounts.

(b) The budget and accounts show gross expenditure.

#### 7. *Supervision during the Execution of the Budget.*

Supervision is exercised:

(a) By "special officials" ("kamreerit", "apukamreerit", "reviisorit") attached to certain Ministries, subject to the Minister concerned, and entrusted with the supervision of accounts. They must satisfy themselves that the invoices and vouchers are in order, that the orders for payment were issued by the competent authorities, and that the budget contains credits corresponding to the payments made. If this is not the case, the officials in question must refuse to countersign the orders for payment. The special officials mentioned above are responsible in matters of accounting to the Audit Service ("Valtion revisiolaitos").

(b) By the Minister of Finance, who is charged with the higher administrative supervision of expenditure. Each ministerial department making payments must submit a statement of its accounts each month to the Minister of Finance and to the State Audit Service.

(c) By the State Audit Service, which is under the Minister of Finance and to which each ministerial department must forward, in addition to the monthly statement mentioned under (b), a quarterly statement of its accounts, together with vouchers.

(d) By the Chamber of Representatives, which exercises supervision through five budget auditors, assisted by substitutes elected annually by the Chamber. These auditors may at any

moment inspect the accounts of the various departments. The Finance Committee of the Chamber of Representatives and the Legal Delegate of the Chamber are in theory equally entitled to inspect any documents relating to the accounts of the State Departments.

#### 8. *Final Audit.*

The accounts of each Ministry, having been audited in the first instance by the special officials mentioned under A.7(a), must be closed two months at latest after the end of the financial "exercice" and submitted both to the Minister of Finance and to the Audit Service.

The Audit Service ("Valtion revisiolaitos") consists of fifteen auditors. The Chief Auditor is appointed by the President of the Republic, as also the others, but these latter after consultation with the Audit Service itself. The Chief Auditor and two heads of Section constitute the Court of Audit. They are irremovable and have judicial powers. The other members enjoy the same conditions of employment as public officials in general.

The Audit Service checks the accounts and is entitled to ask for any documents it considers necessary for the purpose. It must submit a report each year to the Minister of Finance and to the auditors of the Chamber of Representatives.

There is a Supreme Administrative Court ("Korkein Hallinto-oikeus") to which officials who do not accept the decisions of the Court of Audit mentioned above may appeal.

The closed accounts are submitted by the Government to the Chamber of Representatives. The auditors of the Chamber are entitled to check the closed accounts. They must present a report to the Chamber during each ordinary session. The Council of Ministers must also submit an annual report to the Chamber on its activities and a further report on the financial position of the State. These reports are published.

The Chamber of Representatives does not pass a law approving the accounts, but, after considering the report of its auditors, it may decide on the action to be taken. Members may themselves, by interpellations or by simple questions addressed to members of the Government, call for explanations and information.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from January 1st to December 31st. There is an additional period of two months during which cheques may be drawn for expenditure incurred on the account of the previous year.

### 2. *Budget and Accounts.*

Separate ministries for the three forces do not exist. The expenditure of the three forces is included in the budget and accounts of the Ministry for National Defence.

### 3. *The Model Statement.*

The Model Statement relates to the budgetary year 1930 and is based on the closed accounts of that year. The figures in the Model Statement represent orders for payment, actual payments, and accountancy transactions relating to the consumption of stocks. The total amount of these transactions included in the Model Statement is not given, but it is said not to be large.

### 4. *Execution of the Budget.*

The voting of the budget constitutes in itself authority to the departments to expend their respective credits, but normally the Finance Minister issues instructions on the subject of the execution of the budget.

The various departments of State may incur expenditure in accordance with the general rules governing their competence and responsibility.

The functions of "Liquidation" and the issue of orders for payment are limited to certain departments, among them the Ministry of National Defence.

The Ministry of National Defence generally makes its payments direct and in cash, and only issues warrants on the Treasury in the case of large sums.

The issue of cheques is considered as equivalent to a cash disbursement. Cheques may be cashed at any time.

### 5. *The Accounts.*

The accounts mention the amount of the orders for payment, the actual payments and the accountancy transactions that have occurred during the "exercice" They are based on gross expenditure.

#### 6. *Audit and Publication of the Accounts.*

The accounts of each ministerial department must be closed two months at latest after the expiration of the "exercice" and submitted to the Audit Service, which is under the Minister of Finance. The section of the Audit Service charged with the closure of the accounts must complete the latter four months at latest after the end of the "exercice".

These accounts are generally laid before Parliament at the beginning of September in the year following the "exercice" concerned.

The Chamber of Representatives exercises its supervision through five budget auditors, who are elected at each ordinary session and must submit a report.

Up to the present the accounts have generally been published from one to two months after the close of the "exercice"—i.e., four or five months after the end of the budgetary year. New legislation prescribes that the accounts must be closed four months after the end of the budgetary year. Thereafter they are published without delay.

The closed accounts for 1930 were published on May 26th, 1931, and those of 1933 on April 26th, 1934.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

(a) The relationship between the accounts and the Model Statement is shown by the aid of reconciliation tables.

(b) The Model Statement for Finland contains expenditure on the *armed forces and formations organised on a military basis.*

(c) The budgetary system was not found to present any obstacle to the inclusion of all national defence expenditure in the Model Statement.

(d) Departures from the instructions regarding the universality of expenditure were noted in certain cases mentioned below.

#### 2. *Military Departments.*

(a) The Model Statement contains the total of *pay, salaries and wages*, without deduction of tax or contributions paid by personnel for pensions or social insurance.

(b) There are no *advances* of pay.

(c) The national defence accounts show actual expenditure, including loss on *exchange*. This expenditure has been entered in the Model Statement.

(d) *Bonuses* to families of men called to the colours and *compensation* for accidents have not been included in the Model Statement.

#### 3. *Civil Departments.*

(a) Expenditure on *civil aviation* does not figure in the Model Statement. Civil aviation does not participate in national defence.

(b) The National Defence Department is exempt from *postal charges* and enjoys *reductions of railway rates* not exceeding 50 per cent. The value of these advantages is not shown in the Model Statement. The Finnish delegation pointed out that commercial railway companies generally grant such reductions to important customers.

(c) *Military buildings* are exempt from local rates. The amount of this exemption is difficult to estimate, but it is very small.

(d) The National Defence has its own *meteorological, map-making and wireless services.*

(e) Expenditure on the *Red Cross* is very small and is not shown in the Model Statement. The statutes of this organisation expressly provide for collaboration with the army in time of war.

(f) No expenditure on *physical training* is borne by the budget of the Ministry of National Defence.

(g) The cost of the *audit* by the Government auditors is not shown in the Model Statement, since it is impossible in practice to separate such costs as regards national defence expenditure from the other working expenses of the Audit Department.

(h) In 1930 there were no credits to cover the National Defence Department's share of the cost of certain *public works* (roads, railways, bridges, etc.) tending to increase the value of military property. In the Finnish delegation's view, no precise method can be found to determine to what extent these works are of benefit to national defence.

(i) Expenditure on the *Frontier Guard*, which appears in the budget of the Ministry of the Interior, is included in the Model Statement.

#### 4. *Special Questions.*

(a) Expenditure on the "Civic Guard", a voluntary organisation for reinforcing the regular army in war time and assisting the Government to maintain the established constitution, does not appear in the Model Statement. The funds required to meet the cost of the "Civic Guard" are provided in the State budget. In 1930, the credit in question amounted to Fm. 37,600,000 (in the closed account the figure was Fm. 38,165,186.16).

Any expenditure in excess is borne by the "Civic Guard" from their own resources.

The Finnish delegation stated that it was unable to give an opinion upon the military value of the Civic Guard, as it was for the Conference to state the categories in which the various formations should be placed.

(b) The subsidy to the "Finland South-America Steamship Line" is not of a military nature.

(c) There is an *Air Defence League* in Finland, but that association did not make any contribution to national defence in 1931.

(d) The credit entitled "Contributions to Associations and periodical publications" includes subsidies to the "Finnish Association for Military Homes" and the "Provident Association for Coastal Defence Soldiers". It also contains very small sums for subsidies to periodicals.

(e) Certain expenditure, such as "Compensation for accidents to conscripts" and "Special grants to destitute families of conscripts", which is dispersed by the provincial administration, does not appear in the Model Statement. The Finnish delegation is, however, ready to conform to the Committee's instructions on this subject.

(f) The *special funds* appearing in the State closed accounts and in the Government's financial report are administered by the various departments of State. Amongst these, the Army Donation Fund ("Sotolaitoksen lahjoitusrahasto") is appropriated to the provision of prizes for inter-military sports meetings.

(g) No national defence expenditure is met out of loans.

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### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

#### 1. *Separation of Expenditure on the Three Forces.*

The Finnish Government explained that, owing to the method used in drawing up the Finnish budget, a method justified by the small numbers of the country's armed forces, the expenditure on the three forces was so closely connected that it was difficult to split it up accurately between them. National defence expenditure mostly appears under a single sub-head for the three forces, in both the budgets and the accounts.

An endeavour has, however, been made to apportion expenditure among the three forces, and the three tables of the Model Statement have been filled up.

Certain services provided for in the sections of the budget and accounts relating to national defence are common to the three forces, in particular the central administration (including General Staff), stores, hospitals, heating and repairs. Expenditure on pay, food and arms for all three forces appear as a common item in the budget and accounts. The Finnish Government considers that this common expenditure represents a fifth or a quarter of the total national defence expenditure.

The expenditure of the joint services that cannot be apportioned with the aid of the accounts or of administrative documents has been split up between the three forces by means of a percentage, based on the respective totals of other expenditure of the said forces.

#### 2. *Coast Defence.*

Expenditure on coast defence appears in the Table of the Model Statement relating to naval forces.

#### 3. *Optional Columns.*

Finland has no armed forces stationed overseas. The column relative to "Formations organised on a military basis stationed in the home country" has been filled up as regards expenditure on the Frontier Guard.

#### 4. *Division between the Sub-heads of the Model Statement.*

In the items in the budget and accounts relating to pay, the remuneration of officers, N.C.O.'s and civil officials are merged in a single figure. Where expenditure had to be divided among sub-heads in the Model Statement, recourse was had to statistical data and percentages.

The Finnish delegation had no special difficulty in the distribution of expenditure, which was effected, as the delegation states, in accordance with the Budgetary Experts' recommendations; certain doubts, however, were entertained as to the sub-heads under which bonuses to families of men called to the colours and compensation for accidents should appear; in the absence of definite instructions, this expenditure has not been shown in the Model Statement.

5. *Head IV : Separation from Other Heads.*

The delegation states that it had no difficulty in separating expenditure covered by Head IV of the Model Statement and that all expenditure of this sort as defined by the budgetary experts appears under Head IV.

It was however found difficult to divide expenditure under Head IV between Tables B, C and D, since expenditure on certain requirements common to the three forces is provided for and entered in a single sub-head, both in the budget and in the accounts (see D 1); apportionment between the tables was therefore effected partly on the basis of statistical data and partly by estimates.

The pay of conscripts drafted to establishments for which the expenditure appears under Head IV is included under Head I, the Finnish delegation considering that " the services of these conscripts are not of normal utility and that they are employed in the depots, workshops, etc., solely for the purpose of their own military training."

Expenditure on depots of war material is not included under Head IV, with the exception of workmen's wages, in accordance with the Budgetary Experts' recommendations.

6. *Head IV : Division between Sub-heads.*

Expenditure on the land forces has been split up wholly between sub-heads M and M (a) and that on naval forces between subheads L and M.

There was no real difficulty in the apportionment of this expenditure among the various sub-heads; but, for the reasons given in 5, concerning the distribution of expenditure under Head IV among the three Tables B, C and D, the further subdivision of the expenditure among the sub-heads of these tables has in certain cases only been possible by means of estimates.

The very high proportion of expenditure given under Chapter L, as compared with that under M of Table C is due to the fact that the Finnish Navy was in 1930 still in process of formation and that the arms and munitions necessary for vessels were only included in the budget for the following year.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Tables A and B.*

As these tables have been omitted from the draft " Instruments necessary for the Application of a System of Publicity of National Defence Expenditure " (document Conf.D./C.G.160), no comment is called for under this heading.

*Table C.*

Details of the amounts shown in this table are not given. It is permissible to carry forward credits in certain specific cases. (See above under A. 4.)

*Table D.*

The Finnish delegation has stated that the system of credit purchases is not practised in Finland.

*Table E.*

No remarks in regard to the " nil " return.

*Table F.*

Subdivision of Head I into three paragraphs (a), (b) and (c) is not possible. A single figure is given for Heads I and II.

Expenditure on war pensions is shown in Head III of Table F.

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### List of Documents.

- Budgetary System : Reply of the Finnish delegation to the Technical Committee's Questionnaire (document Conf.D./C.D./C.T.41).
- Model Statement : Annexed tables; Balance between the Closed Accounts and the Model Statement, with additional explanations; Reconciliation tables (document Conf.D./C.D./C.T.119).
- Budget for 1930 ("Tulo- ja menoarvio") published in No. 6 of "Suomen Asetuskokoelma" or "Finlands Författningssamling" (Collection of Laws).
- Supplements to 1930 budget published in the 1930 Collection of Laws (Nos. 94, 112, 121, 135, 159, 160, 195, 204, 276, 283, 299).
- Closed accounts for 1930 ("Valtion tilinpäätös liitteinen").
- Collection of Laws ("Suomen Asetuskokoelma" or "Finlands Författningssamling").
- Observations of the Technical Committee (document Conf.D./C.D./C.T.133).
- Replies of the Finnish delegation to the Observations of the Technical Committee (document Conf.D./C.D./C.T.156).
- Minutes of the meeting on June 16th, 1933 (document Conf.D./C.D./C.T./P.V.21. Hearing).
- Observations of the Finnish delegation with regard to the Minutes of the Hearing and replies to the Supplementary Questions of the Technical Committee (document Conf.D./C.D./C.T.229).
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## GREECE.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

Special services under the authority of the Directorate-General of Public Accounts (Γενική Διεύθυνσις Δημοσίου Λογιστικού) are attached to all ministerial departments. The draft budgets are drawn up by these services in consultation with the accountancy services attached to the several departments.

The draft budgets are all co-ordinated by the Directorate-General of Public Accounts, where the general draft budget is prepared.

#### 2. *Discussion and Voting of the Budget.*

Parliament consists of two houses, the Chamber of Deputies (Βουλή) and the Senate (Γερουσία).

The parliamentary debates on the budget are public. The reports of the debates are published *in extenso* in the *Official Gazette* (Ἐφημερίς τῆς Κυβερνήσεως) and in the proceedings of the Chamber and Senate, respectively (Πρακτικά τῶν συζητήσεων τῆς Βουλῆς καὶ τῆς Γερουσίας).

The draft budget (Κατάθεσις προϋπολογισμός) is presented in the first instance to the Chamber of Deputies. When voted by them, it is sent to the Senate. In the absence of a decision from the Senate within one month, the Senate is considered to have agreed with the Chamber of Deputies. If the Senate disagrees with the Chamber of Deputies, the budget is returned to the Chamber, which can enact it finally with a majority vote.

In principle, the Chamber of Deputies is entitled to modify the draft budget laid before it; but the principle is qualified by certain restrictions and exceptions, for example :

(a) Proposals to increase credits in respect of pensions and salaries can only be introduced by the Government;

(b) Any bill or proposed legislation involving increased expenditure must be accompanied by a statement describing the measures by which it is proposed to meet the extra expenditure.

In the event of the budget not being voted in time, a special law is introduced in both houses, laying down provisional limits to be observed in the administration of public finances. If Parliament is not in session and is for that reason unable to pass the necessary law in time, the Government is empowered to proceed by decree in respect of payments to be made in execution of commitments, provided always that the monthly expenditure of each ministerial department does not exceed one-twelfth of the total appropriations for the preceding *exercice*.

These provisional measures must not remain in force for a period exceeding three months. As, however, the limit of three months is based only on the general legislation relating to the public finances, the period may be extended by the special law authorising the provisiona measures.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget on its introduction in the Chamber is published in a special volume (the 1934-35 draft budget was published on April 2nd, 1934).

The budget voted by Parliament is brought into force by the publication in the *Official Gazette* of the two laws sanctioning the expenditure budget and revenue budget, respectively.

The closed accounts are published (*see under B, 6*).

#### 4. *Conditions governing the Expenditure of Credits.*

The vote of an appropriation limits the amount of the commitments which may be incurred during the financial year strictly so called. But the financial year is extended by an additional period of four months, during which orders for payment may be issued in respect of expenditure incurred during the financial year.

This additional period will shortly be abolished : but this will not have the effect of doing away with what constitutes the special feature of the Greek budget—namely, the conception of each *exercice* as a distinct entity in perpetuity, by which is meant that the revenue and expenditure of a given *exercice* are always attached to that *exercice* by the machinery of credit and debit balances.

The debit balances of an *exercice* represent commitments incurred during the *exercice* without the corresponding order for payment having been issued by the close of the *exercice*. It may happen that debit balances are not paid off until many years after the close of the *exercice* to which they relate.

The accounts show the amounts of commitments and of the orders to pay issued in respect of commitments.

Expenditure in respect of which no commitments are incurred by the end of the *exercice* is cancelled, except in the case of the Ministry of War (where such expenditure is carried to the account of the National Defence Fund) and the Ministry of Marine (where it is carried to the account of the National Naval Fund). But legislative authority is required before these credits may be drawn on by the two Ministries in question.

In order to meet expenditure not provided for or insufficiently provided for in the budget, a special sum is included in the budget of the Finance Minister. Should this special sum prove insufficient to meet requirements, application must be made to Parliament for a supplementary credit.

As an exceptional measure and to meet expenditure occasioned by mobilisation, war or the requirements of national security, such supplementary credit may be added to the budget by decree. Decrees for the purpose are registered with the Court of Audit, which reports on them to the Chamber at the earliest possible date.

##### 5. *Division of Expenditure in Budget and Accounts.*

(a) The budget comprises ordinary expenditure and extraordinary expenditure.

The budget is presented in categories (*κατηγορία*), chapters (*κεφάλαιον*) and articles (*άρθρον*).

In the case of the Ministry of War, the budget for 1930-31 is divided into twenty-three chapters, which are subdivided into seventy-eight articles in all.

In the case of the Ministry of Marine, the budget is divided into twenty-six chapters, which are subdivided into approximately eleven articles.

In the case of the Air Ministry, the budget is divided into eleven chapters, which are subdivided into approximately forty-five articles.

In general, the national defence budget gives very full details of the object of each item of expenditure.

(b) The closed accounts are drawn up under the same heads as appear in the budget.

(c) Transfers are not allowed between categories, or between chapters of the same category, or between articles of the same chapter, of the budget.

##### 6. *Unity of the Budget.*

(a) In principle, all State revenue and expenditure must be shown in the general budget. As an exception to this principle, certain independent institutions enjoy budgetary autonomy. Their budgets are, however, annexed to the general State budget and voted at the same time. These institutions are as follows :

- (1) The lottery on behalf of the Greek Navy and ancient monuments;
- (2) The service in charge of the building and upkeep of schools;
- (3) The service for the administration of legacies;
- (4) The National Naval Fund;
- (5) The National Defence Fund;
- (6) The Colonisation Fund;
- (7) The Olive-Tree Fund;
- (8) The National Road Fund.

The funds of the independent institutions enjoying budgetary autonomy consist partly of State contributions, which are shown as both receipts and expenditure in the general budget, and partly of revenues of their own.

As regards the National Defence Fund (*Ταμείον Ἐθνικῆς Ἀμύνης*), such revenues are of the following kind :

- (1) Revenue derived from the sale of material and animals belonging to the army;
- (2) Foundations and legacies from private individuals.

The contribution from the State consists of :

- (1) Credits appropriated to the special budget of the War Ministry and unexpended at the end of the *exercice*, the amount of which varies from year to year;
- (2) The amount of taxes paid in lieu of military service.

The State makes no direct contributions in kind to the National Defence Fund.

As regards the National Naval Fund, the revenues consist of :

- (1) Proceeds of foundations and legacies;
- (2) Four-fifths of the proceeds of material scrapped by the navy;
- (3) The net proceeds of the lottery.

The direct contribution from the general State budget consists of :

- (1) Fees in respect of anchorage and lighting of the coast, up to a total of 250,000 drachmæ per annum;
- (2) Two-thirds of the State's share in the net profits of the Halara mine (which is not, however, being worked at present).

In addition to the autonomous budgets mentioned above, there are certain special funds of a local character which enjoy budgetary autonomy, and the revenue and expenditure of which are not published as an annex to the general budget. The Greek delegation states that none of these funds is intended to increase national defence expenditure.

There are no establishments for the manufacture of armaments with budgetary autonomy.

(b) Expenditure is shown on a gross basis.

#### 7. *Supervision during the Execution of the Budget.*

(a) Supervision is exercised by the special accountancy services and the liquidation services. The Ministry of War, the Ministry of Marine and the Air Ministry have attached to them (1) special accountancy services which supervise the incurring of commitments and the issue of orders to pay, and, in addition, (2) separate services for the liquidation of expenditure. The special accountancy services are directly under the Finance Ministry. The liquidation services are under the Ministries to which they are respectively attached, but are subject to the instructions of the Finance Minister.

The liquidation services are responsible for advising the Ministers concerned on the legitimacy of expenditure.

In the event of disagreement between the Ministries concerned and the special services for liquidation, the question is submitted to the Finance Minister for decision. In the case of the Ministry of War and the Ministry of Marine, the functions of the liquidation services are exercised by the accountancy services attached to these Ministries.

(b) Supervision is also exercised by the Court of Audit (Ελεγκτικόν Συνέδριον), which has power to check the figures of the expenditure accounts as well as the objects of expenditure. Before presentation to the disbursing officer, all orders for payment have to be submitted to the Court of Audit for examination.

Certain regulations under which Ministers were empowered to issue orders for payment on their own responsibility without the endorsement of the Court of Audit are no longer operative.

#### 8. *Final Audit.*

Supervision is exercised by :

(a) The Court of Audit, which examines the closed accounts and returns them, duly endorsed, within a period of two months to the Finance Minister;

(b) The Chamber of Deputies : a copy of the accounts is laid on the table of the Chamber within twelve months of the end of the *exercice* and the Chamber then either grants or refuses parliamentary ratification. But this cannot be said to constitute effective parliamentary control.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year extends from April 1st to March 31st; but there is an additional period of four months, during which payments may be made on account of expenditure incurred during and for the account of the budgetary year (see also A, 4).

### 2. *Budgets and Accounts.*

Separate budgets and accounts are kept for the Ministry of War, Ministry of Marine and Air Ministry.

### 3. *The Model Statement.*

The Model Statement has been drawn up on the basis of the closed accounts for the budgetary year 1930-31. The tables have been drawn up for each of the three forces.

The expenditure shown in the Model Statement is gross expenditure.

The Model Statement is based in the main on the accounts of the three Defence Ministries : it further comprises the expenditure of the National Defence Fund and the National Naval Fund.

### 4. *Execution of the Budget.*

In the case of the budgets of the Ministry of War, Ministry of Marine and Air Ministry, orders for payment are issued by the competent services (*viz.*, the liquidation services) and by the special accountancy services attached to the Ministries in question.

In the case of the budgets of the National Defence Fund and the National Naval Fund, orders for payment are issued by the services attached to the funds in question. Monthly statements accounting for the credits of the two funds are sent in to the Court of Audit.

5. *The Accounts.*

Extracts of the closed accounts for the year 1930-31 for each of the three forces have been furnished.

6. *Audit and Publication of the Accounts.*

The closed accounts are drawn up by the Directorate-General of Public Accounts, and sent by the latter to the Court of Audit not later than November 30th of the year in which the *exercice* terminates.

The Court of Audit checks the closed accounts and returns them, duly endorsed, within a period of two months, to the Finance Ministry. A copy of the closed accounts is laid on the table of the Chamber of Deputies.

The closed accounts are published after they have been passed by Parliament.

The accounts for past years have been approved by the two houses down to the 1929-30 *exercice*. The account for 1930-31 has been made up and sent to the Court of Audit. Of the two other accounts outstanding, that for 1931-32 will be made up between now and the end of next June and that for 1932-33 by the end of December. By 1935, the arrears in the accounts will be brought completely up to date (see Statement by the Finance Minister on the introduction of the 1934-35 budget in the Chamber).

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C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

1. *General Remarks.*

The relation between the accounts and the Model Statement has been established by means of reconciliation tables.

2. *Military Departments.*

(a) Expenditure to the extent of 403,834,163 drachmæ, shown in the Model Statement of the Land Forces, has been met from receipts of the *National Defence Fund*. This expenditure has been allocated as follows :

138,513,145 drachmæ under sub-head K,  
209,468,631 drachmæ under sub-head M,  
55,852,387 drachmæ under sub-head M (a).

(b) Expenditure to the extent of 37,271,726 drachmæ, shown in the Model Statement of the Naval Forces, has been met from receipts of the *National Naval Fund*. This expenditure has been allocated to sub-head L.

(c) Expenditure to the extent of 100,000,000 drachmæ shown in the Model Statement for the air forces has been met from an *extraordinary global credit* of that amount. This expenditure has been allocated amongst all the sub-heads of the Model Statement, except sub-heads B and D.

(d) The expenditure on *civil aviation* to be deducted from the total given in the Model Statement of the Air Force may be put at approximately 3,780,000 drachmæ.

(e) The expenditure on account of the *Mercantile Marine* (17,853,326 drachmæ) and *Lighthouses* (21,828,296 drachmæ) is included in the closed accounts of the Ministry of Marine. This sum has been deducted and is not included in the Model Statement.

3. *Civil Departments.*

The cost of the *gendarmerie*, which is under the Ministry of the Interior, has not been included in the Model Statement.

The Greek delegation has stated that the *gendarmerie*, notwithstanding its military formation, is not an organisation capable of being used for military purposes.

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D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE  
BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

1. *Separation of Expenditure on the Three Forces.*

A Model Statement has been furnished for each force. Separate budgets and accounts are kept for each force.

2. *Coast Defence.*

There was no expenditure on coast defence in the budgetary year 1930-31.

3. *Optional Columns.*

These have not been filled in.

4. *Division of Expenditure between the Sub-heads of the Model Statement.*

It would appear that certain expenditure allocated to *sub-head A* should more appropriately be allocated to other sub-heads of the Model Statement.

The expenditure, for example, on military schools of the land, naval and air forces has been shown under sub-head A in the tables for the three forces, though it would more properly have been shown under other sub-heads.

The expenditure on the Geographical Service of the land forces has been shown under sub-head A, but should be shown under sub-head E.

In the Model Statement of Air Forces a portion of the expenditure allocated to *sub-head B* apparently represents remuneration to civilian personnel.

In the Model Statement of Air Forces expenditure for labour has been charged to *sub-head C*, instead of being distributed between the sub-heads of the Model Statement and in particular to head IV.

In the Model Statement of land forces, a sum of 1,949,167.45 drachmæ, representing the expenditure involved in the participation of reservists in the army manoeuvres has been allocated to *sub-head D*.

In the Model Statement of naval forces, the expenditure on the purchase, repair and upkeep of motor vehicles has been included under *sub-head E*. According to the instructions of the budgetary experts, expenditure of this nature should be charged to head IV.

Expenditure on the purchase and repair of mechanical transport for all three forces has been charged to *sub-head G*. According to the instructions of the budgetary experts, expenditure of this nature should be charged to head IV.

In the Model Statement of naval forces the expenditure on artillery, torpedoes and material for naval construction and repair has been charged to *sub-head K*. This expenditure was merely expenditure on material required for instructional purposes.

5. *Head IV.*

No expenditure on personnel has been allocated to the sub-heads of head IV of the Model Statement for the three forces.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Tables A and B.*

As these tables have been omitted from the draft "Instruments necessary for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

*Table C.*

No entry has been shown in this table for any of the three forces. The Greek delegation states that the amount of the credits of the budgets of the Ministry of War and Ministry of Marine not utilised in the course of the 1930-31 *exercice* and transferred to the National Defence Fund and National Naval Fund was not included in Table C for the reason that these credits could not be drawn on by the funds in question without the approval of Parliament. The approval of Parliament is included in the Finance Act for the following year.

*Table D.*

A sum of 26,265,720 drachmæ has been shown in this table on account of purchases on credit of aeroplanes.

*Table E.*

No entry has been shown in this table.

*Table F.*

Sums amounting to 42,880,942 drachmæ and 4,559,248 drachmæ on account of pensions have been included in the closed accounts of the Ministry of War and the Ministry of Marine, respectively. These amounts have been excluded from the Model Statement and shown under this table.

The following amounts have also been included in this table :

<i>Table F of Model Statement of the Ministry of War :</i>	
	Drachmæ
Pensions charged to the budget of the Ministry of Finance (retiring pensions).....	25,500,000
Pensions charged to the budget of the Ministry of Public Welfare (war pensions) .....	229,430,000
 <i>Table F of Model Statement of the Ministry of Marine :</i>	
Pensions charged to the budget of the Ministry of Finance (retiring pensions) .....	35,600,000

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#### List of Documents.

Budgetary system : replies of the Greek delegation to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.51).

Model Statement. Annexed tables. Reconciliation tables (document Conf.D./C.D./C.T.191, dated May 20th, 1933). Other information was previously furnished by the Greek Government (see document C.221.M.116. 1932.IX, Conf.D.61, dated February 8th, 1932).

Budgets of the Ministry of War, Ministry of Marine and Air Ministry for the 1930-31 *exercice* (Ψηφισθής Γενικής Προβλεπτικῆς τῆς Χρήσεως 1930-1, ὑπουργεῖον στρατιωτικῶν, ὑπουργεῖον ναυτικῶν, ὑπουργεῖον ἀεροπορίας).

Closed accounts (expenditure statements) of the Ministry of War, Ministry of Marine and Air Ministry for the 1930-31 *exercice*.

Observations of Technical Committee on Documentation supplied by Greek Delegation (document Conf. D./C.D./C.T.208).

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## GUATEMALA.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budget is prepared by the various ministerial departments and co-ordinated by the Minister of Finance, who draws up the draft general State budget.

The draft budget is finally approved by the President of the Republic and the Ministers.

#### 2. *Discussion and Voting of the Budget.*

(a) The National Assembly consists of only one Chamber.

The draft budget is submitted to the National Assembly within fifteen days after the opening of the ordinary session.

The ordinary session of the Assembly opens each year on March 1st and lasts for two months from that date.

The members of the Assembly enjoy the right of initiative in matters of expenditure.

When voted by the Assembly, the budget is submitted for signature to the President of the Republic. He may refuse his approval and send the budget back to the Assembly, but if the latter ratifies the draft by a two-thirds majority, the President must sanction and promulgate the law.

(b) In accordance with the law, national defence expenditure must be voted each year before the beginning of the financial year.

(c) Expenditure must be authorised by law. No expenditure may be effected unless a corresponding credit has been included in the budget. Should a new credit be found necessary, a special law must be passed.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The budget as voted is published as an official document.

No draft budget has been communicated to the Committee.

The State accounts are published in the annual memoranda of the Minister of Finance on the financial position (*Memoria*).

#### 4. *Conditions governing the Expenditure of Credits.*

It has not been possible to ascertain whether the voting of a credit limits the amount of commitments or of payments. Neither has it been possible to ascertain whether credits may be carried forward from one financial year to the next.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The budgets of the various departments are divided into chapters (*capítulo*) and very numerous numbered items (*partida, número*).

There is only one Ministry of National Defence (*War Ministry*).

The budget of the National Defence Ministry comprises twenty-seven chapters, namely: One chapter for each territorial department (twenty-six departments) and one chapter for general expenditure. The chapter relating to each territorial department is divided into items relating to the expenditure of each garrison.

The expenditure on material relating to national defence is not divided into separate budgetary items.

(b) The closed accounts presented to the Assembly for its approval must contain full particulars and be accompanied by supporting documents.

#### 6. *Unity of the Budget.*

(a) The general budget of the State includes, in accordance with the law, all expenditure on national defence.

(b) The budgets and accounts show gross expenditure.

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NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Guatemala.



7. *Supervision during the Execution of the Budget.*

This supervision is exercised :

- (a) By the responsible administrative authorities;
- (b) By the Minister of Finance;
- (c) By the Central Accountancy Bureau. In order that a payment may be made, the Bureau must certify, by affixing its visa to the payment voucher, that the expenditure is provided for in the budget;
- (d) By the National Assembly, which approves the closed accounts.

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B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. *Budgetary Year.*

The budgetary year extends from July 1st to June 30th.  
It would appear that there is no additional period.

2. *Budgets and Accounts.*

There are separate sections in the budget for expenditure on land and air forces respectively.

3. *The Model Statement.*

The Model Statement has not been submitted.

4. *Execution of the Budget.*

It has not been possible to ascertain whether each Minister is entirely free to draw upon the credits voted for his Department as soon as the budget has been promulgated by the President of the Republic, without the prior sanction of the Minister of Finance.

5. *Audit and Publication of the Accounts.*

In accordance with the law, the Executive must submit to the National Assembly each year, during the first fifteen days of the ordinary session, a detailed account, accompanied by vouchers, of all receipts and all expenditure of the public administration during the previous year.

Since the ordinary session of the Assembly opens on March 1st, this account must be drawn up nine months after the end of the budgetary year.

The Committee has not been able to ascertain whether the accounts, before being submitted to the National Assembly, are audited by a supreme supervisory body whose members are independent of the Executive.

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C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

1. *Military Departments.*

The expenditure on the land and air forces (the latter actually came into existence on July 1st, 1929), shown separately in the budget of the Ministry of National Defence for the year 1933-34, amounts to a total of 1,780,000 quetzals.

2. *Civil Departments.*

It is not known whether any national defence expenditure is included in the budgets of civil departments. The expenditure in respect of the police appears in the budget of the Ministry of the Interior.

The expenditure on civil aviation appears under the heading "General Directorate of Civil Aviation" in the budget of the Department of Industry (Ramo de Fomento).

Civil aviation is, however, placed under the supervision of the Minister of National Defence.

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D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

In the absence of the Model Statement and reconciliation tables, it is impossible to make any observation on this matter.

The expenditure relating to head IV of the Model Statement cannot be identified in the accounts.

E. TABLES ANNEXED TO THE MODEL STATEMENT.

These tables have not been furnished.

Military pensions are shown in the budget of the public debt (deuda pública), together with civil pensions.

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List of Documents.

Constitution of the Republic of Guatemala of December 11th, 1879, amended on November 5th, 1887, August 30th, 1897, July 12th, 1903, and December 20th, 1927. (DARESTE: "Les constitutions modernes"; Volume IV, *Amérique latine*, 1932.)

"Presupuesto General" 1931-32 and 1932-33.

"Memoria de los Labores del Ejecutivo en el Ramo de Hacienda y Crédito público durante el año administrativo de 1930."

*The Bulletin of International News* (published by the Royal Institute of International Affairs, London).

*Armaments Year-Book*, 1932 and 1933 (published by the League of Nations).

## HAITI.

### A. BUDGETARY SYSTEM.<sup>1</sup>

#### 1. *Preparation of the Budget.*

The Secretary of State for Finance prepares each year and submits to the Council of Ministers, before February 1st, the budget of revenue for the next budgetary year, divided into chapters and articles. Each Minister prepares the expenditure estimates for his Department, divided into chapters and articles, and forwards them to the Secretary of State for of Finance before the 15th of the same month. The Secretary of State for of Finance embodies in a draft general budget the estimates of revenue and of the expenditure of the various ministerial departments, and submits the draft general budget to the Council of Ministers, with his recommendations for adjusting expenditure to revenue.

#### 2. *Discussion and Voting of the Budget.*

The general budget is submitted by the Secretary of State for of Finance to the Legislature not later than fifteen days after the opening of the ordinary legislative session. Whatever the date of its publication, the budget takes effect from the beginning of the budgetary year to which it applies.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The budget voted for 1933-34 was published in *Le Moniteur* on August 24th, 1933.

For the budgetary year 1933-34, the following rules were made applicable to accounts :

The general accounts, which have to be submitted to the Legislature by the Secretary of State for of Finance under the Constitution, consist of four statements—together with supporting vouchers—drawn up by him, showing the whole revenue and expenditure from public funds during the budgetary year.

Having found the accounts in order, the Legislature legally releases Ministers from responsibility in respect to the period under review. The Bill regulating the accounts is submitted to the Legislature, together with the general accounts referred to in the preceding paragraph.

#### 4. *Conditions governing the Expenditure of Credits.*

Budgetary credits represent actual financial provision.

No commitment may be entered into for a period extending beyond the current budgetary year.

Any budgetary credit may be used, during the first three months of the following budgetary year, to discharge any obligation of the same nature contracted during the previous budgetary year, provided that the unexpended balance of the credit for the previous budgetary year to which the expenditure was chargeable is not exceeded.

#### 5. *Division of Expenditure in Budget and Accounts.*

The whole of the expenditure on the "Garde d'Haïti," the "Maison militaire du Président," the "Musique," the Rural Constabulary, the Prisons, the Coast Service, and the Military School is included in the budget of the Department of the Interior, as there is no National Defence Department.

All the above expenditure was divided into eleven articles in the 1931-32 budget, but the 1933-34 budget shows it all in one single article.

#### 6. *Unity of the Budget.*

Certain expenditure known as "Expenditures of funds derived from sources other than revenues" is mentioned in the annual report of the Financial Adviser, dated December 29th, 1932. This expenditure is small, and none of it refers to national defence.

<sup>1</sup> The budgetary system which was in force during the financial year 1930-31, for which the Haitian delegation submitted its Model Statement, was based to a large extent on the provisions embodied in the actual Finance Act (Act fixing Ways and Means).

In this summary a brief description is given of the budgetary system as established by the Law of July 31st, 1933 (Act dealing with the Budget and Public Accounts and the Expenditure for the Budgetary Year 1933-34), which combines a Finance Act with a Law on Accounting Procedure.

NOTE.—The text of this summary has been revised in accordance with observations received from the Haitian delegation.

### 7. *Supervision during the Execution of the Budget.*

A law was passed in the summer of 1934 constituting the Audit Chamber.

This body, which is to be elected by Parliament, will normally take the place of the system of audit by the office of the American Financial Adviser. It will audit the public accounts, check the expenditure with the annual budget voted, and submit to the Legislature, at the opening of the ordinary session of the Chambers, when the Secretary of State for of Finance lays before the latter the general accounts of the Republic, a careful and detailed report together with the observations arising out of its technical examination. It is on the basis of this report that the Legislature will declare the Ministers released from their liability, or arraign, if necessary, all persons responsible for the administration of State moneys before the competent judicial authorities, with a view to the infliction of penalties for any breach of the Treasury rules and for any peculation.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year extends from October 1st to September 30th.  
There is no additional period.

### 2. *Budgets and Accounts.*

As observed above, there is no national defence budget or account, such expenditure being shown only in a special chapter in the budget of the Ministry of the Interior.

### 3. *Model Statement.*

The Model Statement submitted is based on expenditure for the budgetary year 1930-31.

As the Republic of Haiti possesses neither naval nor air forces, only the table relating to land forces has been filled in.

### 4. *Execution of the Budget.*

An order for payment (ordonnancement) may only be issued when an obligation has been verified and approved. The actual payment voucher is appended to the order for payment, and the two documents together are called an order-voucher (ordonnance-mandat).

When the orders for payment issued by Ministers in accordance with the budget or the laws and decrees wherein the credits are provided are proved to be in order and authentic, the payment vouchers are endorsed by the Secretary of State for of Finance.

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## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

The Model Statement submitted by the Haitian delegation was not accompanied by reconciliation tables. It is probable that the Statement was drawn up without serious difficulty.

### 2. *Expenditure not included in the Budget of the Interior.*

Apparently no expenditure is incurred on the "Garde d'Haiti" other than that entered in the budget of the Ministry of the Interior.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS, AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure on the Three Forces.*

The question of the distribution of expenditure between the three forces does not arise, as the Republic of Haiti has neither a navy nor an air force.

### 2. *Division between the Sub-heads of the Model Statement.*

In the absence of a reconciliation table, no material exists for observations on this point.

E. TABLES ANNEXED TO THE MODEL STATEMENT.

1. *Tables A and B.*

As these tables have been omitted from the draft "Instruments necessary for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

2. *Tables C, D and E.*

These tables are missing, but in all likelihood a "nil" entry would have had to be made.

3. *Table F.*

Pensions are not included in the budget of the Interior.

The following three items appear in the budget of the Finance Department for 1931-32 :

	Gourdes
122. Military pensions .....	7,500
123. Pensions on superannuation .....	103,200
124. Annuities .....	31,800

It is not known whether items 123 and 124 include military pensions.

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**List of Documents.**

- Model Statement of expenditure during the fiscal year 1930-31 (document C.197.M.99.1932.IX (Conf.D.63).)
- General budget for the financial year 1929-30 (published in *Le Moniteur*, No. 78, of September 30th, 1929) prorogued for the financial year 1930-31. (See *Le Moniteur*, No. 72, of September 4th, 1930.)
- General budget for the financial year 1931-32 (published in *Le Moniteur*, No. 37, of May 16th, 1932).
- General budget for the financial year 1933-34 (published in *Le Moniteur*, No. 88, of August 24th, 1933).
- Annual reports of the Financial General Receiver for the fiscal years : October 1929 to September 1930; October 1930 to September 1931; October 1931 to September 1932.

## HONDURAS.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budgets are prepared by the various ministerial departments and co-ordinated by the Minister for Finance, who draws up the draft general State budget.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget is submitted to Congress during the ordinary session, which opens on January 1st and lasts sixty days.

Congress consists of a single Chamber.

It has been impossible to ascertain whether the meetings of Congress are public and whether a record of the proceedings is published.

The Ministers who are appointed by the President of the Republic may take part in the discussions of Congress but are not entitled to vote.

The budget as voted by Congress is submitted for approval to the President, who is allowed a period of ten days during which he may suspend its promulgation. Should he exercise his right of veto, Congress is obliged to consider his objections. If Congress pronounces by a two-thirds majority in favour of the budget previously voted, the latter acquires force of law.

(b) Expenditure is authorised by law.

(c) National defence expenditure is in principle fixed annually, though the law permits the budget of the previous year to be prorogued.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The Technical Committee has not received a draft budget from Honduras.

The budget as voted is published as an official document before the beginning of the budgetary year.

The closed accounts are published in the Finance Minister's annual memorandum on the financial situation (*Memoria*) compiled for the National Assembly.

#### 4. *Conditions governing the Expenditure of Credits.*

The material at the Committee's disposal has not made it possible to ascertain the conditions governing the expenditure of credits.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The budget (*Presupuesto general*) has a separate section for the National Defence Ministry (*departamento de Guerra, Marina y Aviación*), the expenditure on which is, in the 1932 budget, divided up into eighteen chapters (*capítulo*), subdivided into heads (*sub-sección*), which in turn are further subdivided into budgetary items.

There is a chapter headed "Unforeseen expenditure" (*gastos imprevistos*), in which is provided a lump sum for expenditure on material.

(b) The accounts in the "*Memoria*" are presented in the same form as the budget.

#### 6. *Unity of the Budget.*

(a) In principle, the general budget includes all State expenditure on national defence.

(b) The Committee has been unable to ascertain whether any extra-budgetary resources are appropriated for national defence expenditure.

Similarly, it is not known whether the figures in the budgets and accounts are gross or net.

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NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Honduras.

7. *Supervision during the Execution of the Budget.*

Supervision is exercised :

(a) Through the scrutiny of the responsible administrative authorities;

(b) By an Accounts Bureau in each ministry (Secretaria de Estado).

This Bureau, which is responsible to the Minister to whose Department it is attached, carries out the internal audit of the accounts.

(c) By the Ministry of Finance, which allocates funds monthly to the various ministries on the basis of the credits granted in the budget.

(d) By the Central Accounts Bureau (Oficina de Centralización de Cuentas), which receives monthly from the Accounting Sections of each ministry statements of revenue and expenditure and whose duty it is to see that the monthly credits granted are not exceeded.

(e) By the High Court of Audit (Tribunal Superior de Cuentas), which is responsible for endorsing all commitments and payment vouchers as well as any administrative decisions involving expenditure.

8. *Final Audit.*

The final audit is carried out :

(a) By the High Court of Audit. The closed accounts of all ministries are transmitted to the Central Accounts Bureau, by which, after verification, they are communicated to the Court of Audit. The latter ascertains whether the closed accounts have been drawn up in accordance with the law and whether they agree with its own records.

The Court is an autonomous body whose members are appointed by Congress. It acts on the authority delegated to it by Congress.

(b) By Congress, on the basis of the Court's report; it is by Congress that the Ministers and higher administrative authorities are discharged from further responsibility or called to account.

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B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. *Budgetary Year.*

The budgetary year extends from August 1st to July 31st.

In the absence of the necessary particulars, it has been impossible to ascertain whether there is an additional period during which it is possible to make payments relating to commitments entered into during the previous budgetary year and booked in the accounts for that year.

2. *Budgets and Accounts.*

There is only one single ministry and one single budget of national defence.

3. *Model Statement.*

As no Model Statement was supplied, no comments can be made on this subject.

4. *Execution of the Budget.*

Payments are made by the officials of the various Departments charged with this duty out of credits allocated to them by the Finance Ministry.

5. *Accounts.*

The accounts have separate heads showing the payments made and the liabilities incurred, the total of which is set against the figures of the budget.

Arrear payments are apparently charged to special accounts.

6. *Audit of the Accounts.*

The accounts are audited in accordance with the rules set out under A. 8 above.

Neither the date on which the accounts are drawn up by the Minister for Finance nor those on which the closed accounts are examined by Congress and published are known.

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C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

1. *Military Departments.*

The total expenditure provided for in the budget of the National Defence Ministry for the 1933-34 financial year is 1,579,729 lempiras, which includes also the expenditure on pensions amounting to about 380,000 lempiras.

*2. Civil Departments.*

In the light of the heads of expenditure shown in the budgets of the civil ministries, it would appear that none of this expenditure should be entered in the Model Statement. The State accounts for 1929-30 contain a section headed "Cuentas suplementarias", in which the cost of maintaining public order (Sostenimiento de Orden Público) is entered as 708,552 lempiras. It is not known whether all or part of this amount should be regarded as national defence expenditure.

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**D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.**

*1. Separation of Expenditure on the Three Forces.*

According to the budget of the National Defence Ministry, Honduras only possesses land and naval forces.

The expenditure on these two armed forces is not clearly separated, especially in the case of expenditure on personnel.

A considerable number of services is common to the two forces.

*2. Division of Expenditure between the Heads and Sub-heads of the Model Statement.*

As no Model Statement or reconciliation tables were supplied, no comments are possible under this head.

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**E. TABLES ANNEXED TO THE MODEL STATEMENT.**

These tables were not supplied.

Expenditure on pensions is borne on the budget of national defence.

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**List of Documents.**

Constitution of the Republic of Honduras, September 10th, 1924. (ALTAMIRA: "Colección de textos para el estudio de la Historia y de las Instituciones de América", Volume I.)

"Presupuesto General de Ingresos y Exgressos" and "Disposiciones generales", together with "Presupuesto General de Gastos" for the years 1930-31, 1931-32, 1932-33, 1933-34.

"Memoria di Hacienda y Crédito Público" for the years 1929-30 and 1930-31.

*The Bulletin of International News* (published by the Royal Institute of International Affairs, London).

*Armaments Year-Book*, 1933 (published by the League of Nations).



## HUNGARY.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Budget.*

The draft budgets are prepared by the several Ministerial Departments; they are checked by the Finance Ministry, which draws up the draft general budget, and then submitted to the Diet.

#### 2. *Discussion and Voting of the Budget.*

(a) The Diet ("Országgyűlés") consists of two Houses (Chamber of Deputies ("Képviselőház") and Upper Chamber ("Felsőház")), which together constitute the legislature.

(b) The Commissions of the two Houses subject the general State budget as submitted by the Finance Ministry to a preliminary examination and report to Parliament. On the basis of this report, Parliament proceeds to a discussion of the draft budget at first in general and subsequently in detail. The discussions are public and a report of the debates is published.

The draft budget is introduced in the Chamber of Deputies; the Upper Chamber is not entitled to amend the budget as passed by the Chamber of Deputies but it may refer it back to the latter for further discussion.

When voted by the Diet the budget is submitted to the Regent for his assent.

(c) The budget is voted, as a rule, before the beginning of the budgetary year.

(d) The budget is brought into force by the publication of the budgetary law. If, for any reason, the budget has not been adopted by the required date, Parliament authorises the Government to effect expenditure within the limits of the credits provided in the preceding budget until the new budget is voted. The period during which such authorisations remain valid has to be specially fixed on each occasion.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget is published on submission to Parliament.

The budgetary law is published in the legal records and in the Official Journal ("Budapesti Közlöny").

The closed accounts are published.

#### 4. *Conditions governing the Expenditure of Credits.*

The credits voted lay down the limits within which orders for payments may be issued. The accounts show both orders for payment and actual disbursements.

All payments made in the course of any given budgetary year are shown in the accounts for that year.

There are no authorisations of commitments: the various Departments may not enter into commitments to be financed out of funds chargeable to subsequent budgets.

The carry-forward of credits is only permitted in the case of credits voted for capital outlay (purchase and construction of property of a permanent nature); the period during which such credits may be drawn upon is two years.

Supplementary credits may be voted by Parliament in respect of all expenditure not provided for or insufficiently covered by the budgets.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The estimates of expenditure are arranged and voted under chapters ("Fejezet"). There is a chapter for each Ministerial Department. The chapters of the budget are divided into heads ("cim"), columns ("rovat"), and secondary columns ("alrovat").

The national defence budget is divided as follows:

- I. Ordinary expenditure;
- II. Extraordinary expenditure:
  - (a) Non-recurrent expenditure;
  - (b) Capital outlay;
- III. Ordinary revenue;
- IV. Extraordinary revenue.

(b) The closed accounts are drawn up in the same form as the budgets and show an equal degree of detail, except in so far as concerns the secondary columns ("alrovat"), which do not appear in the closed accounts.

They also show as against the credits voted and those unexpended from the previous year: the orders for payment issued and the payments effected in the course of the year and the balance available at the end of the year.

The accounts for 1929-30 show military expenditure under fifty-three sub-divisions.

(c) Transfer is only permitted as a general rule between the secondary columns ("alrovat").

Apart from this rule, the budgetary law may grant authority for transfers between columns and heads, but only within the same chapter of the budget.

#### 6. *Unity of the Budget.*

(a) All national defence expenditure is included in the general budget and is also shown in the closed accounts. There are no special budgets, accounts, or funds.

There are no establishments for the manufacture of war material possessing budgetary autonomy.

In Hungary there are no extra-budgetary resources available for defence purposes.

Apart from the Departments of State, there are no public or private bodies for financing national defence expenditure.

The budgets of the counties, municipalities or other authorities do not include any expenditure for national defence.

(b) The expenditure shown in the budget is gross.

#### 7. *Supervision of the Execution of the Budget.*

Supervision with a view to ascertaining that credits are expended in accordance with the law is exercised by the accountancy services of the various Ministerial Departments and in the last instance by the High Court of Audit ("Legfelsőbb Allami Számvevőszék").

The accountancy service in each Department is independent of the officials responsible for making payments. Its supervision is exercised during the budgetary year, either continuously on the basis of the accounts transmitted to it by the competent authorities or by means of administrative supervision which takes the form of inspections carried out without warning.

Every State authority spending funds or administering stocks is required to render accounts to the competent accountancy service; such accounts are rendered at the end of each month in the case of funds entrusted to the authority concerned, and in the case of stocks at the end of each year.

The monthly accounts are examined by the accountancy services within sixty days of their submission. Supervision of the regularity of all payment orders is carried out before payment by the accountancy services of the various Ministerial Departments.

The accountancy services are required to draw up the closed accounts on the basis of the monthly accounts within four and a-half months of the end of the budgetary year and to submit them to the High Court of Audit.

The High Court of Audit is required to submit the closed accounts for the past budgetary year to Parliament within twenty months of the beginning of that year.

The High Court of Audit is independent of the executive authorities; it operates by authority conferred upon it by Parliament, to which alone it is responsible.

The accounts audited by the High Court of Audit are laid before Parliament. They are examined by the Commissions of the Chambers, which report to their respective Houses. It is on the basis of this report that the accounts are finally passed (or otherwise) by the two Houses.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year extends from July 1st to June 30th  
There is no additional period.

### 2. *Budgets and Accounts.*

There is a separate budget for the National Defence Ministry ("Honvédelmi").  
There are no naval or air forces.

### 3. *Model Statement.*

The Model Statement is based upon expenditure for the year 1929-30. The table relative to the land forces has been filled up.

#### 4. Execution of the Budget.

Ministers may not exceed the credits assigned to them, save by authority of the Ministry of Finance.

The Minister for Finance authorises the National Bank to open a special account for each Ministerial Department at the Post Office Savings Bank. Each Department may avail itself of the monthly credits opened in its name within the limits laid down by the budget.

Orders for payment may not be issued or disbursements made until the supplies to which they relate have been delivered and the relevant invoices, together with the amounts involved, duly checked.

Payments are made on behalf of the Department concerned by the Post Office Savings Bank acting as an agent of the National Bank, either by cheque or by transfers to the creditors' accounts.

### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. General Remarks.

The amounts shown in the Model Statement represent payments actually made during the budgetary year.

As the *police, gendarmerie, river guard* and *Customs guard* are not regarded by the Hungarian delegation as formations organised on a military basis, the expenditure concerning them was not included in the Model Statement.

#### 2. Military Departments.

Expenditure in respect of *pensions* is shown in the Ministry of National Defence chapter of the budget and account, though under a separate head. Such expenditure was not included in the Statement.

#### 3. Civil Departments.

Certain credits common to a service of the national defence organisation and to an analogous service operated by the *formations responsible for maintaining public order* are administered by the latter in virtue of an arrangement with the Inter-Allied Military Control Commission in Hungary; such credits are accordingly shown in the budgets and in closed accounts of the Ministries responsible for their administration.

This expenditure was included in the Model Statement with a reference to the accounts (chapter, head and column) in which it is to be found.

Items of expenditure shown in the budgets of Ministerial Departments other than the National Defence Department are as follows :

Chapter XII—Head 3—Columns 15, 16, 17	Expenditure of the services responsible for the supplies of the various branches of the home police.
» XIII—Head 3—Columns 9, 10, 11	State Cartographic Service.
» XIV—Head 4—Columns 8, 9, 10	State depot of material.
» XIV—Head 9—Columns 7, 8, 9	Service responsible for the technical inspection and reception of public supplies.
» XIV—Head 9—Columns 10, 11, 12	Repair workshops.
» XIV—Head 9—Columns 13, 14, 15	Motor Service.
» XV—Head 3—Columns 10, 11, 12	Horse breeding.
» XVI—Head 3—Columns 7, 8, 9	Other State hospitals.

In the statement, the total amount of such expenditure was distributed as follows :

(a) In respect of the maintenance of the army under Heads I to III (stores of food, bedding and laundry material, stores of clothing, hospitals, Cartographic Institute, factory for the repair of vehicles and harness, horse breeding, veterinary service, central stores of postal and telegraphic material) : 7,134,873.60 pengö.

(b) In respect of war material under Head IV (State factory for the repair of arms, stores of technical material, motor service) : 1,396,050.96 pengö.

#### 4. Special Questions.

The State factory for the repair of arms is not an autonomous establishment.

D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE  
BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

1. *Separation of Expenditure on the Three Forces.*

Hungary has no naval or air forces.

2. *Division of Expenditure between the Heads and Sub-Heads of the Model Statement.*

Although the documentary material supplied is incomplete, it points to the conclusion that the distribution of expenditure between the sub-heads of the Model Statement can be carried out without undue difficulty.

3. *Head IV. Separation from the Other Heads.*

See remarks under D. 2 above.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

1. *Tables A and B.*

As these tables have been omitted from the draft "Instruments for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

2. *Tables C, D and E.*

No figure was returned in these tables.

As the Hungarian budgetary system permits the carry-forward of certain credits from one year to another ("arrears"), some figure will have to be entered in Table C.

This will give rise to no difficulty, as the amount of the "arrears" is already to be found in the closed accounts.

3. *Table F.*

The total amount of pensions was duly entered and the various items can be verified in the closed accounts.

War pensions are not included in ordinary pensions.

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List of Documents.

Budgetary system : Reply of the Hungarian delegation to the Technical Committee's Questionnaire (document Conf.D./C.D./C.T.30).

Model Statement and Annexed Tables (document C.914.M.480.1931.IX [Conf.D.34] and *corrigendum*).

Letter from the Hungarian delegation, dated April 26th, 1932, with annexes.

Summary Budget ("Magyar Állam Költségvetése-Sommázat") for the 1929-30 budgetary year.

Budget of the National Defence Ministry ("Állami Költségvetés-Honvédelmi Ministerium") for the 1929-30 budgetary year.

Closed Accounts ("Á Magyar Állam Zárszámadosa") for the 1929-30 budgetary year.

Report of the High Court of Audit on the Closed Accounts ("A.M. Kir. Legfőbb Állami Számvevőszék-Jelentése a zárszámadosához") for the 1929-30 budgetary year.

Memorandum on Public Finance 1926-1928 (published by the League of Nations).

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## IRAQ.<sup>1</sup>

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budget is prepared annually by the various Ministerial Departments under the general supervision of the Minister for Finance.

#### 2. *Discussion and Voting of the Budget.*

The budget is submitted for approval to Parliament (Chamber of Deputies and Senate) and is promulgated by Royal Decree. The budget for the budgetary year 1933-34 was promulgated on June 22nd, 1933.

The meetings of the Chamber of Deputies and Senate are held in public and the debates are publicly reported.

In the event of its being found necessary to incur at short notice, and while Parliament is not in session, expenditure which is not sanctioned by the budget or by a special law, the King may, with the assent of the Council of Ministers, promulgate Royal Decrees for the purpose.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget is not officially published, but it is distributed in printed form to members of Parliament.

The budget is published annually by the Ministry of Finance.

The Committee has had no opportunity of studying any closed account. The Iraqi delegation has informed it that the closed accounts are published after approval by Parliament.

#### 4. *Conditions governing the Expenditure of Credits.*

The credits shown in the budget represent actual financial provision.

After the Royal promulgation of the Budgetary Law, the execution of the budget is carried out under the responsibility of the Minister of Finance. Ordinarily, Ministers cannot incur expenditure against the new estimate before receiving confirmation of the promulgation of the budget from the Minister of Finance.

In each Ministry, there is a responsible Accountant.

Funds to meet the expense of Ministries are obtained from the central Treasury.

Under the powers conferred upon him by Parliament, the Minister of Finance can authorise the Ministries concerned to enter into agreements or conclude contracts up to a total figure, not exceeding a stated aggregate amount, as a charge against credits to be voted in respect of the following financial year (the sum chargeable against the credits of the 1934-35 financial year, which the Departments were authorised to expend in 1933-34, was 80,000 dinars). The Minister of Finance can also make advances not exceeding 20 per cent of the total amount of such agreements or contracts, provided always that provision is made for interest at a rate to be determined by the Minister of Finance.

Article 98 of the Constitution lays down the principle of *annuité* in regard to expenditure. As an exceptional measure, however, Parliament may authorise certain expenditure to be spread over a period of years (Article 103).

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The general State budget, which is mentioned in the annexed list of documents, is divided into chapters corresponding to the various Ministries and Departments. Chapters are divided when necessary into sections, the subdivisions of which are termed "Votes". The chapter appertaining to the Ministry of Defence includes five sections, containing in all ten "votes".

The Iraqi delegation has informed the Committee that there exist printed budgets for each Department, containing more details than the general budget.

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<sup>1</sup> Iraq was admitted to membership of the League of Nations on October 3rd, 1932, on which date the mandatory responsibilities entrusted to the United Kingdom by the League of Nations in regard to the administration and government of that country terminated. The only budgetary documentation which the Committee has had at its disposal in respect of the period subsequent to the above-mentioned date is a copy of the budget and a copy of the general Budgetary Law for the budgetary year 1933.

(b) The Iraqi delegation has stated that the accounts are drawn up under the same divisions and subdivisions as the budget.

(c) Transfer of provision from one vote to another is not allowed except by special law. The Minister of Finance can make transfers within any given vote.

#### 6. *Unity of the Budget.*<sup>1</sup>

All the national defence expenditure is borne by the State of Iraq and is shown in the general budget.

The British Government up to the end of September 1932 has borne the expenditure of the British military mission whose name has been changed since that time into "British Advisory Military Mission". All its expenditure is shown in the general budget of the Kingdom of Iraq.

The chapter "Ministry of Defence" provides for expenditure on the land and air forces (there are no naval forces), with the exception of "Pensions and Gratuities", which are included in Chapter I of the budget ("Public Debt and Pensions").

There are no autonomous military establishments.

The figures represent gross expenditure.

Donations and legacies accepted by the Government go to increase the budgetary credits appropriate to the purposes for which such donations and legacies are made.

#### 7. *Supervision during the Execution of the Budget.*

The Minister for Finance arranges for the internal audit of the expenditure of the various Ministries and Departments. Under his orders, the Accountant-General's Department ensures that all receipts and expenditure are brought to account in accordance with the regulations.

The Military Accountant-General, under the Ministry of Defence, carries out the supervision during the execution of the national defence budget.

#### 8. *Final Audit.*

The final accounts for the financial year must be submitted to the "Comptroller and Auditor-General" not later than November 30th of the following financial year.

The Comptroller and Auditor-General carries out the final audit of the general budget, which includes that of the national defence. He is responsible to the legislature and is independent of the executive. His duty is to audit the public accounts and to report the results of his examination to Parliament. This report states, *inter alia*, whether expenditure has been kept within the limits of the amounts voted by Parliament and whether payments have been made in accordance with the law. It is submitted to Parliament before January 15th of the following budgetary year, if Parliament is sitting, or, if not, within one week after Parliament has next assembled.

The Minister for Finance submits to Parliament, within one month of the presentation of the Comptroller and Auditor-General's report, a draft law approving the accounts and sanctioning any excess of actual final expenditure under any vote over that previously sanctioned.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year commences on April 1st and ends on March 31st. There is no additional period.

### 2. *Budgets and Accounts.*

There is only one Ministry of Defence.

The budget distinguishes between the expenditure on the land and air forces in so far as pay and allowances are concerned. There is no distinction as regards stores, animals and works for the land and air forces and all expenditure is registered in the vote 67 of the general votes of the budget.

It is not known to what extent the closed accounts distinguish between the expenditure of the two forces.

### 3. *The Model Statement.*

No Model Statement has been submitted.<sup>2</sup>

<sup>1</sup> Under the Treaty of Alliance between the United Kingdom and Iraq, dated June 30th, 1930, which includes provisions regarding the military assistance which the two contracting parties shall furnish to each other in case of war or immediate threat of war, His Britannic Majesty is authorised to maintain military forces in certain parts of Iraq.

<sup>2</sup> Since the adoption by the Technical Committee of this Summary, the Iraqi Government has forwarded a Model Statement based on the accounts for 1932.

4. *The Accounts.*

The Committee has had no opportunity of examining the closed accounts.

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C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

1. *General Remarks.*

Although the Iraqi delegation has not as yet had an opportunity of furnishing Model Statements, there is no reason for supposing that the compilation of such statements would give rise to any particular difficulty.

2. *Military Departments.*

The administrative expenditure of the Ministry of Defence, together with that on the land and air forces, is included in the budget and accounts of the Ministry of Defence. For the year 1933-34, the total provision made in the budget for national defence amounted to 826,670 dinars.

3. *Civil Departments.*

The budget for the financial year 1933-34 shows the following items of expenditure borne under heads of the budget, other than those pertaining to the Ministry of Defence :

Chapter I, 2 : Pensions and Gratuities—total, 162,415 dinars;

Chapter VIII, A : Iraqi Police—total, 534,355 dinars, borne upon the budget of the Minister for the Interior;

Chapter XII, Section II : Survey Department—total, 41,195 dinars;

Chapter XII, B (vote 89) : Buildings and Bridges and Road Improvement—total, 86,000 dinars;

Chapter XII, C : Post and Telegraph Services—total, 165,780 dinars.

The Iraqi delegation states that no portion of the above-mentioned expenditure comes under the heading of national defence expenditure.

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D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

In the absence of a Model Statement, it is not possible to give any information under this head.

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E. ANNEXED TABLES.

*Tables A and B.*

As these tables have been omitted from the draft " Instruments for the Application of a System of Publicity of National Defence Expenditure " (document Conf. D.160), no comment is called for under this heading.

*Tables C, D and E.*

Not supplied.

*Table F.*

Not supplied.

Pensions are not included in the budget of the Ministry of National Defence.

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List of Documents.

1. Budget of the Iraqi Government (1933), including a copy of the general Budgetary Law for the financial year 1933 (No. 29) (published by the Ministry of Finance).
  2. Letter, dated July 19th, 1933, addressed by the Iraqi delegation to the Secretary-General of the League of Nations.
  3. The Iraqi Constitution of March 21st, 1925; official translation, 1928.
  4. Law for an Audit Department of Public Accounts, No. 17 of 1927.
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## LATVIA

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### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budgets, prepared by the various ministerial departments, are sent to the Ministry of Finance.

Before framing the draft general budget, the Finance Minister, in collaboration with the representatives of the State Audit Department and the Ministries concerned, examines the drafts submitted with a view to adapting them to the estimates of revenue.

The draft State budget framed by the Finance Minister is given its final form by the Council of Ministers and laid before Parliament with a statement of the general financial situation and the reasons for any changes made in expenditure from one year to another.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget is first examined in three readings by the Parliamentary Budget Commission, which adopts it paragraph by paragraph and item by item. The discussions of this Commission are not public. The draft budget is then submitted to Parliament (Saeima), which is a single-Chamber body.

Reports by one or more members of the Budget Commission are submitted to plenary sessions of Parliament on the draft budgets of each department.

Parliamentary discussions on the budget are public, and verbatim reports of the meetings are published in the "Seimas stenogramas". Members of Parliament have the right of initiative in regard to expenditure and may move reductions in the Government's expenditure proposals. The present procedure is that the budget is voted *en bloc* for each department, separate votes being taken only on the amendments moved at meetings of Parliament.

(b) The budget is, in principle, voted annually before each budgetary year opens.

Should the State budget not be adopted before the beginning of the budgetary year, the Finance Minister, in pursuance of a decision by the Council of Ministers, grants monthly credits. Such monthly credits may not, in principle, exceed one-twelfth of the budget expenditure for the past year. Should larger credits, however, be necessary, these may be granted by the Finance Minister, with the permission of the Council of Ministers and the approval of the State Auditors. These measures hold good until the budget is passed by Parliament.

Parliamentary approval need not be asked for such a decision by the Council of Ministers in the case of the ordinary budget, but is necessary in the case of extraordinary expenditure.

(c) Expenditure is, as a general rule, authorised by law.

#### 3. *Publicity of the Draft Budget, Budget and Accounts.*

The draft budget is not published.

The budget voted (Valstsbudzets) and the accounts (Parskats), together with their annexes, (Pielikums Parskatam) are published.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) All the credits voted are payment credits. When an expenditure commitment has been assumed but no payment made during the budgetary year, the amount thereof is cancelled in the budget subdivision containing the corresponding credit and transferred to the "Reserve Fund". Expenditure charged to a reserve fund may be defrayed during a period of six months after the close of the budgetary year. Payments made during this period must be kept within the limit of the amounts transferred to the reserve funds, and are booked in the accounts of the year during which the corresponding expenditure commitment was assumed.

Claims against the State are usually statute-barred after ten years. The only claims which lapse after the expiry of one year are those relating to personnel services.

(b) There are no block credits voted for more than one budgetary year. Should it be necessary to defray expenditure which would be spread over a number of years, a special law for the purpose would be required, and the annual blocks of expenditure would have to be fixed in the successive budgets.

Credits may be carried forward from one year to another by statute in the case of extraordinary expenditure on new buildings or capital repairs. This exception is strictly limitative.



### 5. *Division of Expenditure in Budget and Accounts.*

(a) The State budget includes ordinary and extraordinary expenditure arranged in paragraphs, these latter being subdivided into articles and chapters.

The National Defence Department's budget is subdivided in the same way as the budgets of other departments, but the State budget publishes only the total of the figures composing it.

(b) The closed accounts are drawn up in the same form as the budget.

(c) Transfers may be made inside the articles only and with the permission of the State Audit Department.

### 6. *Unity of the Budget.*

In principle, all State expenditure is included in the general budget. In special cases—e.g., war, floods, etc.—the Council of Ministers may, on the motion of the Finance Minister, submit to Parliament a supplementary budget within the six months following the opening of the budgetary year and only once a year. There is also a "Reserve Fund" formed from the budget surpluses and earmarked for meeting extraordinary State expenditure due to war, floods, etc. The assets of the Reserve Fund, which is administered by the Finance Minister, may only be used in virtue of special laws. These laws may relate to national defence. Sums advanced from the Reserve Fund are shown in the accounts in a single aggregate amount as receipts paid to the Treasury. This expenditure is, however, shown in the accounts under the usual heads of the war budget.

### 7. *Supervision during the Execution of the Budget.*

This supervision is exercised :

(a) By the "Finance Section of the Supplies Department" of the Ministry of War (Kara ministrijas apgādes pārvaldes finanšdala), which is responsible for administering the credits and accounting for the expenditure;

(b) By the State Audit Department, which periodically scrutinises all the financial transactions of Government and municipal bodies from the standpoint of the expediency and correctness of the expenditure.

The quarterly accounts of Government institutions, with the relevant documents attached, must be submitted for checking to the State Auditors.

The State Audit Department comprises :

The State Comptroller, who has the same powers as Ministers. He is appointed by Parliament for a term of three years.

The Council and Departmental Boards, the members of which are designated by the Council of Ministers and appointed by Parliament for a term of four years.

### 8. *Final Audit.*

This supervision is exercised :

(a) By the State Audit Department, which checks and authenticates the closed accounts and submits a report to Parliament on the execution of the budget. This report is printed but is only circulated to the Departments.

(b) By Parliament, which gives final approval in public session to the closed accounts of the State and relieves ministerial departments from responsibility for their administration. A record of these meetings is published. Parliamentary approval is given in the form of a simple decision. No law is passed approving the accounts (*loi de règlement*).

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from April 1st to March 31st.

There is a six-month period during which commitments assumed during the past budgetary year may be paid out of the "Reserve Fund".

Surplus credits from the budgets of previous years are paid into the "Reserve Fund" and may be expended during subsequent years under a special law.

### 2. *Budgets and Accounts.*

There are no separate Ministries for the three forces. The published State budget for 1929-30 has only single aggregate figures for ordinary and extraordinary expenditure on national defence.

Similarly, the published closed account for 1929-30 contains only two aggregate figures for national defence expenditure.

The unpublished budget of the War Ministry, however, is divided into twelve paragraphs, subdivided into fifty-one articles (parts).

The Latvian delegation has supplied the Conference with, among other documents, a statement of national defence expenditure consisting of fifty-three subdivisions. This corresponds to the subdivision observed in the unpublished budgets and accounts and shows more particularly the purpose of the expenditure.

The Latvian Government states that, in the event of a Convention being concluded, the published budget and accounts could be similarly subdivided.

### 3. *The Model Statement.*

The Model Statement has been drawn up on the basis of the unpublished closed account for the budgetary year 1929-30. The figures in the Model Statement represent the payments actually made.

### 4. *Execution of the Budget.*

Since the financial year 1932-33, the credits entered in the State budget are put by the Finance Minister at the disposal of the various departments in instalments of one-twelfth intended to cover the expenditure of each month.

Should larger credits, however, be required, they may be granted by the Finance Minister with the permission of the Council of Ministers and State Audit Department.

Expenditure commitments may be assumed, expenditure liquidated and payment orders issued by the competent sections of the various departments authorised to utilise credits.

The duties of accounting officer and auditing officer in the National Defence Ministry are discharged by different officials.

Payments are made through the Bank of Latvia, which is an independent State bank, against presentation of payment warrants up to the amount of the credits at the disposal of the department issuing the warrant.

### 5. *The Accounts.*

The closed accounts show the payments made during the budgetary year for the various budgets.

In the case of the reserve fund a single aggregate figure is shown for the amount of payments made during the following six months.

The closed accounts show the difference between the amount of the credits voted and the payments made.

They are made up on the basis of gross expenditure.

### 6. *Audit and Publication of the Accounts.*

The State Audit Department is solely responsible for auditing the accounts.

The closed accounts of the State are made up by the Minister of Finance. They are submitted to Parliament by the Council of Ministers within nine months and published not later than ten months after the close of the financial year.

The State Auditor also submits to Parliament the audited closed accounts ten months after the end of the financial year.

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## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

(a) A reconciliation table shows the connection between the accounts and the Model Statement.

(b) The Model Statement for Latvia contains expenditure on the *armed forces and formations organised on a military basis.*

(c) No difficulty due to the budgetary system has been found in including all national defence expenditure in the Model Statement.

(d) In certain cases mentioned below, there has been a departure from the instructions regarding universality of expenditure.

### 2. *Military Departments.*

(a) The Model Statement shows the total (gross) amount of *pay, salary and wages* without any deductions.

(b) The whole *revenue* of the War Ministry is paid into the State Treasury.

### 3. *Civil Departments.*

(a) Apart from the armed forces strictly so-called there is an organisation called the *Civic Guard*, which receives free supplies of rifles and the necessary ammunition for its musketry training and subsidies for the pay of its staff.

The amount spent by the State on the Civic Guard is shown in the budget of the Ministry of the Interior. In 1929-30, it amounted to 313,404 lats. This figure has not been included in the Model Statement.

(b) All expenditure on the *Frontier-Guard* shown in the accounts of the Ministry of the Interior has been entered in the Model Statement.

(c) Certain military expenditure, though of very small amount, has been effected out of the *unemployment fund*.

(d) The unregistered correspondence of the national defence forces is conveyed free of charge. Other services rendered by civil departments to national defence organisations are paid for at normal rates.

### 4. *Special Questions.*

No services are rendered *free of charge*.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of the Expenditure on the Three Forces.*

The Latvian delegation has explained that, owing to the simplifications introduced in military administration, particularly the centralisation of purchases, and the comparatively small size of the naval and air forces, expenditure on the three forces is so closely related that it is very difficult to make an exact separation of this expenditure. Most of it is entered in one and the same chapter for the three forces, both in the budget and in the accounts. For these reasons, only one table in the Model Statement has been filled in, showing the expenditure on all three forces.

The Latvian Government, however, states that it is prepared to make separate subdivisions for each armed force in the joint accounts if a Convention is signed.

### 2. *Coast Defence.*

There is no coast defence organisation in Latvia.

### 3. *Optional Columns.*

These columns have not been filled in.

The expenditure on the Frontier Guard has been separated from the expenditure on the armed forces.

### 4. *Division of Expenditure among the Sub-heads of the Model Statement.*

In order to compile the Model Statement, the figures in the closed accounts have had to be split on the basis usually of internal accounts; the split was sometimes made by means of an estimate.

Sub-heads A and B contain the expenditure on civil personnel. All expenditure on labourers is entered under sub-head B. According to the explanations given by the Latvian delegation, the salaries of the civil personnel of the War Ministry are included in the pay of officers, N.C.O.s and men, depending on the duties discharged by such personnel.

Sub-head D has not been filled in, as no training was given to reservists during the year in question.

Expenditure on heating has been entered in sub-heads A, B, E and K. Sub-heads A and B contain expenditure representing allowances made to the personnel to which these sub-heads relate. Expenditure on the heating of barracks has been entered in sub-head K.

### 5. *Head IV : Separation from Other Heads.*

No difficulty has been found in separating the expenditure chargeable to head IV, with the sole exception of the pay of officers and other persons on the staff of the central administration of national defence. This latter expenditure is given under sub-head A.

### 6. *Head IV : Separation of the Sub-heads of this Head.*

Sub-head N has not been filled in. Latvia has only workshops for the repair of war material; she has no establishments for the manufacture of such material.

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## E. TABLES ANNEXED TO THE MODEL STATEMENT.

These tables have not been supplied.

### *Tables A and B.*

As these tables have been omitted from the draft "Instruments necessary for the Application of a System of Publicity of National Defence Expenditure" (document Conf. D./C.G.160) no comment is called for on this heading.

### *Table C.*

This table has not been filled in. Budget balances are paid into the "Reserve Funds" and should have been shown in this table.

There are no block credits granted for more than one year.

### *Table D.*

No amount should be entered in this table for the year 1929-30.

### *Table E.*

No subsidy has been granted which should have been shown in this table.

### *Table F.*

The expenditure on military pensions provided for in the budget of the Ministry of Social Welfare should appear in this table.

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## List of Documents.

Budgetary system: reply of the Latvian delegation to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.7).

Model Statement. Reconciliation table. Balance between the closed accounts and the Model Statement showing the totals of the closed accounts for each head, chapter and subdivision of the expenditure of the War Ministry. French translation of the headings of the chapters and subdivisions of the expenditure of the War Ministry (document Conf.D./C.D./C.T.193, dated June 1st, 1933) (the Latvian Government had previously furnished particulars which are given in document C.757.M.355.1931.IX (Conf.D.28), dated October 23rd, 1931).

### Budgets:

Explanations regarding the draft budget for 1929-30 (Paskaidrojums pie Valsts budzeta projekta 1929-30. S.G.);

Budget for 1929-30 (Valsts budzets 1929-30, saimniecibas gadam);

Budget for 1931-32 (Valsts budzets 1931-32, saimniecibas gadam).

### Accounts:

Closed accounts for 1929-30 (Valsts Kontroles Parskats, par 1929-30 S.G. Budzeta Izpildisanu);

State Auditor's report for the financial year 1929-30; Annex to the accounts (Valsts Kontroles Revizijas Darbibas. Parskats, par 1929-30. Saimniecibas Gadu. Pielikums Parskatam par 1929-30. S.G. Budzeta Izpildisanu);

Closed accounts for 1930-31 (Valsts Kontroles. Parskats par 1930-31. S.G. Budzeta Izpildisanu).

Statutes of the Latvian Bank (Statuts de la Latvijas Banka).

Laws concerning the accounts of State institutions (Noteikumi par gramatvebidu un norekiniem valsts iestades).

Observations of the Technical Committee on the documentation supplied by the Latvian delegation (document Conf.D./C.D./C.T.209).

Reply of the Latvian delegation to the Technical Committee's observations (document Conf.D./C.D./C.T.241).

Minutes of the hearing of the representative of the Latvian delegation (document Conf.D./C.D./C.T./P.V.23 hearing).

Reply to the additional questions formulated by the Technical Committee (document Conf.D./C.D./C.T.283).

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## LIBERIA.<sup>1</sup>

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### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The Secretary of State for the Treasury prepares and lays before Parliament at the commencement of every regular session a report on the public finances, containing estimates of revenue and expenditure.

#### 2. *Discussion and Voting of the Budget.*

The legislative power is vested in Parliament, which consists of two separate Houses, a House of Representatives and a Senate.

Parliament is called upon to vote the necessary funds for meeting the expenditure of the Government during the budgetary year.

Every Bill or resolution which has passed both Houses is, before it becomes law, laid before the President for his approval and signature.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The Technical Committee has not had the opportunity of examining any draft budget, budget or account.

According to the Liberian delegation, the budget is circulated amongst the members of the National Legislature, the Heads of Departments and Bureaux of the Executive and Judicial Branches of Government.

The Liberian delegation states also that the accounts of the Government are published for the information of the President, the Secretary of the Treasury, the Financial Adviser and sometimes the National Legislature. They are not for public distribution.

#### 4. *Supervision over the Execution of the Budget.*

(a) The Department of the Treasury exercises a general supervision over the execution of the budget.

The President of the Republic, with the consent of the Senate, appoints the following officers, who constitute the Department of the Treasury :

The Secretary of State for the Treasury (who is the Head of the Department);  
A Comptroller;  
An Auditor-General;  
County and District Auditors;  
A Registrar (who may be the Comptroller).

(b) The Secretary of the Treasury prepares an annual report on the public finances. His annual report is printed and submitted to Parliament.

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### B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

#### 1. *Budgetary Year.*

The budgetary year extends from January 1st to December 31st.

#### 2. *Budgets and Accounts.*

Neither budgets nor accounts have been supplied.

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<sup>1</sup> Practically all the information contained in the present summary has been abstracted from the Revised Statutes of the Republic of Liberia. The Technical Committee is not in a position to state in what manner the statutes that have reference to the budgetary system are given effect to in practice.

3. *The Model Statement.*

No Model Statement has been supplied.

4. *Execution of the Budget.*

Under warrants given by the President, the Secretary of the Treasury draws on the Treasurer and Sub-Treasurers for all sums necessary for the public services, as provided by law.

The Secretary of the Treasury endorses all warrants drawn upon the Sub-Treasurers by County Superintendents for moneys to meet expenditure in their respective counties. All such warrants must specify the particular appropriation to which the same shall be charged.

Disbursements are made by the Treasurers and Sub-Treasurers and other custodians of public funds, and an account of them submitted to the Auditor for examination and record.

Except in the event of rebellion, insurrection or invasion, the Secretary of the Treasury and the Superintendents are forbidden to authorise the payment of any sums which have not been specifically voted by Parliament or which are in excess of the amount so voted by Parliament for the current budgetary year.

The Secretary of State for War is responsible for keeping account of all receipts and disbursements in connection with his Department, and submits annually a statement of accounts to Parliament.

5. *The Accounts.*

The Secretary of the Treasury is, in general, responsible for the preparation and presentation of accounts, and issues such instructions, regulations, etc., for this purpose as are necessary.

He is responsible for seeing that all accounts of expenditure of public money are settled by the end of the financial year. In cases where the distance of places is such as to necessitate an extension of time, he may, with the assent of the President, lay down fixed periods within which accounts shall be settled.

9. *Audit and Publication of the Accounts.*

The accounts are audited by the Auditor: he furnishes certified copies of the accounts to the Secretary of the Treasury, and sends the original accounts, with vouchers, etc., to the Registrar.

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C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

1. No Model Statement has been submitted.

2. The only expenditure on national defence reported by the Liberian Government is the total expenditure for the War Department for the financial year ended September 30th, 1930. The amount reported was one figure of 102,089.57 dollars, and it was added that no expenditure for material was incurred during the above-mentioned financial year.

In the absence of any detailed budget or accounts, it is impossible to ascertain whether national defence expenditure appears in the budgets and accounts of civil departments.

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D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE  
BETWEEN THE TABLES,  
HEADS AND SUB-HEADS OF THE MODEL STATEMENT.  
AND

E. TABLES ANNEXED TO THE MODEL STATEMENT.

No information is available under these heads.

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**List of Documents.**

Communication from the Minister for Foreign Affairs, Liberia, to the Secretary-General of the League of Nations, document C.920.M.485.1931.IX (Conf. D. 36), dated December 2nd, 1931.

Revised Statutes of the Republic of Liberia, Volume I (1848-1911).

Acts passed by the Legislature of Liberia (1911-1929).

Armaments Year-Book, 1933 (published by the League of Nations).

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## LITHUANIA

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### A. BUDGETARY SYSTEM.

#### 1. Preparation of the Draft Budget.

The draft budget is prepared by the various ministerial departments and is sent for examination to a Budgetary Commission, which jointly with the Ministry of Finance frames the general budget. The Minister of Finance, through the medium of the Budgetary Commission, reviews the requirements of each department in the light of the moneys likely to be available in the coming financial year.

The following serve on the Budgetary Commission : the Director of the Finance Department (President) and the representatives of the Government Audit Office and the ministerial department concerned (members). The Budgetary Commission is the executive organ set up by the Ministry of Finance for the final fixing of the draft budget. It gives a preliminary decision on each budgetary question arising in the Council of Ministers by expressing an opinion on the matter.

The Minister of Finance has the right to modify all proposed expenditure which is not fixed by law. The draft budget, as then drawn up, is examined and approved by the Council of Ministers not later than October 15th in each year. Although there is no Seimas, the rules for the preparation of the budget as approved by the Council of Ministers on May 11th, 1925, are provisionally in force. The definitive law on the preparation and execution of the budget is being drawn up.

The Finance Department regularly publishes reports on the work of the Budgetary Commission in the *Monthly Statistical Gazette* and in the Press information.

#### 2. Discussion and Voting of the Budget.

(a) The draft budget is submitted to Parliament (Seimas). It is first examined by the Budgetary Commission of Parliament, which presents it, with any remarks and modifications proposed by itself, to the full House.

It is not known whether the discussions of Parliament or of its Budgetary Commission are public or are published.

After being passed by Parliament and signed by the President, the budget becomes effective. Under the Constitution, the President has the right, within one month from the date of the submission to him of the proposed law, to return it to Parliament, together with his observations, with a view to its being reconsidered. If, after a second discussion, Parliament confirms the proposed budgetary law by a two-thirds majority, the President is bound to accept it.<sup>1</sup>

(b) In the ordinary way, the budget should be adopted before the year begins. In certain cases the Council of Ministers has the right of presenting to Parliament once a year a complementary budget. A law is promulgated for this purpose, usually during the last few months of the year. Since 1927, this procedure has been followed once a year. Further, in the event of unforeseen catastrophes arising or in the case of war, an additional budget may be presented.

If the budget has not been enacted by the beginning of the financial year, the Minister of Finance, with the approval of the Council of Ministers, is empowered to authorise "ordinary" expenditure at the rate of a twelfth part, each month, of the credits appearing in the proposed budget, provided that such twelfth part does not exceed one-twelfth of the ordinary expenditure for the year just ended. At the present time, when there is no Seimas, the provisional "douzièmes" come into force, after being voted by the Council of Ministers. This procedure has been followed every year since 1928. The maximum number of provisional "douzièmes" was used in 1933; there were seven, the budget having been enacted on August 8th. In the case, however, of exceptional necessity, the Minister of Finance, with the approval of the Council of Ministers and the

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<sup>1</sup> Note.—The information supplied under (a) has been extracted from the Lithuanian delegation's reply to the Technical Committee's questionnaire on budgetary systems (document Conf.D./C.D./C.T.105).

It should be noted that there is at present no Seimas, and that the information supplied in (a) with regard to the work of the Budgetary Commission of the Seimas and the Seimas itself is not in accordance with the facts.

The legislative body to which the Council of Ministers sends the draft budget is at present represented by the President of the Republic (Constitution of the State of Lithuania, *Official Journal*, No. 275).

consent of the Controller of State, may increase or reduce the total credits thus granted. "Extraordinary" expenditure may not be incurred until the budget has been actually voted.

(c) In principle, the expenditure is authorised by law.

### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget is not published.

The budget, signed by the President, is published in the *Official Journal (Vyriausybes Zinios)*. For the last three years, the budgets have not been published before January 1st.

The closed accounts are published.

### 4. *Conditions governing the Expenditure of Credits.*

(a) The credits voted in the budget represent the amount for which payment orders may be issued during the budgetary year.

(b) The credits voted in the budget of any year cannot ordinarily be utilised to meet expenditure in succeeding years. Sums voted, however, as extraordinary expenditure to meet the capital cost of construction and repair may be expended during two budgetary years.

In practice, credits carried forward in this way are voted annually. The sums used to liquidate the balance of a liability during the following year come from the funds reserved for this purpose in the State liabilities account. Expenditure of this kind is not shown in the budget for the current year. Credits not claimed in time and debts owing to the State lapse after ten years, unless the Finance Act specifies otherwise.

### 5. *Division of Expenditure in the Budget and Accounts.*

(a) State expenditure is divided into ordinary expenditure and extraordinary expenditure. Ordinary expenditure is that which, by its nature, is recurrent from year to year (administration, education, etc.); extraordinary expenditure is that which is of an occasional nature (capital expenditure, special subsidies, war and other unexpected contingencies, etc.).

The expenditure of the State is grouped in the budget under 17 divisions, 68 chapters, 225 paragraphs and 146 articles. One division is devoted to national defence. The various details of expenditure recorded under the chapters and paragraphs for national defence in the budget are regarded as confidential and are not published.

(b) The closed accounts are drawn up in the same form as the budget.

(c) Transfers between chapters are not permitted. In exceptional cases, transfers between paragraphs of the same chapter can be made on the authority of the Minister of Finance and of the Controller of State. For transfers as between articles, it is sufficient for the administration responsible to notify the Minister of Finance and the Controller of State.

### 6. *Unity of the Budget.*

(a) All national defence expenditure figures in the budgets and accounts of the State and is included wholly in the division of both budgets and accounts appertaining to the Ministry of National Defence. Objects acquired by means of funds under the budget of a specific Ministry may not be transferred to another Ministry without a corresponding refund.

There are public organisations whose objects are more or less concerned with the defence of the country and whose funds are constituted from the subscriptions of their members. Such organisations are the *Union of Riflemen (Sauliu Sajunga)* and the *Union for the Liberation of Vilna (Vilniui Vaduoti Sajunga)*. Certain State expenditure in respect of the former (general and special expenses) appears in the national defence budget and accounts.

Apart from the above, there are no special funds or extra-budgetary resources devoted to national defence.

(b) The budget, in general, shows gross expenditure, but a very small part of the expenditure shown in the budget is net expenditure.

### 7. *Supervision during the Execution of the Budget.*

Supervision over the execution of the budget is carried out by the Department of State Control (Contrôle d'Etat), at the head of which is the State Controller (Contrôleur d'Etat). This official is appointed by the President of the Republic on the proposal of the Prime Minister, and can only be relieved of his office by the President; he has the right to be present and to speak in an advisory capacity at the meetings of the Council of Ministers.

The officials of the Government Audit Office, on the contrary, may be relieved of office at any time.

The State Controller, through the officials of his service, supervises all accounts and examines all documents relating to State departments and municipalities or to public or private undertakings and institutions which may receive advances or subsidies from the State, or which may benefit from State credits or guarantees. The State Controller has the right to examine all orders for payment issued by State departments before they are paid, and, if necessary, to stop their



payment. All contracts entered into by State departments and involving expenditure must be submitted within seven days to the State Controller, who may, if he thinks fit, cancel them. Payment orders or contracts cancelled by the State Controller may only be proceeded with on the authority of the Council of Ministers.

Departments are required to render accounts of their expenditure monthly to the State Controller.

#### 8. *Final Audit.*

The final audit is carried out by :

(a) The State Controller, to whom the departments must present their accounts within two months of the end of the budgetary year. The closed accounts are established on March 31st.

(b) Parliament, to whom the State Controller must render a report, not later than October 15th, on the execution of the budget for the previous year. Since 1927, however, this procedure has, in fact, been suspended and, as there is no Seimas, the closed accounts are approved by the President of the Republic (see note to A, 2 (a)).

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from January 1st to December 31st. Each year, at December 31st, all credits granted for the past year are closed. Payment orders issued before that date, but not cashed, may be cashed up to the following March 31st inclusive as a charge to the account of the budgetary year in which the order was issued.

Payments in arrears for former years are entered separately in the accounts for the year during which they were effected.

Payment orders are valid until March 31st of the third year after issue.

There are *crédits prorogés*, which relate only to extraordinary expenditure. Payment orders for such credits may be issued until December 31st of the following year.

There are also *crédits bloqués*, for which payment orders may be issued after the close of the financial *exercice*—that is to say, after December 31st.

### 2. *Budgets and Accounts.*

There is only one Defence Ministry and only one budget and account for the national defence forces, which consist of land and air forces only. There are no naval forces.

The division of the budget relating to national defence comprises 16 chapters and 68 paragraphs for ordinary expenditure, and 6 chapters and 2 paragraphs for extraordinary expenditure. As noted under Point A, 5, the various heads are not published; but they have been supplied to the Conference.

### 3. *The Model Statement.*

The Model Statement relates to the budgetary year 1930.

The figures shown in the Model Statement are taken from the closed accounts, which have been verified by the State Controller, and include all orders for payment issued to the end of the budgetary year. They include all expenditure accounted for in the national defence section of the budget and accounts.

The figures shown represent gross expenditure.

### 4. *Execution of the Budget.*

All orders for payment are issued by officials of the department or service concerned. Payment orders are payable by the Bank of Lithuania or by the *Caisse d'Etat*.

The State Controller has the right to examine all payment orders or warrants before they are paid and, if necessary, to stop payment.

### 5. *The Accounts.*

The closed accounts, as verified by the State Controller, indicate the actual payments made during the year, the portion thereof relating to payment orders issued during previous years and the value of payment orders issued during the year which have not yet been cashed at the end of the year.

The figures shown in the accounts differentiate as between ordinary and extraordinary expenditure.

There are no special accounts relating to national defence, nor are there any establishments for the manufacture of arms possessing budgetary autonomy.

#### 6. *Audit and Publication of Accounts.*

At the present time, the closed accounts established on March 31st are approved by the President of the Republic, there being no Seimas. The preliminary statement on the execution of the budget is prepared by the Ministry of Finance and then sent to the Government Auditor. The latter has it published, after audit, under the title "Valstybės Kontrolės metu Valstybės biudžeto vykdymo apyskaita" (Statement of budgetary transactions for the year submitted by the Government Audit Office).

It is published in a separate pamphlet, but not on a fixed date.

Under Article 94 of the Lithuanian Constitution, the Government Auditor must submit the closed accounts to the Seimas not later than October 15th of the year following that to which they relate. At the present time, this procedure has been suspended as from 1927, there being no Seimas.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *General Remarks.*

(a) The relationship between the figures appearing in the closed accounts and the Model Statement has been established by means of a reconciliation table.

(b) The Model Statement contains figures for the armed forces only. According to the information supplied, there are no formations organised on a military basis; the organisations known as "Saulieu Sajunga" and "Vilniui Vaduoti Sajunga" are not regarded as coming within this category, but certain expenditure provided in the State budget in respect of the former is included in the Model Statement.

(c) The budgetary system presents no obstacle to the inclusion of all national defence expenditure in the Model Statement.

#### 2. *Military Departments.*

(a) The Model Statement includes the full amount of *pay* and *salary* issued without abatement of the deduction which is made for pension benefits.

(b) Expenditure abroad by the Ministry of National Defence is recorded in the accounts of that department and is calculated at the *exchange rate* prevailing at the time of payment.

(c) Certain expenditure in respect of the *Committee for Assistance to War Invalids*, which appears to be in the nature of pensions, is included in the budget and accounts of the Ministry of National Defence and in the Model Statement. The amount in 1930 was 54,553 litas.

#### 3. *Civil Departments.*

(a) According to the information supplied by the Lithuanian Government, no expenditure contributing to national defence is made by any State department other than the Ministry of National Defence.

(b) A reduction of 50 per cent is accorded for *military passenger transport* by rail. A reduction of 50 per cent may also be made for the *transport of material*.

(c) No expenditure in respect of *civil aviation* is defrayed by the State.

#### 4. *Special Questions.*

(a) Instructors in charge of *physical training* are paid from the budget of the Ministry of Education. This expenditure is not shown in the Model Statement because, in the opinion of the Lithuanian delegation, it has no direct connection with national defence.

(b) There are no *special funds* from which national defence expenditure could be effected.

(c) There are no *private organisations* which contribute to national defence, with the exception of the organisations known as "Saulieu Sajunga" and "Vilniui Vaduoti Sajunga" (see Points A, 5, and C, 1).

The contribution paid by the members of the "Saulieu Sajunga" is optional and varies from one detachment to another. These sums are used only for internal purposes. The Lithuanian delegation states that it is impossible to estimate the amount in view of the complete financial independence of these detachments.

(d) There are no *State establishments* concerned with national defence which possess budgetary autonomy.

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D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE  
BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.<sup>1</sup>

1. *Separation of Army and Air Force Expenditure.*

There are no naval forces.

The land and air forces are administered by a single Ministry of National Defence; their expenditure is grouped in a single budget and account in which it appears almost entirely under common headings. The Lithuanian Government states that the two categories of forces have no separate entity either from the point of view of general organisation or from that of finance. The pay and general maintenance expenses of the whole of the armed forces are included in common headings throughout the budget and accounts; only expenditure on material can be divided between the two forces, and for this reason only sub-heads G and M of Table D (air forces) have been filled in.

It is, however, to be noted that, in an earlier Model Statement, a Table D had been completed in respect of sub-heads A, B and C, as well as sub-heads G and M; the Lithuanian Government explains in its later note forwarding revised Tables B and D that this was done by deducting from Table B the sums payable to aviation personnel.

The Lithuanian delegation stated that, in the event of a convention being signed, it would be possible to separate expenditure on the two forces for both personnel and material, though it would present some difficulty. It would also be possible, in the same circumstances, to separate expenditure on civilian personnel.

2. *Coast Defence.*

Expenditure on coast defence is included in Table B (land forces).

3. *Optional Columns.*

These have not been completed.

4. *Division of Expenditure between the Sub-heads of the Model Statement.*

Apart from the difficulties already referred to, the form in which the expenditure is presented in the documents communicated to the Conference lends itself fairly readily to the division of expenditure between the sub-heads of the Model Statement, except as regards pay of civilians, which, in general, is included under the same headings as the pay of military personnel, and has been included in the Model Statement under sub-heads A and B and Table B.

The expenditure on posts and telegraphs has been shown in sub-head E in view of the difficulty of separating office expenditure from expenditure on posts and telegraphs.

As regards reservists, the only expenditure that appears in sub-head D is that relating to the organisation known as "Sauliu Sajunga". Army reservists are required to undergo periods of training, but, so far, for financial reasons, they have not been called up.

5. *Head IV : Separation from Other Heads.*

No expenditure is shown in the documents submitted for manufacturing establishments, and it is inferred that war material is acquired by purchase against cash payment (covering the full value of the material) from private sources (there being no State establishments for the manufacture of arms possessing budgetary autonomy). There are several paragraphs concerning "acquisition" of war material, the expenditure under which has been shown under head IV of the Model Statement.

A number of paragraphs are devoted to the maintenance and repair of war material; the expenditure thereunder is included wholly in head IV of Table B (land forces) of the Model Statement, except that expenditure on the maintenance of aeroplanes and their spare parts, which forms a separate paragraph, has been included in head II of Table D (air forces). The Lithuanian delegation sees no objection to including this expenditure under sub-head M in future. In this connection, attention is drawn to the difficulties referred to in D, 1, as to the separation of expenditure for land and air forces respectively. It is not clear that the expenditure included under head IV for maintenance and repair covers all the items of cost and on-cost specified by the budgetary experts; so far as it can be identified, the pay of all personnel employed in head IV establishments has been included in head I. It is noted that the paragraph relating to the central

<sup>1</sup> Although the budget and published accounts show only two single figures for the ordinary expenditure and extraordinary expenditure respectively, the Lithuanian Government has forwarded to the Conference a document in which the expenditure is shown in detail. On the basis of those specific data, the distribution of expenditure between the various tables, heads and sub-heads of the Model Statement can be effected without any special difficulty.

workshops of the Army in 1930 provided for the pay of civil personnel, but that actually no expenditure was incurred thereon.

Certain expenditure on depots of war material has been included in head IV of Table B (land forces).

6. *Head IV : Division between Sub-heads.*

All expenditure relating to the land armed forces has been divided between sub-heads M and M (a) of Table B, sub-head N not being used. Except in so far as some of the above-mentioned expenditure may be common to the air armed forces (see D, 1), the division appears to follow closely the recommendations of the budgetary experts.

Sub-head M of Table B (air forces) includes an item of 1,356,674 litas as "extraordinary expenditure", but no details are given as to its nature.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Tables A and B.*

As these tables have been omitted from the draft "Instruments for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no commenting is called for under this head.

*Tables C, D and E.*

The Lithuanian delegation stated that "the annexed tables cannot be supplied as there are no such items of expenditure".

*Table F.*

This table has not been supplied.

Pensions are not included in the budget of the National Defence Ministry (see, however, C, 2 (c)).

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**List of Documents.**

Budgetary system: reply of the Lithuanian Government to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.105).

Model Statement (Annex to document C.201.M.103.1932.IX, Conf.D.67; and revised statement in substitution annexed to document Conf.D./C.D./C.T.224).

Explanations with regard to the documentation as a whole. Reconciliation tables (document Conf.D./C.D./C.T.224).

National Defence Budget for 1930. Extracts showing detailed composition (document Conf.D./C.D./C.T.224).

Closed accounts for the *exercice* 1930 ("Valstybės Kontrolės 1930—V.D.—m. Valstybės Biudžeto Vykdymo Apyskaita").

Observations of the Technical Committee on the documents supplied by the Lithuanian delegation (document Conf.D./C.D./C.T.257).

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## LUXEMBURG.

### *Preliminary Note.*

In the communication made to the Disarmament Conference (document C.683.M.289.1931.IX [Conf.D.25]) on March 6th, 1931, the Minister of State of the Grand-Duchy of Luxemburg stated, *inter alia*, that :

“ At the present day, the Grand-Duchy possesses nothing more than a police force employed exclusively for the maintenance of order and has no armaments suitable for use in war. The troops consist of a company of gendarmes and a company of volunteers, making a total strength of 500 men ”.

In a later communication (document Conf.D./C.D./C.T.189) of January 24th, 1933, the Minister of State, in transmitting information regarding expenditure on the gendarmerie, confirmed that “ this expenditure relates solely to the troops intended for maintaining internal security. *Properly speaking, therefore, it is not national defence expenditure* ”.

Without prejudging this question, the Committee nevertheless felt obliged to compile the present summary, in order to make its work as comprehensive as possible.

### A. BUDGETARY SYSTEM.<sup>1</sup>

#### 1. *Preparation, Voting and Execution of the Budget, Supervision.*

The draft budgets are prepared by the Departments and are submitted for approval to the Chamber of Deputies. The Council of State may decide, if necessary, to refer the budget back to the Chamber for a second discussion and a second vote. No use has been made of this prerogative in recent years.

According to Article 1 of the Law of January 9th, 1852, the budget is laid before the Chamber of Deputies at the beginning of the ordinary session immediately preceding the budgetary year —*i.e.*, in the first fortnight of November.

The draft budgets, budgets and the closed accounts are published.

#### 2. *Division of Expenditure in the Budget.*

The expenditure under Section IX of the budget (Gendarmerie and Volunteers) is generally subdivided into seven or eight items.

### B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

#### 1. *Budgetary Year.*

The budgetary year corresponds to the calendar year.

Nevertheless, transactions relating to the collection of proceeds and the liquidation of, or issue of payment orders for, expenditure and also for the execution and completion of work, ordered, authorised or in course of execution, may be extended until the following September 30th, on which date the financial period is finally closed (Article 2 of the Law of January 9th, 1852).

If, when a financial period is definitively closed as defined in Article 2 of the Law of January 9th, 1852, regarding the State Accountancy system, certain budget appropriations in the State accounts carry charges representing the claims of Government creditors for work allotted and in process of execution, the amounts of the appropriations still needed to pay the sums due are carried forward to the next *exercice* and form in the budget of that *exercice* a special section called : “ Amounts carried forward from the previous *exercice* ”.

<sup>1</sup> The Committee has not received any reply to the questionnaire on the budgetary system, and was not in a position to examine the accountancy laws of the Grand-Duchy of Luxemburg; hence the following information is necessarily incomplete.

2. *Model Statement.*

The Model Statement communicated to the Committee is based on the budget.

3. *The Accounts.*<sup>1</sup>

The closed accounts are submitted for approval to the Chamber of Deputies. Article 27 of the Law of January 8th, 1852, provides that, when the budget for a financial period is laid before the Chamber, it must be accompanied by the general account of the penultimate closed financial period, by the corresponding Bill, by the observations of the Court of Audit on the same general account, by a statement showing the position of the last closed financial period and by a similar statement for the current financial period.

Thus, in November 1934, the Chamber of Deputies should have before it the 1935 Budget and the general account for the penultimate closed financial period—*i.e.*, for the 1932 *exercice*.

The general accounts for 1927 and 1928 were approved by the two laws of March 29th, 1934, and published in No. 19 of the *Mémorial* for 1934, page 247 *et seq.*

The 1929 and 1930 accounts have been finally made up and the first is at present before the Council of State and the second before the Court of Audit. The corresponding figures published in the annexed tables of the draft budget for 1934 are final.

The same tables show the figures of the interim accounts for 1931 and 1932 and for November 1934; these interim accounts will not be very much changed and will be established in their final form so that they can be laid before the Chamber of Deputies at the statutory dates.

Generally speaking, the accounts can be regarded as finally made up one year after the *exercice* has definitely closed or twenty-one months after December 31st of the year which gives its name to the *exercice*.

C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

1. *Expenditure incurred under the Gendarmerie Section.*

Apart from the pensions paid to members of the Gendarmerie and their widows and orphans, which are included in Section XVII of the budget, no expenditure in respect of the Gendarmerie would seem to be included in any section other than Section IX of the budget.

It should be noted that item 49 *bis*, "Construction, extensions or purchases of gendarmerie buildings (Law of June 30th, 1930)", does not give any figure, but is inserted only as a reminder, because the necessary funds have been granted without reference to a particular *exercice*.

2. *Expenditure incurred under Other Sections of the Budget.*

It is not known whether any expenditure in respect of the Gendarmerie is incurred under other sections than Section IX of the budget.

Section XX—Public Works—contains the following items :

156.—Upkeep, appropriation and repairs of Government buildings and buildings allotted to public departments; upkeep of furniture, etc. ....	2,200,000 francs.
159.—Heating and lighting expenditure for the various administrations and public departments .....	2,300,000 francs. (1932 budget.)

D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

1. *Separation of the Expenditure on the Three Forces.*

The question does not arise, because Luxemburg has neither naval forces nor air forces.

A credit of 50,000 francs under item 154 of the 1934 budget, in Section XX—Public Works—for "Aviation : creation of an air port, research expenditure" relates to the possible development of civil aviation.

2. *Distribution of Expenditure among the Sub-heads of the Statement.*

There does not appear to be any special difficulty in distributing the expenditure among the sub-heads of the Statement.

<sup>1</sup> The particulars in Section 3 were supplied by the Luxemburg delegation on May 15th, 1934.

3. *Head IV.*

No expenditure in respect of war material has been inserted in the Statement submitted by the Luxemburg Government.

However, certain budgetary items include expenditure for the purchase of musketry and camping material, the renewal of armaments, ammunition for rifle practice, etc.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

1. *Tables A and B.*

As these tables have been omitted from the draft "Instruments for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G./160), no comment is called for under this heading.

2. *Tables C, D and E.*

These tables have not been submitted. As regards Table C, the amount of credits covering several years and credits carried forward should probably have been entered.

As regards Tables D and E, the answer should probably be "Nil".

3. *Table F.*

Gendarmerie pensions are paid under Section VII—Pensions—and are not included in the Statement. It is apparently not easy to distinguish the pensions of the Gendarmerie from other expenditure on pensions.

The Luxemburg delegation states, however, that the expenditure on military pensions amounted to 1,901,585.49 francs in 1932 and to 1,877,880.24 francs in 1933.

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List of Documents.

Communication from the Luxemburg Government, dated March 6th, 1931 (document C.683.M.289.1931.IX [Conf.D.25]).

Model Statement and Communication from the Luxemburg Government, dated January 24th, 1933 (document Conf.D./C.D./C.T.189).

Draft Budgets for 1933 and 1934.

Budgets for 1932 and 1933.

*Armaments Year-Book* of the League of Nations, 1933.

DARESTE: "Les Constitutions modernes".

*Documents communicated (with a covering letter) by the Luxemburg delegation subsequently to the compilation of the Abridged Summary:*

Draft Budget for 1934.

Budget voted for 1934.

General accounts for 1927 and 1928 (published in *Mémorial* No. 19, 1934).

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## MEXICO.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

Estimates are prepared by the different Ministries (Secretarias de Estado), who are required to submit them before October 10th to the Budget Department (Dirección General de Egresos) of the Finance Ministry (Secretaria de Hacienda y Crédito Público). The latter co-ordinates the different estimates and prepares the draft of the general budget, which is submitted for the President of the Republic's approval prior to its presentation on November 1st to the Chamber of Deputies.

#### 2. *Discussion and Voting of the Budget.*

Although Congress is composed of two chambers (Chamber of Deputies and Senate), the Chamber of Deputies alone discusses and votes the budget.

The Deputies have the right of initiative as regards modifications in expenditure.

If, at the end of the ordinary session, the Chamber of Deputies has not approved the whole or part of the draft budget, the latter is regarded as being in force as from the beginning of the budget year until the Chamber substitutes for it a new draft.

The discussions in the Chamber of Deputies are held in public. A report of the discussions is published in the journal of the Chamber (*Diario de los Debates*). If the credits voted are insufficient, or if new expenditure is found to be necessary, the Finance Minister has to ask the Chamber of Deputies for the grant of supplementary credits.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget is not published.

The budget is published in the *Official Gazette*.

The closed accounts are not published.

#### 4. *Conditions governing the Expenditure of Credits.*

The credits voted are payment credits.

Payment may be made in respect of expenditure liquidated during the budget year during a period of one month after the close of the budget year. After that date, payment has to be made under the chapter of the general budget headed "Public Debt", in which a credit is inserted for that purpose.

The balance of credits over payments effected is transferred automatically at the close of the *exercice* to the chapter "Public Debt".

It is not allowable to enter into commitments for a number of successive years except in the case of contracts explicitly authorised by the Chamber.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The budget is submitted in "ramos", "capítulos", "conceptos" and "partidas".

The chapter of the National Defence Ministry (Ramo VII, Guerra y Marina) contains twelve "conceptos", comprising in all 194 "partidas" (year 1930).

The budget items give full details and show clearly the object of expenditure.

(b) The accounts have the same divisions and subdivisions as the budget.

(c) Transfers are not allowed.

#### 6. *Unity of the Budget.*

All State expenditure is provided for in the general budget of the State.

There are no establishments for the manufacture of arms enjoying budgetary autonomy except the Fabrics and Military Supplies Establishments.

There are no special funds in connection with national defence.

The budget of the National Defence Ministry contains a chapter devoted to the "Fabrics and Military Supplies Establishments". This chapter includes expenditure for the supply of materials of all kinds to the national defence services. This expenditure is divided into twenty-one "conceptos" corresponding to the different services, with a large number of subdivisions.



Apart from the State administrative departments, there is no public or private organisation authorised to finance national defence expenditure.

7. *Supervision during the Execution of the Budget.*

Supervision is exercised :

(a) By the Accounting and Administrative Department (Dirección General de Intendencia y Administración).

(b) By the Ministry of Finance.

The Ministry of Finance receives the monthly accounts of the responsible officials and audits them, thus affording the material requisite for the establishment of the general account of the State.

8. *Final Audit.*

Supervision after the execution of the budget is exercised :

(a) By the Ministry of Finance.

(b) By the Major Accountancy of Finance, which is subject to the legislature.

The Major Accountancy of Finance constitutes the supreme judicial authority in the matter of the supervision of accounts.

(c) By the Chamber of Deputies, which finally approves the accounts.

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B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. *Budgetary Year.*

The budgetary year runs from January 1st to December 31st..

There is an additional period of one month during which payments may be made in respect of expenditure commitments incurred during the previous year.

After this period, credits not used pass automatically to the Public Debt.

2. *Budgets and Accounts.*

There is only one Ministry of National Defence.

The chapter of the general budget relating to it includes the expenditure on all three forces.

3. *The Model Statement.*

The Model Statement has been based on the figures of the audited accounts for the year 1930.

4. *Execution of the Budget.*

The budget is put into force automatically.

All Ministries allocate the sums assigned to each of them in accordance with the budget through the intermediary of their administrative departments.

For payments in respect of credits which are not divided into daily or monthly instalments, orders for payment have to be issued, which are checked and countersigned by the "Secretaria de Hacienda y Crédito Público", the organisation entrusted with the supervision of the application of the general budget.

Orders for payment in respect of the expenditure of the National Defence Ministry are issued by the "Dirección General de Intendencia y Administración". The orders for payment are then transmitted to the Federal Treasury, which makes payments, if the disbursements are to take place in the capital, or sends them to the appropriate revenue office (Oficinas Federales de Hacienda) if the payment is to be made in one of the States of the Republic.

In the case of credits divided into daily or monthly instalments, the Federal Treasury countersigns each month the applications for funds by the paying offices, if such applications are in accordance with the credits in the budget.

The accounts of the responsible officials are submitted within ten days from the close of each month.

5. *The Accounts.*

The accounts show the payments effected during the *exercice*.

6. *Audit and Publication of the Accounts.*

The general accounts drawn up by the "Secretaria de Hacienda" (Ministry of Finance) are audited by the Major Accountancy of Finance and submitted to the Chamber of Deputies within the first ten days of September in each year.

The Major Accountancy of Finance is independent of the Executive.

The accounts are approved by the Chamber of Deputies.

The accounts are not published.

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## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

(a) The Mexican delegation has submitted three tables summarising the amount of expenditure to be included in each table of the Model Statement. The relation between these tables and the Model Statement is shown by detailed reconciliation tables.

(b) No difficulty has been found in connection with the budget system in regard to the possibility of including all national defence expenditure in the Model Statement.

### 2. *Military Departments.*

In addition to the expenditure of the National Defence Ministry, the Model Statement includes expenditure relating to the Fabrics and Military Supplies Establishments (see under A,6).

### 3. *Civil Departments.*

The Model Statement includes :

(a) The amount of pensions expenditure appearing in the Finance Ministry's budget;

(b) The amount of subsidies and grants paid to the Yaqui tribe out of the budget of the Ministry of the Interior.

*Note.* The Mexican delegation states that the credits for these subsidies and grants are shown in the year subsequent to 1930 under the chapter relating to the expenditure of the National Defence Ministry.

The Model Statement shows no expenditure in respect of the chapter "Public Debt".

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure the Three Forces.*

Though there is only one National Defence Ministry, the expenditure relating to the three forces is shown in separate "conceptos". There is very little common expenditure, and the sums it represents are very small. The separation of the expenditure of the three forces can therefore be made in the chapter relating to national defence without any difficulty.

In the chapter relating to Fabrics and Military Supplies Establishments, the expenditure on the three forces is not shown separately.

### 2. *Optional Columns.*

The optional columns have not been completed.

### 3. *Division of Expenditure between the Sub-heads of the Model Statement.*

A considerable number of items of expenditure can be transferred direct to the sub-heads of the Model Statement.

### 4. *Head IV : Separation from Other Heads.*

The expenditure on war material is charged entirely to the chapter for Fabrics and Military Supplies Establishments.

As the expenditure is there shown in great detail, there can be no difficulty in separating that which relates to head IV from that which relates to other heads.

### 5. *Head IV : Separation of Sub-heads of that Title.*

All expenditure on war material properly so-called, which is included in the chapter for the Fabrics and Military Supplies Establishments, is shown in sub-head N of the Model Statement.

This expenditure might easily have been split up amongst the sub-heads of head IV.

The Mexican delegation has not shown in Table D of the land forces the sub-head M.(a) which appears in the corresponding table of the Model Statement proposed by the budgetary experts.

In Table C, a new sub-head M (a), "Scientific Instruments", for which there is no provision in Table C of the Model Statement of the budgetary experts, has been added. The amount of the expenditure shown under this new sub-head is \$1,000.

Two new sub-heads have been added in Table D as follows : " M (a) : Scientific instruments and apparatus, \$20,000 "; " N : Manufacture of war material in State establishments not enjoying budgetary autonomy (expenditure which cannot be split up between Chapters N and N (a), \$254,881.77 ".

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#### E. TABLES ANNEXED TO THE MODEL STATEMENT.

These tables have not been furnished.

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#### List of Documents.

Budgetary system : reply of Mexican delegation to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.22(')).

Model Statement and annexed tables, with explanations in the whole documentation (document Conf.D./C.D./C.T.226).

Observations of the Technical Committee in the documentation supplied by the Mexican delegation (document Conf.D./C.D./C.T.260).

Budget for the year 1930 (" Presupuesto general de Egresos ").

Secretaria de Hacienda y Crédito Público : *Boletín de Informaciones*.

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## NEW ZEALAND.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budgets are prepared by the various Ministerial Departments and centralised by the Treasury, which draws up the draft State budget under the direction of the Finance Minister and forwards it to the Governor-General.

#### 2. *Discussion and Voting of the Budget.*

(a) The budget and estimates are submitted by the Governor-General to Parliament, which consists of two Houses—the House of Representatives and the Legislative Council.

The estimates are voted by the House of Representatives after investigation by the Public Accounts Committee of that House.

The House of Representatives has the right to reject or reduce the expenditure estimates, but no power to increase them.

The Legislative Council, the members of which are appointed by the Governor-General, has no power to modify the financial measures proposed by the Government and adopted by the House of Representatives. The estimates do not go before the Legislative Council.

The estimates of expenditure are included in the annual Appropriation Act, which is passed by both Houses of the General Assembly and approved by the Governor-General.

(b) The national defence expenditure for a given financial period is voted during that period.

The Appropriation Act, which appropriates the amounts embodied in the estimates, is voted several months after the opening of the budgetary year.

During the three months following the opening of the budgetary year (April 1st), the Government may incur, in the case of each Department, expenditure equivalent to one-quarter of the credits voted for the same Department in the previous year's budget, plus any portion of the latter credits still unexpended at the end of the year. All expenditure thus incurred must be adjusted in the budget.

Parliament meets as a rule in June. To meet the requirements of the period following the three months above mentioned, Parliament grants credits in the form of advances to the Government (supply bills) until the Appropriation Act is passed.

(c) Expenditure is authorised by law.

When it becomes necessary to exceed the credits voted or incur expenditure not foreseen in the budget, the Minister in question sends a report to the Treasury which, if the Finance Minister approves the expenditure proposed, forwards the report in turn to the Controller and Auditor-General to be noted. A payment warrant may then be issued for the expenditure in question and paid, but the total of this expenditure for all departments may not exceed £350,000.<sup>1</sup> An abstract of the unauthorised expenditure duly certified by the Auditor must be submitted to Parliament by the Finance Minister within ten days of the opening of the next Parliamentary session.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget (estimates) and the budget (Appropriation Act) are published as official documents.

The final accounts are published in the form of a Parliamentary paper.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The vote of a credit limits the amount of the payments which may be made during the budgetary year. The credits granted by Parliament lapse on the expiry of the budgetary year. The accounts show the totals of the payments made during the budgetary year opposite the credits voted.

<sup>1</sup> £100,000 for services in connection with working railways under the control of the Government Railways Department and £250,000 for all other services.

(b) Expenditure commitments may be incurred for a period extending beyond the budgetary year, but the payments to be made under such commitments during a given year must be charged to the credits entered in the budget for that year.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The general budget is divided into chapters (*votes*), each Ministerial Department having one chapter. The expenditure is voted chapter by chapter. The chapters are divided into paragraphs (*sub-heads*) and these again into *items*.

The 1933-34 budget for the National Defence Departments contains altogether 146 items. The subdivisions of the chapters for national defence are fairly numerous and give a clear indication of the purpose of the expenditure.

(b) The accounts are rendered in the same form as the budget.

(c) Transfers are not permitted between chapters, paragraphs or items. Surpluses on items may, with approval of the Treasury, be applied towards meeting over-expenditure on other items of the same vote not adequately provided for. Should the credits provided for an item be exceeded, the excess expenditure must be charged to a special credit known as the "unauthorised expenditure account".

#### 6. *Unity of the Budget.*

(a) All national defence expenditure is included in the State budget.

There are several special funds and accounts but none having any bearing on national defence. There is no establishment for the manufacture of armaments having budgetary autonomy.

There are no extra-budgetary resources which could be devoted to expenditure for national defence purposes.

(b) The budgets and accounts show the net expenditure, but the amounts of the resources which Departments are entitled to utilise (credits-in-aid) over and above the budgetary credits strictly so called are shown in the budgets and accounts.

#### 7. *Supervision during the Execution of the Budget.*

This supervision is exercised :

(a) By the accounting officer of each Ministerial Department acting under the direction and supervision of the Treasury. The latter frames the instructions and regulations to be complied with by the accounting officers. These officials certify the supporting vouchers and see that no expenditure is incurred which would not be authorised by law or correctly charged against the appropriations;

(b) By the Minister of Finance, who must disallow any illegal or irregular proposal of the various Ministerial Departments.

The accounts of these Departments must be collated monthly with the books of the Treasury;

(c) By the Controller and Auditor-General, who keeps the accounts of the various Departments under detailed and constant supervision during the year. He is particularly careful to see that expenditure is correctly charged to the proper chapters and does not exceed the amount voted for those chapters.

Should a dispute arise between the Controller and Auditor-General and the Government, the expenditure objected to may be authorised by a decision of the Governor-General in Council. Such a decision implies that the Governor-General has consulted the Executive Council appointed under letters patent and composed of members of the Government. The Controller and Auditor-General can in such case report to Parliament on the irregularities found and publish the correspondence exchanged in this connection.

No funds may be issued out of the Public Treasury except in pursuance of a warrant countersigned by the Controller and Auditor-General, who certifies that the issue is in accordance with law.

#### 8. *Final Audit.*

This is carried out by the Controller and Auditor-General.

The Finance Minister assists the Controller and Auditor-General to carry out the audit by appointing Treasury inspectors to inspect the books and accounts of the accounting officers.

The Controller and Auditor-General is a high official independent of the Executive and responsible for seeing that all expenditure is made in accordance with the authorisations granted by Parliament. He is responsible solely to the latter body and can only be removed from office on an address to the Governor-General passed by both Houses.

The Controller and Auditor-General supplies Parliament with an annual report on the results of the audit, mentioning any irregularities found during his inspection and any other information he thinks advisable.

Parliament does not audit the accounts or pass a law approving the accounts.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from April 1st to March 31st. The accounts are closed at the end of each budgetary year and no payment made after March 31st may be included in the accounts for the past year.

### 2. *Budgets and Accounts.*

There is a Defence Department for the land and air forces and a Department for the naval forces, both under the same Minister.

### 3. *The Model Statement.*

The Model Statement supplied relates to the expenditure for the budgetary year 1930-31. The figures give the amount of the payments shown in the closed accounts. The Model Statement includes an additional amount of £12,114, representing the value of small-arms ammunition issued to rifle-clubs during the year from stocks manufactured in previous years.

The tables for the expenditure on the three forces have been filled in.

The expenditure is gross expenditure.

The statement for the naval forces includes a payment of £90,000 to the home Government as a contribution towards the construction of the Singapore base. Expenditure on pensions has been deducted.

### 4. *Execution of the Budget.*

The Appropriation Act enables expenditure to be made for the purposes specified when the credits were voted.

The Paymaster-General, who is the Secretary of the Treasury, arranges during the year to issue warrants distributing funds between the Ministerial Departments within the limits of the credits laid down by Parliament.

The aggregate amount of all warrants may not exceed the total budgetary credits for the year. The Treasury takes care that the credits voted are not exceeded.

The accounting officer of the Defence Department and the Secretary for the Navy are the officials who certify the supporting vouchers for their respective departments, while the Under-Secretary for Defence in respect to land and air defence, the Naval Secretary in respect to naval defence, and the Secretary of the Treasury are the officials who approve the corresponding expenditure.

### 5. *The Accounts.*

The accounts show the payments made during the budgetary year.

The closed accounts appear in a document entitled "Parliamentary Paper B.I.," Parts I, II and IV. Document B.I., Part I, is an abstract of the account, the details being given in document B.I., Part II. "Parliamentary Paper B.I.," Part II, is attached to the report submitted to Parliament by the Controller and Auditor-General. The accounts as given in document B.I., Part I, are compiled entirely by the Treasury.

### 6. *Auditing and Publication of the Accounts.*

Within thirty days after the close of the financial year, the Treasury prepares and sends to the Audit Office the final account. The Auditor-General examines and certifies the account and returns it within fourteen days to the Minister for Finance.

The closed accounts are generally ready and published within three months after the end of the budgetary year.

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## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

(a) The connection between the accounts and the Model Statement is shown by means of reconciliation tables.

(b) The Model Statement contains the expenditure on the armed forces and formations organised on a military basis.

(c) No difficulty due to the budgetary system has been encountered as regards the possibility of including all national defence expenditure in the Model Statement.

(d) The Committee has observed deviations from the instructions given regarding universality of expenditure in the cases mentioned hereunder.

## 2. Military Departments.

- (a) The Model Statement shows the total amount of *pay* and *allowances* without deductions.
- (b) The Model Statement for the land forces shows the expenditure on goods purchased abroad, including *exchange* variations, whereas in the Model Statement for naval forces the expenditure on the latter is shown at par of exchange.
- (c) The Model Statement shows the expenditure on *civil aviation*. Both civil and military aviation are under the sole control of the Director of Air Services. The very small amount spent on civil aviation is included in the expenditure on the air forces.

## 3. Civil Departments.

- (a) Certain unimportant expenditure having an indirect bearing on national defence (e.g., public works) is borne on civil budgets and accounts and has not been included in the Model Statement.
- (b) The *Railways* Department charges the National Defence Department the usual civil tariffs.
- (c) No *Customs duty* is charged on purchases made overseas by the Naval Department.
- (d) Government buildings are exempt from *local rates* and *taxes*, but these exemptions are very small in amount.
- (e) The National Defence Department repays the Department of Scientific Industrial Research for expenditure on *meteorological information* supplied by the latter department to national defence authorities and this expenditure is shown in the Model Statement. The naval forces do not use this service.
- (f) In the opinion of the New Zealand delegation, none of the expenditure on the *Department of Education* need be regarded as having a bearing on national defence.

## 4. Special Questions.

- (a) The expenditure on the *territorial force* is shown in the Model Statement for the land forces in the column "Armed forces stationed in the home country".
- (b) *Rifle-clubs* have the privilege of free railway transport and of supplies, free or at reduced prices, of small-arms ammunition. The relevant expenditure is included in the Model Statement and the prices given represent the actual cost of this ammunition.
- (c) *Arms and ammunition* are supplied to New Zealand by the United Kingdom and ammunition by the Colonial Ammunition Company at trade prices. The Company must keep a stock of the necessary material for manufacturing 2,000,000 cartridges, which constitutes a year's reserve.
- (d) The officers, N.C.O.s and other ranks of the *territorial army* receive no pay when they are not serving with the colours.
- (e) No military expenditure is incurred for the mandated territory of *Western Samoa*.
- (f) No national defence expenditure is defrayed out of the proceeds of *loans*.
- (g) The Model Statement for the land forces includes the pay while on *leave* preceding premature retirement or discharge. The Model Statement for the naval forces omits both deferred pay and contributions in respect of *retired pay* and *pensions*.  
Payments in respect of *pensions* for land and air forces are made direct out of the funds of the Superannuation Board.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE AMONG THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### I. Separation of Expenditure on the Three Forces.

The national defence services are under unified control, but the expenditure is shown both in budgets and accounts in two distinct "votes", one relating to Naval Defence and the other for the Defence Department, which covers both the land and air forces.

Although there is only one vote for land and air forces combined, nearly all the expenditure which is proper to the latter can be completely identified, as it is shown under separate sub-heads of the vote. The cost of the civil administration, however, of the Defence Department, which is common to both land and air forces, is not shown separately as between the two forces and appears to have been included wholly in Table B (Land Forces).

The salary of the Minister for Defence is provided for in a special section of the budget and account (Civil List) and has not been included in the Model Statement. The Minister of Defence

is also Minister for certain other branches of the public service. The salary of the Under-Secretary for Defence, however (a new post created since the year to which the Model Statement relates), is included in the budgets and accounts for the Defence Department.

2. *Coast Defence.*

The information available does not enable the Committee to state in which table of the Model Statement expenditure on coast defence has been included.

3. *Optional Columns.*

The optional columns have not been completed.

4. *Division between the Sub-heads of the Model Statement.*

The manner in which the expenditure is classified in the budgets and accounts enables a very large proportion of this expenditure to be transferred bodily to the appropriate sub-heads of the Model Statement.

Where the expenditure recorded under any one item has had to be divided between two or more sub-heads of the Model Statement, it is not possible to say how the allocation has been effected.

5. *Head IV : Separation from Other Heads.*

The separation of expenditure proper to head IV presents practically no difficulty. New Zealand possesses no State factories for the manufacture of war material for the land or air forces, such requirements being obtained by cash purchase from the United Kingdom Government or from private factories. In regard to the naval forces, she possesses no State shipbuilding or ship-repairing yards, both new construction and repairs of ships being carried out by the United Kingdom Government or in private yards on the basis of cash repayment. It is thus a simple matter, having regard to the detailed way in which the relevant expenditure is recorded in the accounts, to identify that expenditure.

The only State establishments which exist for war material are depots, the staff of which is very small. The remuneration of the staff concerned appears to have been charged almost entirely to head I, while other storage expenses have been charged to heads II and III.<sup>1</sup>

6. *Head IV : Division between Sub-heads.*

All head IV expenditure proper to the land armed forces has been shown under sub-head M in the Model Statement, sub-heads M(a) and N being shown as "nil".

Head IV expenditure proper to the naval armed forces has been divided between sub-heads L and M, sub-head N being shown as "nil". Where the expenditure under any one item in the account has had to be divided between sub-heads L and M, the allocation appears to have been made on the basis of internal accounts.

7. *Special Questions.*

*Civilian Personnel.*—The number of these employees is very small.

*Naval Reserves.*—The emoluments of the Director of Naval Reserves and six Royal Naval Voluntary Reserve Instructors employed on a full-time basis have been included in sub-head D.

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## E. TABLES ANNEXED TO THE MODEL STATEMENT.

New Zealand has submitted two series of annexed tables, one for land forces and the other for naval forces.

(a) *Land Forces.*

*Table A.*—As this table has been omitted from the "Instruments necessary for the application of a system of publicity of national defence expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

*Tables C, D, E.*—No observation regarding the "nil" entry.

*Table F.*—The amount shown in this table includes expenditure on pensions to widows of the Great War. The expenditure on "Military Pensions, Maori War", is not included in the amount shown.

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<sup>1</sup> The pay, salaries, etc., of the whole of the Headquarters and Administrative staff, both naval and civil, in the Naval Defence Department have been included under sub-head L of Table C in the Model Statement, but the New Zealand Government have since expressed the view that, with the possible exception of one small item, such expenditure would be more appropriately charged to sub-heads A, B or C of head I.



(b) *Naval Forces.*

*Tables A and B.*—As these tables have been omitted from the “ Instruments necessary for the application of a system of publicity of national defence expenditure ” (document Conf.D./C.G.160), no comment is called for under this heading.

*Tables C, D, E.*—No observation regarding the “ nil ” entry.

*Table F.*—A single amount has been shown for military personnel, which includes all the pensions (Articles I, II, III, IV).

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**List of Documents.**

Budgetary system : reply of the delegation of New Zealand to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.26).

Model Statement (document C.972.M.535.1931.IX (Conf.D.41)).

Annexed tables and reconciliation tables with explanations (document Conf.D./C.D./C.T.120).

Estimates for the year ended March 31st, 1932.

Balance-sheets and Statements of Accounts of various Government Departments, 1930-31. Audited Accounts. Public Accounts for the Financial Year 1930-31. Appropriations for the year ended March 31st, 1932.

Public Revenues Act, 1926.

Appropriation Act, 1931.

Imprest Supply Act, 1931.

Observations of the Technical Committee on the documentation supplied by the delegation of New Zealand (document Conf.D./C.D./C.T.139).

Replies of the Government of New Zealand to the observations of the Technical Committee (document Conf.D./C.D./C.T.202).

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## PANAMA.

### PRELIMINARY NOTE.

Article 1 of the Convention of November 18th, 1903, concluded on February 26th, 1904, between the United States of America and the Republic of Panama for the construction of the Panama Canal, reads as follows :

“ The United States guarantee and will maintain the independence of the Republic of Panama.”

In a communication, dated October 8th, 1931 (document C.970.M.533.1931.IX.[Conf.D.39]), the Government of the Republic of Panama makes the following statement :

“ Panama has no army or navy and her armaments are therefore intended purely for police purposes and for the internal security of the Republic.”

In view, however, of the universal character of its work, the Committee thought fit to draw up the following summary.

### A. BUDGETARY SYSTEM.

#### 1 and 2. *Preparation, Discussion, Voting and Execution of the Budget.*

Contrary to the practice generally followed, the financial *exercice* of Panama is not yearly but two-yearly.

The provisions relating to the budgetary system are to be found partly in the Constitution and partly in the “ Ley sobre el Presupuesto ”, which is voted every two years by the National Assembly.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The budgets are published *in extenso* every two years.

The Committee has not had the opportunity of examining any closed account and does not know if these are published.

#### 4. *Division of Expenditure in Budget and Accounts.*

Expenditure which might possibly be considered as national defence expenditure is to be found under the heading “ Secretaria de Gobierno y Justicia ”. This heading comprises nine articles relating to the “ Policia nacional ”, one article relating to the “ Ejercito nacional ” and three articles relating to the “ Banda republicana ”.

#### 5. *Conditions governing the Expenditure of Credits.*

The Committee has not sufficient data to determine whether a vote of credits authorises the public services, during the financial *exercice*, to incur commitments, issue orders for payment, or make payments up to the total of credits voted.

#### 6. *Supervision during the Execution of the Budget.*

No expenditure can be incurred by the Executive without a certificate from the “ Controlor General de la Republica ” to the effect that funds are available, that expenditure is in order, etc.

Details as to the organisation of this supervisory service are given in Law 84 of 1930 annexed to the “ Presupuesto 1931-1933 ”.

The Controller-General is appointed for four years by the President and his appointment must be approved by the National Assembly. He is entirely independent both of the Executive and of the Legislature. He can only be dismissed by a sentence of the “ Corte Suprema de Justicia ”.

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NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Panama.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. Budgetary Year.

The budgetary period 1931-1933, which began on March 1st, 1931, should have finished on February 28th, 1933. But as from January 1st, 1933, the two years of the financial *exercice* begin on January 1st, one financial *exercice* corresponding to two calendar years.

### 2. Model Statement.

No Model Statement has been submitted.

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## C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

### 1. General Remarks.

It will only be possible to decide whether the expenditure appearing under the following headings should be regarded as national defence expenditure when the competent organs of the Conference have given a definition of effectives :

- (a) " Policia nacional " (entirely or partly);
- (b) " Ejercito nacional " (officers " en disponibilidad " (on half-pay), emoluments);
- (c) " Banda republicana ".

### 2. Civil Departments.

There would not appear to be any expenditure relating to the police in departments other than the " Secretaria de Gobierno y Justicia ".

There may possibly be some small expenditure in Article 609 (" Para pagar las reparaciones de los edificios públicos ") of the " Secretaria de Agricultura y obras públicas ".

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. Separation of the Expenditure on the Three Forces.

As there are no naval or air forces, this question does not arise.

It is evident that the inconsiderable expenditure under Articles 85 and 86 (" Para pagar los sueldos de los empleados del Panquiaco y para gastos de Aviación ") relates to civil aviation.

### 2. Division of Expenditure between the Various Heads and Sub-heads of the Model Statement.

The delegation of Panama has submitted the following outline of a statement :

	Balboas
1. Pay of employees of the police force .....	1,239,587.29
2. Expenditure on material, etc.....	70,355.04
Total...	1,309,942.33

The second item is the total of Articles 56, 57, 58, 59, 61, 62 and 63 of the budget. It cannot be regarded as corresponding to head IV of the Model Statement, for in the above articles appears certain expenditure not relating to this head, such as medicines (Article 56), which should appear under head I, sub-head E, and expenditure on forage for horses, which should appear under head II, sub-head F, etc.

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## E. TABLES ANNEXED TO THE MODEL STATEMENT.

Tables A, B, C, D and E.

These tables have not been supplied.

*Table F.*

There appears to be no expenditure relating to military pensions. As regards officers on the unemployed list (Article 79, "Ejercito nacional"), it must above all be decided whether such expenditure is to be regarded as expenditure on national defence or on pensions.

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**List of Documents.**

Communication from the Government of Panama, dated October 8th, 1931 (document C.970.M.533.1931.IX (Conf.D.39)).

Communications from the Government of Panama, dated March 21st and April 6th, 1933, concerning the expenditure of the national police of the Republic during the two-yearly *exercice* 1931-1933.

Budget for the *exercice* from March 1st, 1931, to February 28th, 1933 ("Liquidacion general de los presupuestos de rentos y gastos").

Budget for the *exercice* from January 1st, 1933, to December 31st, 1934 ("Presupuestos de rentos y gastos").

Decree No. 73 of March 11th, 1931, approving the budget for the *exercice* from March 1st, 1931, to February 28th, 1933.

Law of January 6th, 1933, approving the budget for the *exercice* from January 1st, 1933, to December 31st, 1934.

*Armaments Year-Book* 1933, published by the League of Nations.

DARESTE, "Les Constitutions modernes". IV. *Amérique*.

## PERU.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

By June 10th, the Minister of Finance draws up the revenue estimates and informs the other ministerial departments of the amount assigned to each of them from the said revenue. Each ministerial department then draws up a Statement of its estimated expenditure within the limits of the total assigned to it and forwards this to the Ministry of Finance by July 15th. The Chambers of Congress draw up their own budgets and forward them to the Finance Ministry by August 15th. The Minister of Finance co-ordinates the above estimates and prepares the draft general budget.

After discussion and approval by the Council of Ministers, the draft budget is submitted by the Minister of Finance to Congress not later than August 31st, together with an explanatory statement.

#### 2. *Discussion and Voting of the Budget.*

(a) The legislative power is vested in Congress, which consists of two Chambers, a Chamber of Deputies (Cámara de Diputados) and a Senate (Cámara de Senadores).

The Budget Commission of each Chamber examines the draft budget and introduces such amendments as it deems advisable, subject to the balance between revenue and expenditure being maintained.

The budget is voted chapter by chapter.

The general budget is enacted by law. The law consists of the following parts: Part I, Revenue; Part II, Expenditure; Part III, Balance-sheet.

(b) Under the law of the Constitution, if the budget is not adopted by Congress before the beginning of the new financial year, Congress must decide that, until the budget has been definitely voted, either the budget of the previous year (by one-twelfth at a time) or the new draft budget presented by the Government will be put into force provisionally.

(c) Additional credits, whether supplementary or extraordinary, require the sanction of both Chambers of Congress. If the Chambers are in recess, the sanction can be given by the Council of Ministers, provided that such sanction is submitted for the ratification of the Chambers at the next session. Extraordinary credits may be sanctioned only in the event of foreign aggression, internal disturbances, fire, plague or any other public calamity requiring immediate Government action.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

It is not known if the draft budget is published.

The budget and closed accounts are published.

#### 4. *Conditions governing the Expenditure of Credits.*

The budget credits limit the amount of the commitments that may be entered into during the budgetary year.

Budgetary credits cannot be carried forward from one year to another. As soon as an *exercice* is closed, any balance outstanding of credits over payments made during the *exercice* is automatically cancelled.

If, on the expiry of the additional period of three months following the budgetary year, there are credits in respect of which no commitments have been entered into or any outstanding payments, a detailed report is made to Congress.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) Budget estimates are divided into titles (*pliegos*) relating to each of the Chambers of Congress and the various ministerial departments. The titles are divided into chapters (*capítulos*) which group related services. Chapters are subdivided into very detailed articles (*partidas*).

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NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Peru.

The budget for the Ministry of War includes 23 chapters and 132 articles; that for the Ministry of Marine includes 32 chapters and 116 articles.

(b) The closed accounts are divided into chapters and articles like the budget.

(c) The budget credits must be exclusively applied to the services for which they are provided.

When Congress is in session, transfers between chapters of a title require the preliminary approval of both Chambers. If the Chambers are in recess, these transfers may be effected under the authority of the Council of Ministers, but they must be submitted for the ratification of the Chambers at the next session.

Transfers between the articles of the same chapter may be effected with the authority of the Council of Ministers.

#### 6. *Unity of the Budget.*

(a) The general budget includes, in principle, the estimated amount of all national defence expenditure. The Committee is unaware whether the general budget of Peru includes expenditure incurred under special laws or decisions.

(b) The budget is drawn up on a basis of gross expenditure.

#### 7. *Supervision of the Execution of the Budget.*

This supervision is exercised :

(a) By the ministerial Accountancy Services (Dirección de la contabilidad).

These services record the amounts of all contracts and agreements entered into. In the event of such commitments not having been notified to them, they refuse to accept payment vouchers relating thereto.

(b) By the Court of Audit (Tribunal Mayor de Cuentas).

The Committee has no information regarding the composition of the "Tribunal mayor de Cuentas", the mode of appointment and the independence of its members, or their functions. It is unaware whether this organ intervenes during the execution of the budget or whether it verifies and considers the accounts after the execution of the budget.

This Court does not recognise payment vouchers which were not made out through the intermediary of the Treasury Department and the Accountancy Service.

(c) By Congress.

At the opening of the ordinary sessions of Congress, a Committee is elected, consisting of five Deputies and three Senators, to examine the general accounts of the Republic. The members of the Committee submit a report to their respective Chambers within sixty days.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from January 1st to December 31st.

There is an additional period of three months, during which commitments entered into during the year may be paid.

### 2. *Model Statement.*

No Model Statement has been submitted.

### 3. *Execution of the Budget.*

Payment vouchers must indicate payees individually.

All payment vouchers are despatched to the Accountancy Department, which certifies that they are in order. They are then forwarded, together with this certificate, to the Treasury Department, which orders payment by the competent paying office.

No payment other than those relating to certain specific items of expenditure, such as pay, allowances, leases, may be made by any paying office without a ministerial order, signed by the responsible Minister and issued in advance in each case.

4. *The Accounts.*

The closed accounts show expenditure effected during the *exercice*, as compared with the original and supplementary budget estimates. They contain the same chapters and articles as the budget.

5. *Audit and Publication of the Accounts.*

The Minister of Finance presents the general accounts, together with an explanatory statement and documents in support, to Congress by August 31st of the year following that to which the budget relates.

The closed account for 1929 was published on July 26th, 1930.

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C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

1. *General Remarks.*

No Model Statement has been furnished, but, in 1931, the Peruvian Government notified an expenditure of 14.4 million soles for the Ministry of War and 6.4 million soles for the Ministry of Marine, which figures included pensions amounting approximately to 980,000 soles.

2. *Military Departments.*

There are two Ministries of National Defence—viz. (1) the Ministry of War and (2) the Marine and Air Ministry. The Marine and Air Ministry is responsible for all the services and work of the Navy, the National Air Force, including the reserves for these forces, and the Merchant Marine.

3. *Civil Departments.*

Certain expenditure of relatively small amount included in the budget for the Civil Departments seems to present certain military interest. Thus the 1930 budget provides for expenditure of 63,000 soles for the *Casa militar del Presidente* (Title I: "Gobierno", Chapter I, Articles 2 to 6) and certain small expenditure connected with the *Obras de Defensa* (Title VII: "Fomento", Chapter VI, Article 166).

If, in pursuance of the decisions of the Conference, certain expenditure for the *Civil Guard, Police or Customs* is to be added to the national defence expenditure, this expenditure should be extracted from Chapters X to XV of Title I: "Gobierno" and from Chapter V of Title IV: "Hacienda".

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D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES,  
HEADS AND SUB-HEADS OF THE MODEL STATEMENT

and

E. TABLES ANNEXED TO THE MODEL STATEMENT.

In the absence of a Model Statement, it is not possible to give any information under these heads. In view of the amount of detail shown in the budget and accounts, there is no reason to suppose that special difficulties would be experienced in separating the expenditure on the three forces, or in allocating the expenditure of each force to the various sub-heads of the Model Statement.

Expenditure on pensions is included in the budgets of the Ministries of War and Marine.

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List of Documents.

- Organic Budget Law (*Ley Orgánica de Presupuesto*) No. 4598 of 1922.  
Closed Accounts for 1929 (*Cuenta General de la República*).  
Budget for 1930 (*Presupuesto*).  
"La Constitución del Peru: Leyes Orgánicas:" Publicacion oficial.  
*Anuario de la Legislación Peruana*, 1928 and 1930-31.  
DARESTE: "Les Constitutions modernes." Volume IV. *Amérique*.  
*Annuaire Interparlementaire*, 1932.  
*Armaments Year-Book*, 1933 (published by the League of Nations).

## PERSIA.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budgets prepared by the different Ministerial Departments are centralised by the Ministry of Finance, which examines them and makes up the final draft general budget.

#### 2. *Discussion and Voting of the Budget.*

(a) The final draft budget is submitted to Parliament. After examination by a Financial Commission, it is submitted to general discussion and voted by Parliament in the fortnight preceding the commencement of the year in which it is to be executed.

The budget is promulgated by an Imperial Decree.

In the event of the budget not being voted at a sufficiently early date, expenditure for one or more months is approved provisionally by Parliament.

(b) The budget is voted annually.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget is not published officially.

After the budget is voted, it is published in the journal of Parliamentary debates.

No closed account was supplied to the Committee.<sup>1</sup> Such accounts are published in the half-yearly reports of the Finance Ministry. The most recent of these reports deals with the 1929-30 financial year.

#### 4. *Conditions governing the Expenditure of Credits.*

The State accounts show the amount of the cash disbursements effected during the year and the additional period.

Commitments can only be entered into to the extent to which corresponding budgetary provision exists.

Supplementary credits have to be sanctioned in the same way as the budgets.

Credits for one year cannot be carried forward to another year without the special authorisation of Parliament.

The Minister of War is allowed, under certain conditions, to enter into contracts, etc., payment for the execution of which will be chargeable against provision to be made in subsequent budgets.

#### 5. *Division of Expenditure in the Budget and Accounts.*

(a) The expenditure of each Ministry constitutes a main head of the budget.

There is only one National Defence Ministry (the Ministry of War).

The main heads of the budget are divided into sub-heads.

The divisions of the budget of the Ministry of War are few in number. In the translation of the Budget Law for 1931-32, only three are shown.

(b) The accounts are kept in the same form and with the same details as the budget.

(c) Transfers between the heads or sub-heads of the budget are not authorised.

#### 6. *Unity of the Budget.*

The greater part of national defence expenditure is shown in the general State budget.

As the general budget normally includes only the amounts necessary for the upkeep of the army and not amounts which would be applied to purchasing or renewing war material, the purchase of such material is regarded as extraordinary expenditure. When considered necessary, Parliament authorises amounts for these purchases of material either to be entered in the general budget or to be drawn from the reserve fund of the State.

<sup>1</sup> After this summary had already been drafted, the Persian delegation forwarded a copy of the report issued by the Finance Ministry relating to the year 1929-30 and the operations previously effected.



Certain civil expenditure borne by special funds is not included in the general budget; for instance,

(a) The cost of constructing the Trans-Persian Railway and of operating the sections already open for traffic, as well as the operating costs of the Djulfa-Tabriz Railways;

(b) The maintenance costs of roads and harbours;

(c) The cost of the navigation service on Lake Rezaieh;

(d) Subsidies granted to municipalities;

(e) Subsidies granted to the "Lion and Red Sun" (the equivalent of the Red Cross).

Over and above these credits, the Ministry of War has the disposal of receipts on account of estates, barracks or land belonging to the War Department and sold as being no longer usable and receipts on account of issues made on repayment.

No public or private organisation finances expenditure on the regular army. But, in the case of the formations recruited by the tribes, the tribal chiefs finance the larger portion of the expenditure on the upkeep of their troops and obtain a reduction of taxation in return. This system is gradually disappearing as the new army is being constituted.

A special fund exists for military pensions, which is financed from contributions from individuals, and pension payments from this fund are not shown in the Government accounts. The accounts of this fund are not published.

#### 7. *Supervision of the Execution of the Budget.*

For the supervision of national defence expenditure, there is a supervisory service under the command of the Controller-General-in-Chief of the Army, who is directly responsible to His Imperial Majesty the Shah.

In carrying out his duties, the Controller-General-in-Chief of the Army is independent of the Ministry of War. It is his duty to audit the accounts of the officials issuing orders for payment and of the paymasters.

The scrutiny and supervision of accounts is normally undertaken by the supervisory service of the Finance Ministry. A Court of Audit is being constituted.

A Finance Committee formed from the Parliament also supervises the proper execution of the budget.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

Like the calendar year, the budgetary year extends from March 21st to March 20th.

Down to the budgetary year 1932-33, there was an additional period of three months for liquidating commitments and issuing payment orders and of twelve months for making payments. As from the beginning of the budgetary year 1933-34, the latter period was reduced to three months.

### 2. *Budget and Accounts.*

There is only one National Defence Ministry. The expenditure for the land, naval and air forces is not shown separately in the budget and accounts of this Ministry.

### 3. *The Model Statement.*

The Model Statement has been prepared on the basis of payment orders issued in the year 1931-32 (not including the additional period). The tables relating to each of the three forces have been filled in.

### 4. *Execution of the Budget.*

Generally speaking, credits voted cannot be used without the authorisation of the Finance Minister. The allocation of funds is in the hands of personnel responsible to the Finance Minister.

The Minister for War is, however, independent in the matter of expenditure. He receives a *bloc* credit and it is officials under him who are responsible for the issuing of orders for payment and the discharging of the State's indebtedness.

The functions of officials issuing orders for payment and accountants are incompatible.

### 5. *The Accounts.*

The accounts have not been submitted.<sup>1</sup> They are published in the half-yearly reports of the Finance Ministry.

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<sup>1</sup> See note on previous page.

## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

The relationship between the accounts and the Model Statement is shown by a statement of expenditure submitted by the Persian delegation; but, in the absence of published accounts,<sup>1</sup> it has not been possible to check the accuracy of the Model Statement or to say whether all military expenditure is included in the same.

### 2. *Civil Departments.*

Independently of the Ministry of War, expenditure which would appear to relate to national defence is included in the civil budgets of the Finance Ministry and the Ministry of the Interior. Expenditure on the gendarmerie and police is included in the budget of the Ministry of the Interior, but expenditure on police has not been included in the Model Statement; expenditure on Custom guards is included in the budget of the Ministry of Finance.

It is not possible to say whether or to what extent this expenditure should be regarded as expenditure relating to national defence.

### 3. *Special Questions.*

(a) There are no autonomous enterprises for the manufacture of arms.

(b) The credit accorded for travelling expenses and emoluments of holders of scholarships from the War Ministry and the credits assigned for the purchase of materials and ships have been made available and expended in pounds sterling. The credits in question were voted in Pahlavis and in pounds sterling and are shown both in the Finance Acts and in the internal accounts in sterling. In order to simplify the Model Statement, these amounts have been converted into krans on the basis of the official exchange rate for the first six months of the year, which was the period when most of the sums in question were expended.<sup>2</sup>

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE AMONG THE TABLES, HEADS AND SUBHEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure on the Three Forces.*

Although there is only one National Defence Ministry (the Ministry for War), and only one budget in which the expenditure for the three forces is not shown separately, the expenditure has been shown in separate tables in the Model Statement for the land, naval and air forces.

This division over separate tables has been made on the basis of internal accounts. In the case of naval and military air force expenditure, in some cases, estimates have had to be resorted to. It should further be remarked that the whole of the expenditure of the central administration is included in the statement for the land forces.<sup>3</sup>

### 2. *Optional Columns.*

The optional columns have not been filled in.

### 3. *Division of Expenditure between the Heads and Subheads of the Model Statement.*

The same observation applies to the division of expenditure as to the second paragraph of D, 1.

In the case of civilian officials and employees employed with the land and air forces, they rank as military and draw the same pay under the same headings as the military personnel; and it was not found possible to show them separately from Subheads A and B. Hence no entries occur under Subhead C.

For reasons already given, it has not been possible to verify from published accounts the figures given under the various subheads of the Model Statement.

### 4. *Head IV.—Separation from Other Heads.*

In the case of each of the three forces, expenditure has been allocated to Head IV of the Model Statement.

### 5. *Head IV.—Division between Subheads.*

The expenditure under Head IV has been divided between the various subheads.

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<sup>1</sup> See note, page 192.

<sup>2</sup> The Persian delegation points out that, during the whole of this period, the unofficial rate of the pound sterling was about 115 krans, although its value was distinctly greater.

<sup>3</sup> The Persian delegation states that this total expenditure would have been substantially the same if there had been no navy and air force.

E. TABLES ANNEXED TO THE MODEL STATEMENT.

*Tables A and B.*

As these tables have been omitted from the draft " Instruments necessary for the Application of a System of Publicity of National Defence Expenditure " (document Conf.D./C.G.160), no comment is called for under this heading.

*Table C.*

The following statement represents amounts outstanding at the end of the budgetary year 1931-32 on account of *bloc* credits voted in respect of expenditure for more than one year :

	Krans
1. Balance of the credit voted by the 1310 (1931-32) Budget Law for the purchase of material.....	787,871
2. Carry-over credit voted by the Finance Act of March 17th, 1932, for the purchase of material (£1,500,000) at the current rate of exchange .....	135,000,000
3. Balance of credit for the purchase of ships.....	12,102,986

*Tables D and E.*

There are no figures shown against these heads.

*Table F.*

No expenditure on account of pensions appears in the State accounts.

The Persian army is at present under re-organisation. At the outset of the re-organisation, a certain number of old officers were automatically placed on the retired list by a Finance Act making their pensions a direct charge on the Finance Ministry, like the pensions of retired civilians.

A new law established a special Retiring Pensions Fund for officers and others in the same position. The fund is supplied by a deduction of 5 per cent from the pay of the army. Military pensions, being financed henceforward out of the resources of the fund, are no longer entered in the State accounts (see also A, 6).

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List of Documents.

Budgetary system : reply of the Persian delegation to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.49) (French).

Model Statement with annexed tables (document Conf.D.64(1)).

Budget Law for the financial year 1931-32; French translation of the text of the State Budget Law for the year 1310 (*Ganun. Budjeh iéksaleh 1310 Mémlékéti*) published in the " Full Text of Parliamentary Debates " (*Surât Mächruh Mozakerate Mâdjless*) for the eighth session (*DovreH Hächtomé TägninieH*), eighteenth sitting (*Djälseh Hidjdâhom*), dated March 18th, 1931 (27 Esfand 1309).

Statement of military expenditure for which payment orders were issued during the year 1931-32 (French).

Additional credits in Laws of September 17th, 1931, February 19th, 1932, and March 17th, 1932; French translation of certain pages of the *Official Journal of the Persian Parliament* (*Surât Mächruh Mozakerate Mâdjless*), eighth session, fiftieth, seventieth and seventy-sixth sittings, with the Persian original text.

Statement of budgetary credits and extra-budgetary receipts pertaining to national defence expenditure for the year 1931-32 (French).

Document communicated by the Persian delegation after the summary of information had been drafted :  
Twenty-sixth Report of the Ministry of Finance (*Bistchéhomine Raporté. Vezarate Malieh.*)

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## PORTUGAL.<sup>1</sup>

### A. BUDGETARY SYSTEM.

#### 1. Preparation of the Draft Budget.

A. *Home Country*.—The draft budgets are prepared by the various Ministerial Departments and submitted to the Intendance-General of the Budget, which is responsible for the technical supervision of the preparation of the budget under powers delegated to it by the Finance Ministry, by which it is directly controlled.

B. *Colonies*.—The draft colonial budgets are prepared by the Finance Departments in each colony. They are discussed and approved by the Government councils concerned and transmitted, by March 31st of each year, to the Secretariat-General of the Ministry of the Colonies.

#### 2. Discussion and Voting of the Budget.

A. *Home Country*.—(a) At present the budget is neither discussed nor voted, as the National Assembly has not yet been elected.<sup>2</sup>

(b) National defence expenditure is approved annually.

The validity of the budget cannot be extended, and such a proceeding would, in any case, be unnecessary as, failing approval by the National Assembly, the Government is empowered to approve the budget by decree-law.

(c) Expenditure is authorised by the decree-law (budgetary law) by which approval is given to the general State budget.

B. *Colonies*.—The draft budgets of the colonies are examined by the Supreme Colonial Council and by the various services at the Colonial Ministry, which are required to submit such observations as they may deem appropriate. They are subsequently submitted to the supervisory services at the Colonial Finance Department, which transmits them, after discussion, to the Colonial Minister for approval.

The colonial budgets cannot come into force without the express approval of the Colonial Minister; such approval is embodied in a Ministerial order (*portaria*).

#### 3. Publication of the Draft Budget, Budget and Accounts.

A. *Home Country*.—The draft budget is not published officially until it has been submitted to the National Assembly for approval.

The budget is officially published in a single volume containing the general State budget, with full details of revenue and expenditure. The detailed budgets of the various Ministries are also published separately.

The decree-law by which approval is given to the general State budget is published in Series I of the *Diario do Governo*.

The closed accounts are published.

B. *Colonies*.—The Colonial Minister's order giving approval to the colonial budgets is published in the *Diario do Governo*.

The said budgets are published in the supplement to the *Bulletin* of each colony.

The accounts of the various colonies are published.

#### 4. Conditions governing the Expenditure of Credits.

The budgetary credits represent actual financial provision and are granted for each *exercice*. Expenditure in respect of which commitments have been entered into in the course of the budgetary year may be liquidated during an additional period of one month and paid in the next fourteen days.

<sup>1</sup> The present summary has been drawn up in the light of :

(a) The particulars supplied by the Portuguese Government in 1932 relating to the situation obtaining at that date;

(b) The replies of the Portuguese Government to the observations of the Technical Committee, which are based on the provisions of the new Constitution adopted on March 19th, 1933.

<sup>2</sup> Under Article 64 of the Constitution approved on March 19th, 1933, " the general State budget shall be drawn up annually and brought into force by the Government in pursuance of the legal provisions in force, and more especially of the authorisation act provided for under point (4) of Article 91 of the Constitution "

Under the provision in question, it will be for the National Assembly " to authorise the Government to collect State revenue and pay public expenditure during the following *exercice*, while defining in the relevant authorisation act the principles by which the budget is to be governed in respect of that part of the year's expenditure the amount of which is not determined under previous laws "

The carry-forward of credits is not permitted. Any credits remaining unexpended at the end of the additional period are cancelled.

The Portuguese system does not recognise commitment authorisations. Authority to conclude contracts for supplies, the payments in respect of which are to be spread out over a number of years, must be specially granted by decree-law in each individual case.

Unforeseen expenditure or expenditure inadequately provided for is met by opening "special credits". Decrees opening special credits are registered by the Directorate-General of Public Accounts and endorsed by the Court of Audit.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) In the budget, expenditure is grouped under a number of subdivisions—viz. :

Chapters (capitulos);

Services;

Categories : (1) Personnel, (2) Material, (3) Service Payments, (4) Various;

Articles (artigos);

Items.

The budget of the War Ministry for 1930-31 consisted of eleven chapters (including the chapter relating to expenditure in respect of previous economic years) and 292 articles, while the navy budget consisted of twelve chapters and 286 articles.

The articles were subdivided into numerous items.

The headings under which national defence expenditure is shown are extremely detailed, and the various subdivisions clearly indicate the purpose of the expenditure.

(b) The accounts are drawn up under exactly the same subdivisions as the budgets, and with exactly the same degree of detail.

(c) Transfers between budgets, chapters, services and categories are illegal.

Transfers are legal :

(1) From one article to another in any category, by decree, provided that the Finance Minister's endorsement is first obtained on application through the Intendance-General of the Budget;

(2) From one item to another in the second category (expenditure on material), subject to the same procedure;

(3) Between items of the same article in the other categories, by order of the Minister concerned.

#### 6. *Unity of the Budget.*

(a) The budget comprises all State expenditure, including that of the autonomous services. It also supplies such particulars as are necessary to form an opinion of the financial position of autonomous local authorities (districts, municipalities, parishes) and colonies.

All national defence expenditure is shown in the budget (there are no extra-budgetary resources out of which national defence expenditure can be met).

No public or private bodies, apart from the State and Colonial Administrations, are empowered to finance national defence expenditure.

There are establishments enjoying budgetary autonomy which manufacture material for the military services. Each of these establishments fixes its own annual budget, which is submitted to the Finance Minister for approval.

(b) Expenditure is brought to account on a gross basis.

Receipts in respect of the military tax, exemptions from military service granted to troops of the active army, the sale of scrapped war material, fines imposed on the civil personnel of the War Department, etc., are placed to the credit of the Finance Department as being State receipts.

#### 7. *Supervision during the Execution of the Budget.*

Such supervision is exercised :

(a) By the Directorate-General of Public Accounts;

(b) By the Intendance-General of the Budget;

(c) By the Court of Audit.

The Directorate-General of Public Accounts, which acts under the Finance Ministry, checks all orders for payment through sections attached to the War and Navy Departments; in so doing, it ascertains that the expenditure has been correctly allocated, that the credits have not been exceeded, that the expenditure is in order, and that payment is made in accordance with the law.

The Intendance-General of the Budget, which is under the immediate and direct control of the Finance Ministry, is responsible for the supervision and technical control of the execution of the budget. It sees that credits are economically employed with a view to obtaining maximum efficiency with a minimum of expenditure.

The Court of Audit endorses all decrees and documents implying advances of any kind whatsoever, together with all decrees opening special credits, before these various papers are submitted to the President of the Republic for signature. It also endorses all documents notifying the appointment, promotion, etc., of officials, together with all contracts for supplies of material and the execution of works.

Sums expended over and above, or independently of, the budgetary credits are deducted from the salaries of the officials responsible. The law, indeed, makes the officials of the public accounts services responsible for all such expenditure, by the very fact of its passing through their hands.

#### 8. Final Audit.

A. *Home Country*.—The Court of Audit checks and passes judgment upon the general State account. It states its opinion regarding the application of the revenue and expenditure law and of all special finance laws. The Court's opinion is published in the *Official Journal*.

The Court of Audit is independent of the Executive. Its members are appointed for life by the Finance Minister and are irremovable.

B. *Colonies*.—The general accounts of the colonies are judged by the Supreme Colonial Council.

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### B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

#### 1. Budgetary Year.

The budgetary year extends from July 1st to June 30th.

There is an additional period extending to August 14th. Expenditure incurred up to June 30th may be liquidated up to the end of July and paid up to August 14th. The credits relating to expenditure not paid by August 14th are cancelled.

#### 2. Budgets and Accounts.

There are two National Defence Departments: the War Ministry and the Navy Ministry.

Air expenditure is included in the budgets of one or other of these departments according as it relates to the land or naval air forces.

#### 3. The Model Statement.

The Model Statement has been completed for the *exercice* 1930-31. It is based:

(a) On the provisional accounts of the War, Navy, Interior and Finance Ministries; these accounts show the payments actually made and, according to the Portuguese Government, the figures will only differ very slightly from those of the final account;

(b) On the budgets of the different colonies for the year 1930-31, as when the statement was drawn up the accounts showing how these budgets were carried out had not yet been closed. The Portuguese Government states that the differences between total credits and total payments are insignificant.

The expenditure shown in the Model Statement is gross (see under C, 4).

The tables in respect of the three forces have all been completed. Expenditure relating to closed *exercices* has not been included in the Model Statement.

#### 4. Execution of the Budget.

The various services are authorised to make use of the credits assigned to them in the budget, provided that they do not spend more than one-twelfth of the budgetary provision each month.

Commitments may be incurred as follows:

(a) As regards fixed expenditure on personnel, by the inclusion of the amounts concerned in the annual budget;

(b) As regards other fixed expenditure and expenditure on material not exceeding the sum of 500 escudos, by a decision of the head of the service concerned.

All other expenditure can only be incurred under a Ministerial authorisation.

The liquidation of expenditure is carried out by the competent services in the various departments. The documents relative to such liquidation are subsequently transmitted to the section of the general accountancy service which is attached to each Department. After checking the documents thus communicated, the above-mentioned section of the accountancy service authorises the necessary payments.

As soon as the payment has been authorised, the service responsible for the expenditure sends a payment warrant to the general Cash Department of the Treasury (Banco de Portugal) and hands to the creditor the papers which will enable him to obtain payment of the sums due.

With a view to the payment of certain expenditure which it has been impossible to liquidate and pay in the course of the budgetary year during which the commitments were entered into, a special chapter is included in the budget under the title "Expenditure of past financial years", against which all such expenditure must be charged. The total amount of such expenditure is slight; for the 1932-33 budgetary year it amounted to 4,500 escudos.

### 5. *The Accounts.*

The accounts show the amount of payments made during the *exercice*.

### 6. *Audit and Publication of the Accounts.*

The provisional Treasury account is published on September 30th following the closing of the budget. The general State account is published by January 31st in the following year.

The Court of Audit is required to state its opinion—regarding the execution of the budget—which must be accompanied by a full explanatory statement within two years of the end of the budgetary year concerned. The Court's opinion is published in the *Official Journal*.

The accounts are submitted to the National Assembly, together with the report and decision of the Court of Audit and all other necessary information.

The colonial accounts are judged by the Supreme Colonial Council and are published. Article 25 of Decree No. 15987 of September 29th, 1928, provides that the cash accounts and income and expenditure accounts for the budgetary year and the previous *exercice* must be sent to the Colonial Ministry before June 30th of each year and, as regards the accounts for Angola and Mozambique, before December 31st.

The Portuguese delegation stated that, for the year 1931-32, accounts were sent by all the colonies, with the exception of San Thomé and Príncipe, which sent accounts only for the 1929-30 *exercice*, and Timor, which has so far not sent any accounts but has promised to forward them shortly.

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## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

(a) The relationship between the accounts or budgets and the Model Statement is shown by means of reconciliation tables.

(b) The Model Statement shows the expenditure of the *armed forces* and *formations organised on a military basis*.

(c) The budgetary system has not been found to present any difficulty as regards the inclusion of all national defence expenditure in the Model Statement.

### 2. *Military Departments.*

The budgets of the War and Navy Departments, and also the colonial budgets, include expenditure on *pensions*, except so-called "blood-money" pensions, which are included in the Finance budget. Such expenditure has not been included in the Model Statement but is shown in annexed Table F.

Expenditure on the *Vocational School* for the Children of Deceased Ex-servicemen has not been included in the Model Statement.

### 3. *Civil Departments.*

The Model Statement includes :

(a) The expenditure on the *Republican National Guard*, which is borne upon the budget of the Ministry of the Interior;

(b) The expenditure of the *Corps of Customs Officers*, which is borne upon the budget of the Finance Ministry.

The amount on account of pensions has been deducted from the total expenditure in respect of the above-mentioned formations. This amount has not been shown in Table F.

No other expenditure which might be regarded as having a national defence character is borne upon civil budgets.

Apart from *exemption from postage* on official letters, a reduction of 50 per cent on *telegrams* and a reduction of 50 per cent of their ordinary tariff granted by the railway companies in respect of *military transport*, the national defence services, either in the home country or overseas, do not benefit by *free services* or reduced rates in respect of transport, accommodation, Customs, etc.

No extraordinary expenditure for the *maintenance of public order*, which might at the same time serve national defence, was effected out of civil budgets during the 1930-31 budgetary year.

### 4. *Special Questions.*

(a) *Deductions* in respect of income tax and retiring pensions are made from the pay shown in the budget. Since these amounts vary, as does also the percentage to be assigned to each item, it is therefore impossible to reconstitute the gross figures on the basis of the amounts shown in the budget.

(b) No preparatory military training was given in 1930-31 and no expenditure was therefore incurred in that respect. The colonial police forces, with the exception of the Timor police, have been shown as formations organised on a military basis.

(c) There are autonomous establishments of importance to national defence. The supplies delivered by such establishments to the military authorities are paid for out of the budget. The establishments in question also deliver supplies to private individuals at the same prices as to the State.

(d) Colonial expenditure expressed in local currency units has been converted into Portuguese escudos.

(e) No part of the expenditure in respect of the naval services in the colonies, such as the pilotage, lighthouse, wireless and meteorological services, is considered to be of importance to national defence. The expenditure on the semaphore services shown in the budget of the Navy Department is regarded as military expenditure.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. Separation of Expenditure on the Three Forces.

The expenditure of the army and navy air forces is shown in the budgets of the War and Navy Ministries respectively.

Whenever any of the figures in these budgets relate exclusively to the air forces, they have been transferred as they stand to Table D of the Model Statement.

As regards the pay of officers, non-commissioned officers and men, the budgets in question make no distinction between the personnel of the air and other forces.

Expenditure common to the air and other forces has been split up on an estimated basis or in the light of internal accounts.

There are no services common to both the navy and army.

### 2. Coast Defence.

Coast defence is under the authority of the War Department. Expenditure in this respect has been included in Table B of the Model Statement.

### 3. Optional Columns.

The optional columns have been completed in regard to the land forces. There are both land and overseas armed forces and formations organised on a military basis.

### 4. Division of Expenditure between the Sub-heads of the Model Statement.

On account of the highly detailed character of the budget and accounts, the division of expenditure between the sub-heads of the Model Statement has, as a rule, not caused any great difficulty. In a number of cases, recourse was had to internal accounts for this purpose.

### 5. Head IV.

No great difficulties were encountered in isolating the expenditure to be entered under Head IV.

It was found that certain items of expenditure had been assigned to this head in error. The mistakes in question are to be attributed not so much to the impossibility of separating expenditure on the basis of the budgets and accounts as to errors of interpretation.

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## E. TABLES ANNEXED TO THE MODEL STATEMENT.

### 1. Tables A and B.

As these tables have been omitted from the draft " Instruments necessary for the Application of a System of Publicity of National Defence Expenditure " (document Conf.D./C.G.160), no comment is called for under this heading.



2. *Table C.*

Table C has not been supplied. In this table, the Portuguese authorities should have entered the amount of expenditure incurred but not paid at the end of the financial *exercice*—that is to say, the figure which should be shown in the “Expenditure of past financial years” chapter of the budget.

3. *Table D.*

The Portuguese system does not include recourse to credit purchases and deferred payments.

4. *Table E.*

No subsidies have been granted to undertakings the objects of which include the delivery of supplies or the rendering of services for armament purposes.

5. *Table F.*

The figures entered in this table do not include :

(a) Pensions expenditure relating to the personnel of the Republican National Guard and Corps of Custom Officers;

(b) Pensions expenditure relating to colonial military personnel.

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### List of Documents.

Budgetary system : Replies of the Portuguese delegation to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.61).

Model Statement. Annexed tables. Reconciliation tables. Details of expenditure entered in the Model Statement in respect of each of the three forces (document Conf.D./C.D./C.T.158, dated December 14th, 1932). The Portuguese Government had previously supplied various particulars, to be found in document C.650.M.262.1931.IX (Conf.D.19) dated October 8th, 1931.

Budgets for the year 1930-1931 :

Ministerio da Guerra : Desenvolvimento do orçamento da despesa para o ano economico de 1930-31;

Ministerio da Marinha : Desenvolvimento do orçamento, etc.;

Ministerio das Finanças : Desenvolvimento do orçamento, etc.;

Ministerio do Interior : Desenvolvimento do orçamento, etc.;

Projecto do orçamento geral da receita e tabelas da despesa ordinaria e extraordinaria da Colonia de Moçambique;

Orçamento de previsão da receita e tabelas de despesa da Colonia de Macau;

Orçamento de receita e tabela de despesa ordinaria da Colonia de S. Tomé e Príncipe;

Orçamento da receita e tabelas da despesa da Colonia de Timor;

Orçamento da receita e tabelas da despesa ordinaria e extraordinaria da Provincia de Cabo Verde.

Observations of the Technical Committee on the documents supplied by the Portuguese delegation (document Conf.D./C.D./C.T.201).

Replies of the Portuguese delegation to the observations of the Technical Committee (document Conf. D./C.D./C.T.277 and addendum).

Communication, dated July 5th, 1934, from the Portuguese delegation, with supplementary replies to the observations of the Technical Committee.

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## SIAM.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The draft budget is prepared by the various Ministerial Departments under the instructions of the Minister for Finance; it is submitted to the latter by December 15th of each year.

#### 2. *Discussion and Voting of the Budget.*

The budget is submitted to the vote of the National Assembly and is enacted by Royal Decree before March 25th.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The Technical Committee has consulted the "Reports of the Financial Adviser on the Budget of the Kingdom of Siam", which are official documents published fairly regularly between April and July of each year; they contain particulars<sup>1</sup> both of the budget in respect of the financial *exercice* beginning on April 1st and of the expenditure actually effected during the financial *exercice* ending March 31st of the preceding year. The expenditure for the latter is thus shown in these documents about fourteen to sixteen months after the end of the financial year.

The Committee has had no opportunity of examining the original draft budgets, budgets and closed accounts. It has regarded the above-mentioned reports as equivalent to budgets and closed accounts.

A concise summary of the budget for the following year is published in the *Official Gazette* by March 25th.

#### 4. *Conditions governing the Expenditure of Credits.*

The credits voted represent actual financial provision.

The carry-forward of credits, which was permissible up to April 1st, 1931, is now illegal.

#### 5. *Division of Expenditure in Budget and Accounts.*

The above-mentioned "Reports of the Financial Adviser on the Budget of the Kingdom of Siam" show only aggregate figures for the budgets of the various Ministries; the degree of detail thus shown cannot therefore be regarded as sufficient.

#### 6. *Unity of the Budget.*

(a) All expenditure met out of annual revenue is shown in the budget.

There is also the so-called "capital" expenditure, which is met by means of loans or out of Treasury reserves. Every item of such expenditure is entered in the above-mentioned reports and it is relatively easy to check whether certain items are of a more or less military character.

Siam has no special budgets or autonomous military establishments.

(b) The Siamese budget is a gross budget.

#### 7. *Supervision during and after the Execution of the Budget.*

Though taking his instructions from the Ministry of Finance, the Comptroller-General of Accounts and Audits is completely independent of the various Ministerial Departments. He publishes tables explaining the differences between expenditure voted and expenditure effected.

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<sup>1</sup> The figures shown in these reports are, moreover, confirmed in the "Statistical Year-Book", which is also an official publication of the Ministry of Finance.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year extends from April 1st to March 31st. Chronologically, Siam observes the Buddhist era (for example, the year 2476 corresponds to 1933-34).

There is no additional period.

### 2. *Budgets and Accounts.*

There is only one combined National Defence Ministry, with three separate budgets and accounts corresponding to the three forces.

### 3. *Execution of the Budget.*

Payments are made in cash or, for amounts exceeding 1,000 bahts, by cheques on a bank if the payers so desire.

Payments in respect of ordinary expenditure are made by the Departments concerned. Payments in respect of extraordinary expenditure can only be made under the authority of the Ministry of Finance.

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## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

The Siamese delegation has supplied a Model Statement for 1930-31 (see document Conf.D.60).

Although it has not supplied reconciliation tables to explain the transfer of figures from the accounts to the Model Statement, it is unlikely that the compilation of the Statement gave rise to any special difficulty.

### 2. *Civil Departments.*

The statement submitted by the Siamese delegation shows the following items of expenditure borne upon budgets other than the National Defence Budget :

Pay of *army doctors* seconded for service with, and remunerated by, the Red Cross Society; total : 88,245 bahts;

Expenditure on the *Regiment of Royal Palace Guards*, totalling 266,964.06 bahts, charged to the budget of the Ministry of the Royal Household;

Expenditure of the *Royal Topographical Service*, totalling 584,831.51 bahts, borne upon the budget for that service, which is distinct from that of the Army;

Expenditure in respect of the *Police Corps*, amounting to 3,266,106.41 bahts, borne upon the budget of the Ministry of the Interior;

Pay of *reservists*, amounting to 329,467.29 bahts, not included in the budget of the Army, but paid by the Treasury out of a special chapter of the budget.

As regards "capital" expenditure, scrutiny of the list of items on page 37 of the report mentioned above leads one to the opinion that it was correct not to include any of them in the Statement.

### 3. *Special Questions.*

The inclusion in the Statement of certain of the expenditure referred to in Section 2 was quite correct for the purpose of compiling a provisional statement for the information of the Conference for the Reduction and Limitation of Armaments; the position will, however, require careful consideration if and when the "Instruments" submitted by the Technical Committee and published as document Conf.D./C.G.160 come into force. This remark applies particularly to the *formations organised on a military basis*, as well as to the *hydrographical service* (210,000 bahts), the expenditure on which has been omitted from the Statement, although that on the *topographical service* has been included.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of the Expenditure on the Three Forces.*

As already stated, such separation has proved possible, as the expenditure on the three forces is shown separately in the budget.

2. *Division of Expenditure between the Sub-heads of the Model Statement.*

No remarks are possible under this head, as the Committee has not had access to the necessary documents.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

1. *Tables A and B.*

As these tables have been omitted from the draft "Instruments necessary for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

2. *Tables C, D and E.*

No remarks. The reforms of 1931-32 have resulted in the abolition of the carry-forward of credits.

3. *Table F.*

Pensions are not included in the National Defence Budget; they are paid by the Treasury from a separate and distinct chapter of the budget.

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List of Documents.

Budgetary system : replies by the Siamese delegation to the Technical Committee's questionnaire (documents Conf.D./C.D./C.T.135 and 135(a)).

Model Statement of National Defence Expenditure for the Year B.E. 2473 (covering the period from April 1st, 1930, to March 31st, 1931), with annexed tables (document C.195.M.97.1932.IX [Conf.D.60]).

Reports of the Financial Adviser on the Budget of the Kingdom of Siam for the Year B.E. 2473 (1930-31) and for the Year B.E. 2476 (1933-34).

"Statistical Year-Book of the Kingdom of Siam, B.E. 2473 (1930-31)." Sixteenth Number. Prepared in the Department of General Statistics; published by the Ministry of Finance. (English edition.)

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## TURKEY

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

Estimates of expenditure are prepared by the various Government Departments. They are centralised by the Minister of Finance, who draws up the draft general State budget. The latter is finally passed by the Council of Ministers.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget is submitted to Parliament, which is a single-chamber body (the Great National Assembly) ("Büyük Millet Meclisi"). The draft is examined in the first place by the Assembly's Budget Commission. The meetings of this Commission are not public. It draws up reports which are not published. The estimates of expenditure are discussed by the Great National Assembly. The meetings of the Assembly at which the budget is discussed take place in public. Records of the proceedings are published *in extenso* in the *Official Journal*. The members of the Assembly enjoy the right of initiative in expenditure matters, though they are not entitled to propose increases in expenditure with regard to certain stated purposes (creation of new posts, salary increases, etc.). When voted by the Assembly, the budget is submitted, for ratification, to the President of the Republic, who must promulgate it within ten days.

(b) National defence expenditure is voted annually, in principle before the beginning of the financial year.

If the budget is not voted in time, the Assembly agrees to monthly votes on account (*douzièmes provisoires*), calculated on the basis of the budget for the preceding year.

(c) Expenditure must be authorised by law. No expenditure may be effected unless a credit has been included in the budget. Should a further credit appear necessary, a special law must be passed.

#### 3. *Publication of the Draft Budget, Budget, and Accounts.*

The draft budgets submitted to the Great National Assembly are published. The budget voted and the final accounts are published.

#### 4. *Conditions governing the Expenditure of Credits.*

(a) The voting of a credit limits the amount of the payments which may be made in the course of the financial year.

No expenditure may be charged against a budget after the expiry of the financial year, even if the expenditure in question is the result of a commitment entered into or a service rendered in the course of that year. Advances granted to suppliers and to officials responsible for defraying expenditure of subsidiary or urgent nature may be liquidated against the budget for the past year, provided that the relevant vouchers in support are forwarded within three months from the close of that year. This is the time-limit for adjusting payments made during the year. Expenditure in respect of which orders for payment have been issued without the actual payments being made before the end of the budgetary year are entered as expenditure in "earmarked" account.

State liabilities not discharged at the end of a period of five years from the expiry of the budgetary year to which they relate are cancelled under the Statute of Limitations.

(b) Subject to the authorisation of the Council of Ministers, Ministers are empowered to enter into commitments payable the following year for the purpose of providing for the feeding and clothing of soldiers, schoolpupils and persons serving sentences in prison, for the heating of barracks, for permanent armaments, buildings and manufactures for the armed forces, and for postal transport. Such commitments, however, must not exceed half the credit provided for similar purposes in the current budget.

Apart from the cases enumerated above, commitments in respect of construction and other works, the effects of which cover a period of several years, must be authorised by law, subject to the inclusion in each annual budget of the credit to be expended in the course of the year.

(c) Credits may not be carried forward.

### 5. *Division of Expenditure in Budget and Accounts.*

(a) National defence expenditure is considered and voted chapter by chapter. The chapters are divided into articles. There is a single National Defence Ministry, the expenditure of which is divided into several distinct sections :

- One section for the land forces (41 chapters);
- One section for the naval forces (34 chapters);
- One section for the air forces (30 chapters);
- One section for the Directorate-General of Military Factories (28 chapters);
- One section for the Directorate-General of Cartographic Services (28 chapters).

Within the various sections relating to national defence expenditure, expenditure on war material is not separately shown; there are general headings, including expenditure on material, equipment and pay. Certain headings apply to both military and civil personnel.

A chapter headed "unforeseen expenditure" consists of funds designed to meet requirements not provided for when the budget was drawn up.

(b) The final accounts are submitted in the same form as the budget.

(c) Transfers between chapters are not permitted unless authorised by a special law. Transfers between articles may be authorised by the Finance Minister.

Transfers between credits for personnel and credits for material are prohibited.

The Finance budget includes a chapter entitled "reserve credit", from the funds of which sums may be withdrawn at the request of the various Departments, and with the assent of the Minister of Finance, for transfers to chapters of their budgets.

### 6. *Unity of the Budget.*

(a) The general budget includes, in principle, all State expenditure.

There are also certain "annexed budgets"—that is to say, budgets the expenditure in which is covered out of their own revenue. None of these has any bearing upon national defence.

The Turkish delegation has stated that the budgets of provinces and municipalities do not include credits for national defence purposes.

(b) There are no extra-budgetary resources for meeting national defence expenditure.

The proceeds of gifts and legacies for the use of a public utility service are entered in the expenditure budget under the service concerned. Any balance remaining at the end of the *exercice* has to be entered in a special chapter of the next budget.

(c) The budgets and accounts are drawn up on a gross basis.

### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is exercised :

(a) By a corps of inspectors attached to the Finance Ministry and responsible for supervising the financial operations of all Ministerial Departments. The accountancy services, including those of the National Defence Department, are under the direct control of the Finance Ministry.

(b) By chief accountants appointed by the Minister of Finance and attached to the various Ministerial Departments for the purpose of supervising all commitments and liquidations.

(c) By the Minister of Finance, in the case of commitments exceeding £T.50,000, which must be submitted for his approval in advance. The Minister of Finance refuses his endorsement whenever he considers that the commitments in question are not in keeping with the laws in force and with the budget.

(d) By the accountants responsible for making payments; under Turkish law the functions of administrative and accountancy officials are distinct.

(e) By the Court of Audit ("Divani Muhasebat").

The Court of Audit holds its powers directly from the Great National Assembly, by which its members are appointed. The Court is completely independent of the Executive.

Expenditure liquidated at the central department of each Ministry cannot be paid until the Court of Audit has examined and endorsed the necessary orders for payment.

The head accountants are prohibited from making any payments against orders for payment which the Court has refused to endorse. The Court's refusal of such orders is final when there is no credit to meet the expenditure in question, or when credits are insufficient. Should the Minister concerned maintain that, in his opinion, the contested item of expenditure is in keeping with the law, the Court grants its endorsement, while at the same time reserving its right to notify the Great National Assembly, provided that the Council of Ministers so decides and that the Minister concerned accepts full responsibility for the consequences.

As regards expenditure effected in the provinces and in the various units of the army, recapitulatory statements are communicated each month to the Ministry of Finance, together with vouchers in support. These statements are transmitted to the Court of Audit within two months of their receipt at the Ministry of Finance.

(f) In the last place, by the National Assembly, to which, every three months, the Court of Audit must refer any irregularities which it may have brought to light and which is responsible for taking the appropriate decisions.

## 8. *Final Audit.*

The final audit is carried out :

(a) By the Court of Audit.

The annual accounts of the head accountants are examined by the Court, which clears them or declares them short.

Within seven months of the expiry of each *exercice*, each accountancy office draws up statements of the expenditure for which it has been responsible and transmits them to the Court of Audit. Similarly, within nine months of the end of the *exercice*, each Ministry prepares its closed accounts and transmits them to the Ministry of Finance and to the Court of Audit. The Ministry of Finance collects these accounts and compares them with its own books; it makes out the closed accounts of the State and lays them on the table of the National Assembly; the closed accounts are audited by the Court of Audit, which draws up a report on the results of its examination.

(b) By the National Assembly, which examines the accounts in the light of the report of the Court of Audit and votes the law by which the accounts are passed.

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## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year extends from June 1st to May 31st.

There is no additional period, but there is a regulation period of four months for entering in the accounts certain operations such as the advances referred to in point A4(a).

### 2. *Budgets and Accounts.*

There are separate sections for expenditure on the land, naval and air forces respectively. Expenditure on the air force appears to be clearly distinguished in the budget and accounts.

### 3. *The Model Statement.*

The Model Statement refers to the year 1931-32. It was drawn up on the basis of the budget. The tables of the Model Statement relating to the three forces have been completed. The Turkish delegation has added to the table on the land forces a Head V, entitled "Miscellaneous", in which it has entered the total amount of liabilities carried forward to the following *exercice* and expenditure for the maintenance of cemeteries.

### 4. *Execution of the Budget.*

Each Minister is entirely free to draw upon the budget of his own Department as soon as it has been promulgated by the President of the Republic.

All vouchers examined and approved by the Minister or officials acting on his behalf are transmitted to the section in charge of the accounts of each Department. The latter makes out an order for payment in the name of the creditor and this is signed by the Minister or official acting on his behalf, together with the chief accountant. If the chief accountant finds that the credit has been exceeded or if the commitment or liquidation is contrary to law, he officially draws the attention of the Minister concerned to this fact. If the latter does not take this observation into account, the chief accountant is bound to inform the Minister of Finance within twenty-four hours.

The payments are made throughout the country and particularly in the army corps by the chief accountants and cashiers appointed by the Ministry of Finance and responsible to it. The orders for payment sent to the cashiers must be accompanied by vouchers. The accountants examine these documents to see that they are in order. They are entitled to refuse the payment of orders which are not valid on account of lack of credits, material irregularity, etc.

The accountants make the payments either by taking the necessary sums from the cash which they have in hand or by drawing cheques on a bank.

### 5. *The Accounts.*

The closed accounts are subdivided into Ministries and submitted in sections, chapters and articles in the same way as the budget.

The accounts relative to the expenditure of any given year are closed within four months of the end of that year. As the *exercice* ends on May 31st, the accounts are closed at the end of September.

The accounts show the credits granted under the budget and any additional credits voted during the year, expenditure liquidated and paid during the year or entered in the "earmarked" account, liabilities outstanding at the end of the financial year, together with credits unexpended and cancelled.

### 6. *Audit and Publication of the Accounts.*

Within nine months of the end of the financial year, each Ministry makes out the final accounts of expenditure under its own budget; two copies are prepared, one of which is forwarded to the Finance Ministry and the other to the Court of Audit. In addition to supplying the Court of Audit with a statement of the expenditure of his own department within the above-mentioned period, the Minister of Finance prepares, within seventeen months of the end of the financial year, the general Treasury account comprising all State revenue and expenditure; he then sends it to the Court of Audit and lays it before the National Assembly, together with the draft law by which the accounts are finally passed.

The Court of Audit ascertains whether there is agreement between the general Treasury account and the audited accounts of the accountants on the one hand and the final accounts drawn up by each of the Ministries on the other hand and, within six months at most of the date on which the Finance Minister laid the draft law finally passing the accounts upon the table of the National Assembly, informs the latter of its findings.

For the *exercices* 1924-1928, the following were the dates on which Parliament gave its approval and those on which the closed accounts were published :

Exercice	Date of approval	Date of publication
1924 .....	March 9th, 1929	March 18th, 1929
1925 .....	April 26th, 1930	May 1st, 1930
1926 .....	May 20th, 1933	June 10th, 1933
1927 .....	June 8th, 1933	June 19th, 1933
1928 .....	June 12th, 1933	June 27th, 1933
1929 .....	June 16th, 1934	June 26th, 1934

The closed accounts for the years 1930 and 1931 were submitted to the Great National Assembly for approval on April 6th, 1932 and March 25th, 1933 respectively. Nevertheless the approval of the Assembly has not been secured up to the present.

## C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

The expenditure included in the Model Statement consists exclusively of that shown in those sections of the budget of the National Defence Ministry relating to the land, naval and air forces respectively.

This statement does not include expenditure shown in the sections relating to the *Directorate-General of Military Factories*<sup>1</sup> and the *Directorate-General of the Cartographic Services*. The total expenditure provided for in respect of these two sections for the year 1931 is £T.4,113,896.

It may be pointed out that out of this total the expenditure of the Directorate of Manufactures amounts to £T.3,400,000, including £T.2,470,000 for manufactures and repairs in the strict sense of the term. The expenditure in respect of this Directorate includes more particularly expenditure on the pay and maintenance of military personnel employed in the workshops. There is also a chapter relating to overhead and general charges, including expenditure on raw materials, labour, temporary staff, fixed plant, transport costs and new installations.

It would appear that some of the above expenditure should have been included in sub-head N (Tables B and C), in which the Turkish delegation has entered "nil".

### 2. *Military Departments.*

It is not known whether any civil expenditure is included in the budget of the National Defence Ministry.

### 3. *Civil Departments.*

Expenditure on the *gendarmérie* is shown in the budget of the Ministry of the Interior. This expenditure (including that on armament and equipment material) was not included in the Statement, as the Turkish delegation was of opinion that the *gendarmérie* was not a military force in the strict sense of the term.

No proportion of *railway* expenditure was included in the Statement, as the Turkish delegation took the view that the value of the railways was exclusively economic.

The Turkish delegation has stated that no credit included in any budget item of any civil Department is intended to be used for the purpose of meeting expenditure in respect of the National Defence Ministry.

<sup>1</sup> Expenditure in respect of the Directorate-General of Military Factories is covered by a special budget which has no connection with the budget of the National Defence Ministry. The Turkish delegation submitted the following observations on this point :

The State factories do not serve specifically military purposes. They work for the National Defence Ministry, but also accept orders from private persons. Material which they manufacture and which is delivered to the State is paid for from the credits included in the special chapter for armament and equipment in the National Defence Budget.

Credits opened for the Directorate-General of Military Factories really constitute nothing more than a working capital fund for the carrying-on of the undertaking.

It is therefore in order to avoid entering them twice over that credits in respect of the Directorate-General of Military Factories are not included in the National Defence Budget.



#### D. DISTRIBUTION OF EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

In the absence of a reconciliation table, it is impossible to state in accordance with what principles distribution was effected.

The optional columns were not completed.

According to a statement made by the Turkish delegation, it would appear that the expenditure in sub-head A (Officers) includes expenditure in respect of pupils at the military schools.

No expenditure has been entered in sub-head D (persons undergoing preparatory military training, reservists and reserve organisations in the land, naval or air forces).

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#### E. ANNEXED TABLES.

The Turkish delegation did not submit any annexed tables.

Pensions expenditure is shown in the public debt budget under the head "Personal Allowances". Military and civil pensions are not shown separately.

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#### List of Documents.

Budgetary system: Turkish delegation's reply to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.60).

Model Statement (document C.216.M.112.1932.IX [Conf.D.73]).

Budgets available in the League of Nations Library, and more especially the 1931-32 budget ("Bütçe").

Closed Accounts ("Hazine Hesabi Umumisi") of the Year 1931-32.

Turkish Legislation Collection, Rizzo Edition, Volumes I (1920) to X (1932).

*Turkish Official Gazette* ("TC. Resmi Gazete"), 1932, 1933 and January 1934.

## URUGUAY.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Draft Budget.*

The preparation of the draft general budget of expenditure is one of the functions of the National Administrative Council (Consejo nacional de Administración), a body consisting of nine members directly elected by the people. Executive powers are vested partly (administrative functions) in the Administrative Council and partly (political functions) in the President of the Republic.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget must be submitted to Parliament before August 1st.

Parliament (Congress) consists of two Houses—the Chamber of Deputies and the Senate. The draft budget is introduced in the first place in the Chamber of Deputies. After adoption by the Chamber, the draft budget is sent up to the Senate.

Ministers, certain of whom (Foreign Affairs, War and Navy and the Interior) are designated by the President of the Republic, the remainder being appointed by the National Administrative Council, may attend meetings of Parliament, though they are not entitled to vote.

The information at the Committee's disposal was not sufficiently detailed for it to ascertain whether the draft budget is examined by commissions before discussion in plenary session, whether these commissions establish reports, whether the reports are published, whether, on the other hand, the plenary discussions in both Houses are public and whether such discussions are reported and published.

The Executive is entitled to oppose the promulgation of the budget voted during a period of ten days. If it avails itself of its right of veto, the two Houses meet in General Assembly. If the latter approves the budget voted by both Houses by a three-fifths majority, the budget acquires force of law.

(b) National defence expenditure is voted annually. In practice, the budget voted in respect of any given year may be kept in force during subsequent years by successive votes of Parliament. Such was the case for the years 1926 to 1930.

If the budget is not voted at the beginning of the financial year, Congress may also vote provisional budgets valid for one or several months. This procedure was followed in 1931.

(c) Expenditure is authorised by law. In cases of emergency, however, the Executive may open extraordinary credits, but it must, within eight days, render account thereof either to Congress, if in session, or to a Congress Commission which sits permanently, in accordance with Article 52 of the Constitution, during the prorogation of the Chambers.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The particulars at the Committee's disposal were insufficient to enable it to ascertain whether the draft budgets are published.

The budget voted is published.

The Committee has not had the opportunity of examining a closed account and is unable to say whether the closed accounts are published.

#### 4. *Conditions governing the Expenditure of Credits.*

The information at the Committee's disposal was not sufficiently detailed to enable it to discover whether the voting of credits has the effect of empowering the public services to enter into commitments, to issue orders for payment or to make disbursements during the year or during the financial *exercice* up to the total amount voted, nor whether the accounts show for each year or *exercice*, either the amounts of the commitments, or the amounts of the orders for payment issued, or the amounts of disbursements made.

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NOTE.—The budgetary system is at present regulated by the new Constitution of March 24th, 1934 approved on May 18th, 1934. In his communication dated June 20th, 1934, the Uruguayan delegation supplied some details, but stated that the constitutional provisions governing finance were still in course of regulation by law. The Uruguayan Government would therefore communicate the necessary information later, together with its observations on the draft summary of information as a whole.

Up to the date of the termination of the Technical Committee's work, this information had not been supplied.

It is not known whether it is the difference between the credits granted in the budget and the commitments, or the difference between the credits and the orders for payment, or the difference between the credits and the disbursements which is cancelled.

It appears from Article 44 of the Finance Law of August 6th, 1931, as amended by Article 86 of the Finance Law of January 13th, 1933, that the practice of carrying forward credits exists in Uruguay. Moreover, according to Article 87 of the Law of January 13th, 1933, "the Executive is authorised to pay during the current *exercice* any sums due in respect of earlier *exercices* which may have remained unpaid at the close of those *exercices*, provided that in the *exercice* to which these sums relate there was an item with the requisite surplus to support the charge and provided that these sums relate to *exercices* in respect of which the balance-sheet has not yet been approved by the legislature".

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) In the budget, expenditure is embodied in chapters divided into "planillas" and subdivided into paragraphs.

The expenditure of the single National Defence Ministry is included in one chapter. In 1930-31, this chapter contained 36 "planillas" and 579 paragraphs.

The budget is very detailed, especially in regard to expenditure on personnel, and the headings clearly indicate the purpose of each item of expenditure.

(b) It is not known whether the accounts are divided and subdivided in the same way as the budget.

(c) It would appear that, under the Law of January 13th, 1933, "transfers", recourse to which had previously been restricted by statute, are now permitted, provided always that the Executive reports to Parliament each quarter those which have been approved.

No restrictions are placed upon the right to resort to "transfers" in the case of the expenditure of the War and Navy Ministry. Credits for salaries and pay, however, may not be used to make good deficits on other credits.

#### 6. *Unity of the Budget.*

(a) The information at the Committee's disposal was not sufficient to enable it to ascertain whether all national defence expenditure is shown in the general State budget.

There are a number of autonomous establishments connected with national defence—*e.g.*, the army arsenal, the naval arsenal and the military printing establishment. The profits of such establishments are applied to the upkeep and extension of their own premises and plant. Any surplus is paid into the Pensions Fund (Article 52 of the Finance Law of January 3rd, 1932).

(b) The direct receipts of the services are not always handed over to the Treasury. Funds derived from camp sites, for example, are applied to the improvement of installations and in relief of expenditure on forage.

#### 7. *Supervision during the Execution of the Budget.*

Supervision during the execution of the budget is exercised :

(a) By the individual Ministers, each of whom is responsible for the general supervision of the administration of his own department.

(b) By the Minister of Finance, who employs a corps of financial inspectors for the purpose. This corps of inspectors is responsible for supervision of the financial administration of the State. It addresses reports both to the Executive and to the Legislature.

(c) By the "Contaduría general", which keeps a record of all expenditure and charges it against the appropriate subdivision of the budget. The "Contaduría" refuses to accept any expenditure which, in its opinion, is irregular or for which provision in available credits has not been made.

Should the Executive insist upon effecting the expenditure in question, it must issue a decree for the purpose. Though it complies with the order thus conveyed to it by the Executive, the "Contaduría" is nevertheless required to report the matter to the Legislature, to which it also communicates a copy of the decree.

#### 8. *Final Audit.*

Final audit is carried out by Parliament, which approves or rejects the accounts submitted by the Executive either in whole or in part.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

Since 1933, the budgetary year, which formerly extended from July 1st to June 30th, covers the period January 1st to December 31st.

There is an additional period of two months for the "liquidation" of the accounts relating to each *exercice*.

### 2. *Budgets and Accounts.*

There is a single budget for all the armed forces, but expenditure in respect of each of them is shown separately, with the exception of expenditure on services common to the army, navy and air forces—*e.g.*, expenditure on the central administration of the War and Navy Ministry, the General Intendance, Health Service and military courts, prisons, etc.

The Committee was not supplied with a copy of the State general accounts.

### 3. *Model Statement.*

No Model Statement was supplied.

### 4. *Execution of the Budget.*

The material at the Committee's disposal was not sufficient to enable it to ascertain which authorities are responsible for incurring commitments, issuing orders for payment and effecting disbursements respectively relating to national defence expenditure.

### 5. *Audit and Publication of the Accounts.*

As the Committee was not supplied with a copy of the accounts, the relevant facts could not be ascertained.

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## C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

### 1. *General Remarks.*

As no Model Statement or reconciliation tables were supplied, no remarks are possible under this head.

The information supplied by the Uruguayan Government shows that the total for national defence expenditure included in the budget for the 1930-31 *exercice* was 8,529,629.58 pesos and in the 1931-32 budget 8,048,133.85 pesos.

### 2. *Military Departments.*

To judge by the headings under which the expenditure of the War and Navy Ministry is classified, it would appear that none of the items shown in that budget should be deducted, with the possible exception of part of the expenditure on the *Geographical Institute* and on *harbour-masters' services*.

### 3. *Civil Departments.*

There are certain items of expenditure in the budgets of civil departments, part of which should, it would appear, be entered in the Model Statement—*e.g.*, part of the expenditure of the *survey and hydrographic service*, which is borne upon the budget of the Public Works Ministry, and of the *radiotelegraphic service*, which is borne upon the education budget.

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## D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

### 1. *Separation of Expenditure on the Three Forces.*

Despite the fact that a considerable number of services are common to the three armed forces, the credits are so detailed that the separation of expenditure on the three forces should not give rise to great difficulties, at all events as regards estimated expenditure. In regard to the accounts, no opinion can be expressed.

2. *Division of Expenditure between the Sub-heads of the Model Statement.*

The division of expenditure between the various sub-heads of the Model Statement should not, it would appear, give rise to undue difficulty, unless certain items of expenditure on material should happen to be dealt with in special laws. This observation is based only on the information given in the budget. As regards the accounts, no opinion can be expressed.

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E. ANNEXED TABLES.

The annexed tables were not submitted.

It would appear that *Table C* should have shown the amounts of the credits carried forward.

Expenditure on ordinary military pensions is shown separately in the chapter of the budget entitled "Clases pasivas".

The pensions of the so-called "Servants of Independence" (380 pensioners in 1930-31) are shown separately. The ordinary military pensions shown separately in the budget include both those paid to former military personnel and those paid to their dependants (widows and children).

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List of Documents.

Communication from the Government of Uruguay, dated November 30th, 1931 (document C.83.M.44.1932.IX (Conf.D.51)).

Letter from the Ministry of Foreign Affairs of Uruguay, dated July 7th, 1933, accompanied by a summary statement of the 1931-32 budget.

Presupuesto General del Estado 1931-32.

Finance Law of January 5th, 1933. (*Diario Oficial*, Volume 110, No. 7927.)

Constitution of October 15th, 1917. (DARESTE : "Les Constitutions modernes." Volume IV. *Amérique latine*, pages 312-335).

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## VENEZUELA.

### A. BUDGETARY SYSTEM.

#### 1. *Preparation of the Budget.*

Each Department prepares its own draft budget of expenditure and forwards it to the Finance Ministry. On the basis of all these departmental budgets, the Finance Ministry prepares and submits to Parliament a draft general budget.

#### 2. *Discussion and Voting of the Budget.*

(a) The draft budget submitted to Parliament, which consists of two Houses, is discussed and adopted, first by the Chamber of Deputies and then by the Senate.

The debates of Parliament are public and their proceedings are published.

When it has been passed by Parliament, the President of the Republic orders the budget to be put into execution.

(b) The budget is usually voted before the opening of the budgetary year.

(c) The budget becomes law from the moment of being published.

If the budget for any reason is not voted before the opening of the budgetary year, the President of the Republic may, by a decision taken in the Council of Ministers, put into force a provisional budget, which must be submitted to Parliament at its next session.

No such case has ever arisen in recent years.

#### 3. *Publication of the Draft Budget, Budget and Accounts.*

The draft budget is printed and distributed to members of Congress.

The budget voted (*Presupuesto general de rentas y gastos*) is published *in extenso* in the *Official Gazette (Gaceta oficial)*, usually before the budgetary year opens.

The closed accounts are published.

#### 4. *Conditions governing the Expenditure of Credits.*

The credits voted define the amount of expenditure for which orders for payment may be issued during the budgetary year and the following six months in respect of commitments entered into during the year.

#### 5. *Division of Expenditure in Budget and Accounts.*

(a) The budget has a separate section for each Department. Each section is divided into chapters (*capítulos*), each containing a number of articles (*partidas*).

In the budget for the year 1931-32 the section for the National Defence Department (*Ministerio de Guerra y Marina*) contains twenty-nine chapters, totalling in all sixty-eight articles.

The general budget contains a chapter headed "Budget Adjustments" ("*Rectificaciones del Presupuesto*"), which is used for meeting expenditure not covered by the various departmental votes.

No order for payment may be issued in respect of this chapter without prior approval of the Council of Ministers, who must ascertain from the Finance Minister that there are funds available.

In the event, however, of the provision under the chapter entitled "Budget Adjustments" being exhausted, or should further provision exceeding one-tenth of the credit under this chapter or expenditure for which no provision has been made be required, a supplementary credit must be granted. Supplementary credits are granted in pursuance of a decision of the President of the Republic taken in the Council of Ministers; they must be submitted to Parliament for ratification.

(b) Credits may not be carried forward from one year to another;

(c) The accounts are only divided into chapters;

(d) Transfers are not permitted either between chapters or between articles.

#### 6. *Unity of the Budget.*

(a) All Government expenditure is included in the general budget.

There are no special budgets, funds or accounts.

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NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Venezuelan Government; however, on certain points, supplementary information was supplied by the delegation of Venezuela.

No extra-budgetary resources are used for national defence purposes.

There are no autonomous establishments for the manufacture of war material.

(b) Expenditure is entered in the budget on a gross basis.<sup>1</sup> Credits may only be increased by the amount of expenditure improperly defrayed if the amount has been received by the Treasury and if the increase is made during the same year in which the expenditure was defrayed.

#### 7. *Supervision during the Execution of the Budget.*

Each Department keeps separate accounts and has its own supervisory and audit organisation.

An official who passes orders for payment cannot act as a paymaster.

The General State Department of Supervision (Contaduría General de Hacienda) co-ordinates the revenue and expenditure accounts of all Departments. This Supervisory Department is divided into a Co-ordinating Department (Sala de Centralización) and an Audit Department (Sala de Examen), each under a senior official (contador), who is appointed by the Council of Ministers and can be dismissed by it.

The Audit Department supervises the execution of the budget.

The various accountancy offices have to submit their accounts to the Audit Department, which must scrutinise them.

#### 8. *Final Audit.*

The accounts are verified and compiled by the "Contaduría General de Hacienda", and approved by Parliament, to which each Ministry is responsible for the management of the funds granted to it under the budget.

## B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

### 1. *Budgetary Year.*

The budgetary year runs from July 1st to June 30th.

Credits may only be used to defray commitments entered into during the year for which they were voted. During the six months following the close of the budgetary year, Departments may liquidate, issue orders for payment and pay expenditure commitments incurred during the previous twelve months.

After this period, no orders for payment may be issued for expenditure in respect of unexpended credits and any payment vouchers already issued and not yet cashed are cancelled. To secure payment, creditors must ask for a fresh acknowledgment and liquidation of their claim. In each case Parliament has to open fresh credits, designated in the budget as "obligations from previous financial years not statute-barred".

Payment vouchers issued and payments made during the six months' period after the close of the budgetary year, which relate to commitments entered into during that year, are charged to an account called "Unexpended credits" in the budget for that same year and must not exceed the limits of the credits voted. These operations are included in the account for the following year, the aggregate figure for each Department being given.

### 2. *Budgets and Accounts.*

In the budgets and accounts, there is a separate section for the National Defence Department (Ministerio de guerra y marina). This section shows the expenditure on the three forces.

As already stated, the budget is divided into chapters and the chapters into articles.

The accounts are divided by chapters.

### 3. *Model Statement.*

All the tables in the Model Statement have been filled in.

The Model Statement is based on the expenditure for the 1931-32 *exercice*.

No reconciliation table having been supplied, it has not been possible to verify in the account the correctness of the figures shown.

The expenditure included in the Model Statement appears to represent the amount of payments made during the budgetary year and the period of six months after the close of that year.

### 4. *Execution of the Budget.*

When the budget is adopted, the Departments can expend credits without reference to the Finance Minister or any other authority.

No order for payment may be issued except in favour of a creditor mentioned by name and for expenditure actually liquidated. Advances may only be made to defray certain expenditure

<sup>1</sup> In the replies to the questionnaire on the budgetary system (document Conf.D./C.D./C.T.20), it was stated that expenditure was entered in the budget on a net basis. According to the Accountancy Act, however, no receipts can be utilised by deducting expenditure, which means that the expenditure is entered on a gross basis.

of the Military Departments and other services specified by law. The advances may only be made if the budget is approved.

The expenditure is verified and liquidated by the Departments which have to issue the payment vouchers.

The payment vouchers must be accompanied by all supporting documents. They are submitted to the Finance Ministry, which forwards them to the officials of the National Treasury.

Treasury officials must not pay vouchers which fail to satisfy the various statutory requirements. The officials report to each Department the vouchers paid.

#### 5. *Accounts.*

The accounts are closed at the end of the budgetary year—namely, June 30th. There is an account for each Department (the expenditure on defence is entered in the "Cuenta del Ministerio de guerra y marina") and a general State account showing the expenditure of the different Departments.

This latter account shows for each year: the amounts of the credits granted in the budget, the amounts of the supplementary credits, the amount of credits unexpended at the end of the previous year; the amounts liquidated during the previous year and outstanding at the end of that year, the amounts liquidated during the current year, payments made during that year.

This account also shows cancelled credits and liquidated amounts brought forward from the previous year which have not been paid in the course of the six months of that year.

A special table in the account shows, for each chapter, the approximate amounts of payments made during the six months of the following year and charged to the budget of the previous year and, as an aggregate figure, the approximate amount of payments made out of available credits and liquidated sums brought forward from the previous year.

#### 6. *Audit and Publication of the Accounts.*

The closed accounts are published in April—i.e., ten months after the close of the budgetary year.

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### C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.

#### 1. *Military Departments.*

There is only one Department of National Defence and the budget does not set out expenditure on the three forces separately.

Expenditure on pensions is included in the budget of the Ministry of War and Marine and inserted in the Model Statement. This is also true of certain expenditure relating to the mercantile marine.

#### 2. *Civil Departments.*

Expenditure on military buildings is included in the budget of the Ministry of Public Works. This amount, which is shown separately, represents the average for a ten years' period (1922-1932), and was obtained from the ledgers of the Ministry of Public Works.

An examination of the accounts shows that no other military expenditure is borne on the civil budgets.

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### D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

#### 1. *Separation of the Expenditure of the Three Forces.*

Separate tables have been furnished for land, naval and air forces.

There is only one national defence budget. In this budget certain expenditure relating to the navy and to the air force is shown separately, but expenditure common to those forces is merged with that of the army. As a reconciliation table has not been furnished, it is impossible to know on what basis the distribution of the expenditure of the three forces has been effected.

#### 2. *Division of Expenditure between the Sub-heads of the Model Statement.*

No reconciliation table having been furnished, it is impossible to verify the distribution of expenditure between the sub-heads of the Model Statement.



In view of the detailed nature of the budget and the accounts, it is probable that this distribution does not give rise to special difficulties.

Expenditure on the maintenance of personnel has been included under sub-heads A and B.

Expenditure on clothing, equipment and miscellaneous material has been included under sub-head M(a).

The Government states that no civil personnel is employed in the national defence services.

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#### E. TABLES ANNEXED TO THE MODEL STATEMENT.

##### 1. *Tables A and B.*

As these tables have been omitted from the draft "Instruments necessary for the Application of the System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

##### 2. *Table C.*

There are no block credits.

##### 3. *Tables D and E.*

These tables have not been filled in. They should probably have contained the entry "nil" in both cases.

##### 4. *Table F.*

A total amount of pensions for which orders for payment have been issued during the budgetary year is shown in a single figure.

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#### List of Documents.

Budgetary System: Reply from the Venezuelan delegation to the Technical Committee's questionnaire (document Conf.D./C.D./C.T.20).

Model Statement. Annexed tables. Expenditure account of the Ministry for War and Marine: Statement of sums expended for account of the 1931-32 budget, certified by the Administrative Director (document Conf.D./C.D./C.T.265).

Budget (*Ley de presupuesto general*) for 1931-32.

Account of the Defence Ministry (*Cuenta del Ministerio de guerra y marina*) 1931-32.

General Account of the State for 1931-32 (*Cuenta general de rentas y gastos públicos, cuenta de gastos del Departamento de Hacienda, y cuenta de bienes nacionales correspondientes al año económico de 1931-32 y estados provisionales del semestre de julio a diciembre 1932*).

Accountancy Laws (*Ley orgánica de la Hacienda Nacional*).

## RECAPITULATORY TABLES OF THE MODEL STATEMENTS

### SECOND SERIES <sup>1</sup>

The recapitulatory tables published hereafter include the figures given in the last column of the Model Statements submitted by the following eighteen countries : Argentine Republic, Brazil, Chile, China, Cuba, Egypt, Estonia, Greece, Haiti, Hungary, Latvia, Lithuania, Luxemburg, Mexico, Persia, Siam, Turkey, Venezuela.

The tables have been drawn up on the basis of the Model Statements as submitted by the Governments to the Technical Committee. The figures they contain cannot in every case be considered to be final (see, in particular, various observations in the " summary of information ").

\* \* \*

For the following countries, similar figures are reproduced in Volume II of the Report of the Committee (pages 147-166) : Union of South Africa, Albania, United States of America, Australia, Austria, Belgium, United Kingdom, Bulgaria, Canada, Czechoslovakia, Denmark, Finland, France, Germany, India, Irish Free State, Italy, Japan, Netherlands, New Zealand, Norway, Poland, Portugal, Roumania, Union of Soviet Socialist Republics, Spain, Sweden, Switzerland, Yugoslavia.

Finally, the following countries have not, up to March 1934, furnished a Model Statement : Abyssinia, Afghanistan, Sa'udi Arabia, Bolivia, Colombia, Costa Rica, Dominican Republic, Guatemala, Honduras, Iraq, Liberia, Panama, Peru, Uruguay.

#### LIST OF DOCUMENTS FROM WHICH THE FIGURES ATTACHED HAVE BEEN EXTRACTED.

<i>Argentine Republic</i> .....	Conf.D./C.D./C.T.284, pages 3-4—Addendum, page 2.
<i>Brazil</i> .....	Conf.D.104, pages 3-5, 9.
<i>Chile</i> .....	Conf.D./C.D./C.T.259, pages 2-6.
<i>China</i> .....	Conf.D.109, pages 3-5.
<i>Cuba</i> .....	Conf.D.70, pages 5-6.
<i>Egypt</i> .....	Conf.D.66, pages 4-7.
<i>Estonia</i> .....	Conf.D./C.D./C.T.196, pages 2-8.
<i>Greece</i> .....	Conf.D./C.D./C.T.191, pages 1, 5, 9.
<i>Haiti</i> .....	Conf.D.63.
<i>Hungary</i> .....	Conf.D.34, page 3 (with erratum).
<i>Latvia</i> .....	Conf.D./C.D./C.T.193, pages 2-4.
<i>Lithuania</i> .....	Conf.D./C.D./C.T. 224, pages 5-8.
<i>Luxemburg</i> .....	Conf.D./C.D./C.T.189, page 5.
<i>Mexico</i> .....	Conf.D./C.D./C.T.226, pages 3-6.
<i>Persia</i> .....	Conf.D.64(1), pages 5-7.
<i>Siam</i> .....	Conf.D.60, pages 6-9.
<i>Turkey</i> .....	Conf.D.73, pages 5-8.
<i>Venezuela</i> .....	Conf.D./C.D./C.T.265, pages 1-6.

<sup>1</sup> Note by the Secretariat.—In order to facilitate the examination of the summaries and Model Statements whose figures are given in the national currencies of the several countries, a table has been drawn up indicating the coefficients for the rough conversion of these currencies into Dollars (Gold), Swiss francs and French francs (see page 229).

TABLE A.

TOTAL OF NATIONAL DEFENCE EXPENDITURE.<sup>1</sup>

(Figures in national money.)

	National money	Land Forces	Naval Forces	Air Forces	Total
Argentina (1930)...	Paper pesos	72,848,686	44,843,333	6,961,368	124,653,387
Brazil (1930) <sup>2</sup> .....	Milreis	254,676,130	161,523,443	19,110,114	435,309,687
Chile (1932) .....	Pesos	75,754,000	60,063,152	16,353,000	152,170,152
China (1930-31) ...	Chinese dollars	337,804,386	35,878,466	16,184,376	389,867,228
Cuba (1930-31).....	Pesos	10,203,585 <sup>3</sup>	1,223,697	— <sup>4</sup>	11,427,282
Egypt (1931-32) ...	£E	931,988	nil	50,000	981,988
Estonia (1930-31) ..	Estonian crowns	12,877,488	2,912,651	2,662,370	18,452,509
Greece (1930-31) ..	Drachmas	1,395,744,956	538,933,700	219,412,410	2,154,091,066
Haiti (1930-31) ....	Gourdes	2,150,539	nil	nil	2,150,539
Hungary (1929-30) .	Pengö	122,110,052	nil	nil	122,110,052
Latvia (1929-30)....	Lats	— <sup>4</sup>	— <sup>4</sup>	— <sup>4</sup>	42,925,766
Lithuania (1930) ..	Litas	53,976,777	nil	2,420,987	56,397,764
Luxemburg (1932) .	Luxemburg francs	6,977,100	nil	nil	6,977,100
Mexico (1930) .....	Pesos	85,864,998	2,763,437	3,410,056	92,038,491
Persia (1931-32) ...	Krans	225,924,867	30,034,538	9,772,321	265,731,726
Siam (1930-31).....	Bahts	16,474,747	5,783,618	4,789,423	27,047,788
Turkey (1931) .....	£T	44,134,743	7,860,451	3,456,814	55,452,008
Venezuela (1931-32)	Bolivars	23,217,593	4,830,741	1,302,281	29,350,615 <sup>5</sup>

<sup>1</sup> As regards the character of the expenditure shown for Luxemburg, see the preliminary note on page 173 of the present volume.

<sup>2</sup> The Brazilian delegation has also furnished a "Table A bis" showing the total land expenditure of the Federated States and of the federal district for their formations organised on a military basis (military police), which amounted in 1930 to 132,805,912 milreis.

<sup>3</sup> See Note 2 to Table B.

<sup>4</sup> See Note 5 to Table B.

<sup>5</sup> Not including 584,632 bolivars relating to military pensions. See also Note 12 on page 223.

**TABLE B.**  
**EXPENDITURE FOR LAND FORCES.**  
 (Figures in national money (ooo's omitted).)

Sub-head	Category of expenditure	Argentine	Brazil <sup>1</sup>	Chile	China	Cuba <sup>2</sup>	Egypt
		Paper pesos	Milreis	Pesos	Chinese dollars	Pesos (Dollars)	£E
	<b>HEAD I.—Effectives.</b>						
	<i>Personnel normally forming part of formations and services:</i>						
A	Pay and allowances of all kinds: Officers .....	21,086	75,390	23,341	266,478	1,606	365
B	<i>Ditto</i> : N.C.O.s and men...	15,061	48,939	31,565		4,376	
C	<i>Ditto</i> : Civilian personnel ..	4,030	20,435	2,475		75	
	<i>Personnel not normally forming part of formations and services:</i>						
D	Persons undergoing preparatory military training, reservists and reserve organisations .....	141	1,878	25	—	—	59
E	<i>Maintenance of personnel referred to in sub-heads A to D</i> .....	18,272	70,045	10,402	17,224	1,987	119
E (a)	Miscellaneous expenses .....	—	—	—	—	223	—
	<b>HEAD II.—Transport.</b>						
F	Horses and other animals, forage, harness and shoeing	3,725	15,025	3,771	7,827	1,211	31
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses .....	1,705	8,341	2,218		142	63
	<b>HEAD III.—Buildings.</b>						
H	Construction of new fortifications and defence works.	—	2,930	—	3,780	—	—
K	Barracks, other buildings, upkeep, furniture .....	2,788	9,343	680		436	61
	<b>TOTAL: HEADS I TO III</b> .....	66,808	252,326	74,477	295,309	10,056	817
	<b>HEAD IV.—War Material.</b>						
M	Arms, ammunition and fighting material .....	575	2,200	—	42,495	75	36
M(a)	Engineer and other warlike stores .....	327	150	30		72	79
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads M and M (a))...	5,139	—	1,247		—	—
	<b>TOTAL: HEAD IV</b> .....	6,041	2,350	1,277	42,495	147	115
	<b>GRAND TOTAL</b> .....	72,849	254,676	75,754	337,804	10,203	932

<sup>1</sup> See Note 2 to Table A.

<sup>2</sup> Expenditure on air forces is included in this table.

Table B.—EXPENDITURE FOR LAND FORCES (continued).

(Figures in national money (ooo's omitted).)

Sub-head	Category of expenditure	Estonia	Greece	Haiti	Hungary	Latvia <sup>a</sup>	Lithuania
		Estonian crowns	Drachmas	Gourdes	Pengö	Lats	Litas
	<b>HEAD I.—Effectives.</b>						
	<i>Personnel normally forming part of formations and services:</i>						
A	Pay and allowances of all kinds: Officers .....	2,310	321,315	925	21,968	} 16,208	11,476
B	<i>Ditto</i> : N.C.O.s and men...	1,916	15,946	690	22,555		6,511
C	<i>Ditto</i> : Civilian personnel ..	708	36,457	193	3,596		— <sup>7</sup>
	<i>Personnel not normally forming part of formations and services:</i>						
D	Persons undergoing preparatory military training, reservists and reserve organisations .....	8	1,949	—	—	—	610
E	Maintenance of personnel referred to in sub-heads A to D .....	4,442	422,549	— <sup>4</sup>	36,547	13,750	18,528
E (a)	Miscellaneous expenses.....	—	—	—	—	—	—
	<b>HEAD II.—Transport.</b>						
F	Horses and other animals, forage, harness and shoeing	262	47,002	39	9,849	3,432	2,726
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses .....	335	24,124	250	1,939	949	586
	<b>HEAD III.—Buildings.</b>						
H	Construction of new fortifications and defence works.	—	—	—	—	—	—
K	Barracks, other buildings, upkeep, furniture .....	1,165	163,565	26	14,235	3,549	7,831
	<b>TOTAL: HEADS I TO III.....</b>	<b>11,146</b>	<b>1,032,907</b>	<b>2,123</b>	<b>110,689</b>	<b>37,798</b>	<b>48,268</b>
	<b>HEAD IV.—War Material.</b>						
M	Arms, ammunition and fighting material .....	1,502	216,716	27	6,118	4,774	4,125
M(a)	Engineer and other warlike stores.....	229	57,260	—	5,303	19	1,583
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads M and M(a))...	—	—	—	—	—	—
	<b>TOTAL: HEAD IV .....</b>	<b>1,731</b>	<b>273,976</b>	<b>27</b>	<b>11,421</b>	<b>5,128</b>	<b>5,708</b>
			<b>88,862<sup>8</sup></b>				
	<b>GRAND TOTAL...</b>	<b>12,877</b>	<b>1,395,745</b>	<b>2,150</b>	<b>122,110</b>	<b>42,926</b>	<b>53,976</b>

<sup>a</sup> Expenditure relating to closed exercises.

<sup>b</sup> Expenditure on maintenance is included in expenditure on pay.

<sup>c</sup> The Latvian delegation has furnished only one table for land, naval and air forces. The figures given above therefore include expenditure on the three forces.

<sup>d</sup> Expenditure relating to "ships: new construction and maintenance" (sub-head L).

<sup>e</sup> Expenditure incurred in respect of civilian personnel is included under A and B.

Table B.—EXPENDITURE FOR LAND FORCES (continued).

(Figures in national money (ooo's omitted).)

Sub-head	Category of expenditure	Luxemburg	Mexico	Persia	Siam	Turkey	Venezuela
	<b>HEAD I.—Effectives.</b>	Luxemburg francs	Pesos	Krans	Bahts	£T	Bolivars
	<i>Personnel normally forming part of formations and services:</i>						
A	Pay and allowances of all kinds: Officers .....						
B	<i>Ditto</i> : N.C.O.s and men...	378	32,727	26,223	3,791	15,266	9,061
C	<i>Ditto</i> : Civilian personnel ..	5,154	28,219	24,978	5,784	6,241	9,205
		30	3,309	— <sup>a</sup>	984	3,214	—
	<i>Personnel not normally forming part of formations and services:</i>						
D	Persons undergoing preparatory military training, reservists and reserve organisations .....						
E	Maintenance of personnel referred to in sub-heads A to D. ....	—	134	—	329	—	473
E (a)	Miscellaneous expenses.....	740	7,483	70,846	3,474 <sup>b</sup>	9,242	— <sup>11</sup>
	<b>HEAD II.—Transport.</b>						
F	Horses and other animals, forage, harness and shoeing						
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses .....	140	177	10,506	545	3,405	666
		35	—	7,172	153		869
	<b>HEAD III.—Buildings.</b>						
H	Construction of new fortifications and defence works.	—	—	—	—	40	— <sup>12</sup>
K	Barracks, other buildings, upkeep, furniture .....	500	1,520	10,683	1,254	1,135	— <sup>12</sup>
	TOTAL: HEADS I TO III.....	6,977	75,972	150,408	16,314	38,543	20,274
	<b>HEAD IV.—War Material.</b>						
M	Arms, ammunition and fighting material .....	—	7,355	69,942	161	4,231	2,054
M(a)	Engineer and other warlike stores.....	—	—	1,288	—	1,113	890
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads M and M (a))...	—	2,538	4,287	—	—	—
	TOTAL: HEAD IV .....	—	9,893	75,517	161	5,344	2,944
						248 <sup>10</sup>	
	GRAND TOTAL...	6,977	85,865	225,925	16,475	44,135	23,218

<sup>a</sup> Expenditure on civilian personnel is included under A and B.

<sup>b</sup> Including certain amounts not divisible between sub-heads F, G, K, M and M (a).

<sup>10</sup> Debts carried forward to the current financial year and maintenance expenses of cemeteries.

<sup>11</sup> Expenditure for the maintenance of personnel referred to in sub-heads A to D is included under A and B.

<sup>12</sup> An amount of 1,639,115.96 bolivars, based on the average expenditure for the period 1922-1931 was given by the Venezuelan delegation for sub-heads H and K but not included in the Statement.

TABLE C.  
EXPENDITURE FOR NAVAL FORCES.<sup>1</sup>

(Figures in national money (ooo's omitted).)

Sub-head	Category of expenditure	Argentine	Brazil	Chile	China	Cuba	Estonia
		Paper pesos	Milreis	Pesos	Chinese dollars	Pesos (Dollars)	Estonian crowns
	<b>HEAD I.—Effectives.</b>						
	<i>Personnel normally forming part of formations and services :</i>						
A	Pay and allowances of all kinds: Officers .....	8,984	21,976	14,100	8,091	335	529
B	<i>Ditto</i> : N.C.O.s and men...	13,140	38,622	25,575	—	392	478
C	<i>Ditto</i> : Civilian personnel ..	4,512	23,565	5,540	—	—	188
	<i>Personnel not normally forming part of formations and services :</i>						
D	Persons undergoing preparatory military training, reservists and reserve organisations .....	—	9,950	—	1,446	—	—
E	Maintenance of personnel referred to in sub-heads A to D .....	8,334	28,837	5,339	1,779	375	679
E (a)	Miscellaneous expenses.....	—	—	—	—	—	—
	<b>HEAD II.—Transport.</b>						
F	Horses and other animals, forage, harness and shoeing .....	—	—	—	—	—	23
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses .....	3,386	33,219	4,434	2,310	46	53
	<b>HEAD III.—Buildings.</b>						
H	Construction of new fortifications and defence works.	—	—	—	—	—	—
K	Barracks, other buildings, upkeep, furniture .....	879	—	1,426	538	73	241
	<b>TOTAL: HEADS I TO III.....</b>	<b>39,235</b>	<b>156,169</b>	<b>56,414</b>	<b>14,164</b>	<b>1,221</b>	<b>2,191</b>
	<b>HEAD IV.—War Material.</b>						
L	Ships: new construction and maintenance.....	5,351	—	3,639	17,804	—	542
M	Arms, ammunition and fighting material .....	257	59	10	2,110	3	180
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads L and M).....	—	5,295	—	1,800	—	—
	<b>TOTAL: HEAD IV.....</b>	<b>6,608</b>	<b>5,354</b>	<b>3,649</b>	<b>21,714</b>	<b>3</b>	<b>722</b>
	<b>GRAND TOTAL...</b>	<b>44,843</b>	<b>161,523</b>	<b>60,063</b>	<b>35,878</b>	<b>1,224</b>	<b>2,913</b>

<sup>1</sup> The following countries, which have no naval forces, have not filled up Table C: Egypt, Haiti, Hungary, Lithuania, Luxemburg. For Latvia, see Note 5 to Table B.

<sup>2</sup> This Statement was transmitted after examination by the Technical Committee of the whole of the documentation furnished by the Argentine Republic. It includes neither expenditure on naval aviation nor expenditure on the Prefecture, which amounted to 5,276,297 pesos, the Argentine delegation having stated that the Prefecture was not a formation organised on a military basis.

Table C.—EXPENDITURE FOR NAVAL FORCES (*continued*).

(Figures in national money (ooo's omitted).)

Sub-head	Category of expenditure	Greece	Mexico	Persia	Siam	Turkey	Venezuela
		Drachmas	Pesos	Krans	Bahts	£T	Bolivars
	<b>HEAD I.—Effectives.</b>						
	<i>Personnel normally forming part of formations and services:</i>						
A	Pay and allowances of all kinds: Officers .....	45,310	921	301	1,025	1,385	1,186
B	<i>Ditto</i> : N.C.O.s and men...	58,283	454	1,999	599	332	1,492
C	<i>Ditto</i> : Civilian personnel ..	12,061	243	156	230	221	—
	<i>Personnel not normally forming part of formations and services:</i>						
D	Persons undergoing preparatory military training, reservists and reserve organisations .....	—	6	—	—	—	294
E	Maintenance of personnel referred to in sub-heads A to D. ....	101,663	501	1,959	732	692	— <sup>e</sup>
E (a)	Miscellaneous expenses.....	—	—	—	—	—	—
	<b>HEAD II.—Transport.</b>						
F	Horses and other animals, forage, harness and shoeing	—	—	—	—	—	—
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses .....	29,582	189	1,227	189	667	435
	<b>HEAD III.—Buildings.</b>						
H	Construction of new fortifications and defence works.	—	—	—	—	20	—
K	Barracks, other buildings, upkeep, furniture .....	53,555	19	992	850	328	—
	<b>TOTAL: HEADS I TO III.....</b>	<b>300,454</b>	<b>2,333</b>	<b>6,634</b>	<b>3,625<sup>b</sup></b>	<b>3,645</b>	<b>3,407</b>
	<b>HEAD IV.—War Material.</b>						
L	Ships: new construction and maintenance .....	128,409	176	22,320	1,868	4,065	870
M	Arms, ammunition and fighting material .....	77,349	1 <sup>d</sup>	1,080	291	150	554
N	Manufacture of war material in "non-autonomous" State establishments (expenditure not divisible between sub-heads L, and M) ....	—	253	—	—	—	—
	<b>TOTAL: HEAD IV .....</b>	<b>205,758</b>	<b>430</b>	<b>23,400</b>	<b>2,159</b>	<b>4,215</b>	<b>1,424</b>
		<b>32,722<sup>c</sup></b>					
	<b>GRAND TOTAL...</b>	<b>538,934</b>	<b>2,763</b>	<b>30,034</b>	<b>5,784</b>	<b>7,860</b>	<b>4,831</b>

<sup>a</sup> Expenditure relating to closed *exercices*.

<sup>b</sup> The entry "nil" is made under sub-head M. Under the heading M(a), on the contrary, there is an amount of 1,000 pesos for the purchase of scientific instruments.

<sup>c</sup> This total includes the sum of Bahts 1,785,167.11 carried forward from the previous years.

<sup>d</sup> Expenditure for the maintenance of personnel referred to in sub-heads A to D is included under A and B.



**TABLE D.**  
**EXPENDITURE FOR AIR FORCES.<sup>1</sup>**

(Figures in national money (000's omitted).)

Sub-head	Category of expenditure	Argentine <sup>2</sup>	Brazil	Chile	China <sup>4</sup>	Egypt
		Paper pesos	Milreis	Pesos	Chinese dollars	£E
	<b>HEAD I.—Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds: Officers .....	1,262	2,632	4,048	1,269	4
B	<i>Ditto</i> : N.C.O.s and men...	1,058	3,332	5,122	487	—
C	<i>Ditto</i> : Civilian personnel ..	972	526	492	699	8
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations .....	360	—	10	723	—
E	Maintenance of personnel referred to in sub-heads A to D .....	639	1,674	1,829	263	—
E (a)	Miscellaneous expenses .....	—	—	—	—	—
	<b>HEAD II.—Transport.</b>					
F	Horses and other animals, forage, harness and shoeing .....	—	—	—	—	—
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses .....	328	1,189	2,007	1,343	3
	<b>HEAD III.—Buildings.</b>					
K	Barracks, other buildings, upkeep, furniture .....	12	508	934	2,500	16
	<b>TOTAL: HEADS I TO III.....</b>	<b>4,631</b>	<b>9,861</b>	<b>14,442</b>	<b>7,284</b>	<b>31</b>
	<b>HEAD IV.—War Material.</b>					
M	Arms, ammunition and fighting material .....	2,330	3,600	730	8,900	16
M(a)	Engineer and other warlike stores .....	—	—	—	—	—
N	Manufacture of war material in "non-autonomous" State establishments .....	—	—	1,181	—	3
	<b>TOTAL: HEAD IV .....</b>	<b>2,330</b>	<b>3,600</b>	<b>1,911</b>	<b>8,900</b>	<b>19</b>
	<b>GRAND TOTAL...</b>	<b>6,961</b>	<b>13,461*</b>	<b>16,353</b>	<b>16,184</b>	<b>50</b>

<sup>1</sup> The following countries, which have no air forces, have not filled up Table D: Haiti, Hungary, Luxemburg. For Cuba, expenditure on air forces, amounting to a total of 271,277 pesos (dollars) of which no details were furnished, is included under Table B. For Latvia, see Note 5 to Table B.

<sup>2</sup> Including expenditure on naval air forces.

<sup>3</sup> Not including an amount of 5,648,757 milreis relating to naval air forces, details of which have not been furnished.

<sup>4</sup> As the naval air forces are in course of organisation, expenditure relating thereto is not included.

Table D.—EXPENDITURE FOR AIR FORCES (continued).

(Figures in national money (ooo's omitted).)

Sub-head	Category of expenditure	Estonia	Greece	Lithuania	Mexico	Persia
		Estonian crowns	Drachmas	Litas	Pesos	Krans
	<b>HEAD I.—Effectives.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds: Officers .....	363	25,010	— <sup>s</sup>	529	895
B	<i>Ditto</i> : N.C.O.s and men...	265	15,334	— <sup>s</sup>	657	415
C	<i>Ditto</i> : Civilian personnel ..	148	4,188	— <sup>s</sup>	48	— <sup>s</sup>
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing preparatory military training, reservists and reserve organisations .....	—	—	— <sup>s</sup>	—	—
E	Maintenance of personnel referred to in sub-heads A to D .....	349	11,691	— <sup>s</sup>	39	885
E (a)	Miscellaneous expenses .....	—	—	— <sup>s</sup>	—	—
	<b>HEAD II.—Transport.</b>					
F	Horses and other animals, forage, harness and shoeing	12	—	—	—	—
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses .....	50	27,072	685	2	442
	<b>HEAD III.—Buildings.</b>					
K	Barracks, other buildings, upkeep, furniture .....	174	59,763 <sup>*</sup>	— <sup>s</sup>	35	894
	<b>TOTAL: HEADS I TO III.....</b>	<b>1,361</b>	<b>143,058</b>	<b>685</b>	<b>1,310</b>	<b>3,531</b>
	<b>HEAD IV.—War Material.</b>					
M	Arms, ammunition and fighting material .....	1,301	76,354	1,736	1,825	6,241
M(a)	Engineer and other warlike stores .....	—	—	—	20 <sup>7</sup>	—
N	Manufacture of war material in "non-autonomous" State establishments .....	—	—	—	255	—
	<b>TOTAL: HEAD IV .....</b>	<b>1,301</b>	<b>76,354</b>	<b>1,736</b>	<b>2,100</b>	<b>6,241</b>
	<b>GRAND TOTAL...</b>	<b>2,662</b>	<b>219,412</b>	<b>2,421</b>	<b>3,410</b>	<b>9,772</b>

\* All figures relating to Head I are included in the amounts given under that head in Table B.  
<sup>7</sup> Figure included in the amount shown under sub-head K of Table B.  
<sup>7</sup> Expenditure for the purchase of scientific instruments and apparatus.  
<sup>7</sup> Expenditure for civilian personnel is included under A and B.

Table D.—EXPENDITURE FOR AIR FORCES (continued).

(Figures in national money (ooo's omitted).)

Sub-head	Category of expenditure	Siam	Turkey	Venezuela
		Bahts	£T	Bolivars
	<b>HEAD I.—Effectives.</b>			
	<i>Personnel normally forming part of formations and services:</i>			
A	Pay and allowances of all kinds: Officers .....	184	551	454
B	<i>Ditto</i> : N.C.O.s and men...	587	90	242
C	<i>Ditto</i> : Civilian personnel ..	1 <sup>9</sup>	584	—
	<i>Personnel not normally forming part of formations and services:</i>			
D	Persons undergoing preparatory military training, reservists and reserve organisations .....	5	—	—
E	<i>Maintenance of personnel referred to in sub-heads A to D.....</i>	79 <sup>10</sup>	465	— <sup>12</sup>
E (a)	Miscellaneous expenses.....	—	—	—
	<b>HEAD II.—Transport.</b>			
F	Horses and other animals, forage, harness and shoeing	—	—	—
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses .....	543	212	202
	<b>HEAD III.—Buildings.</b>			
K	Barracks, other buildings, upkeep, furniture .....	372 <sup>11</sup>	64	—
	<b>TOTAL: HEADS I TO III.....</b>	<b>1,771</b>	<b>1,966</b>	<b>898</b>
	<b>HEAD IV.—War Material.</b>			
M	Arms, ammunition and fighting material .....	3,018 <sup>12</sup>	1,491	404
M(a)	Engineer and other warlike stores.....	—	—	—
N	Manufacture of war material in "non-autonomous" State establishments.....	—	—	—
	<b>TOTAL: HEAD IV .....</b>	<b>3,018</b>	<b>1,491</b>	<b>404</b>
	<b>GRAND TOTAL...</b>	<b>4,789</b>	<b>3,457</b>	<b>1,302</b>

<sup>9</sup> Not including 11,237.07 bahts representing the pay of civilian personnel in aircraft workshops, this amount being included under sub-head M.

<sup>10</sup> Including 1,974.59 bahts representing the contribution to the expenses of the International Air Navigation Commission.

<sup>11</sup> Including 183,074.75 bahts paid from credits carried forward from previous years.

<sup>12</sup> Including 901,520.14 bahts paid from credits carried forward from previous years.

<sup>13</sup> Expenditure for the maintenance of personnel referred to in sub-heads A to D is included under A and B.

TABLE FOR ROUGH CONVERSION OF CURRENCIES<sup>1</sup>

ACCORDING TO THE AVERAGE EXCHANGE RATES FOR THE FINANCIAL YEARS INDICATED IN THE SECOND COLUMN OF THIS TABLE.

Pays	Années Years	Unité monétaire Monetary Unit	\$ <sup>2</sup>	franc suisse Swiss franc	franc français French franc	Countries
Afghanistan .....	—	Afghani	0.105	—	—	Afghanistan
Union Sud-Africaine	1930-31	£	4.8	24.8	123	Union of South Africa
Albanie .....	1930-31	Frank	0.19	1	4.92	Albania
Arabie Saoudienne .	1931	Rijal	0.45	2.3	11.6	Saudi Arabia
République Argent.	1930	Peso papier	0.37	1.9	9.4	Argentine Republic
Australie .....	1929-30	£	4.7	24.4	120	Australia
Autriche .....	1930	Schilling	0.14	0.7	3.6	Austria
Bolivie.....	1930	Boliviano	0.4	1.9	9	Bolivia
Brésil .....	1930	Milreis or	0.489	2.81	13.95	Brazil
		Milreis pap.	0.107	0.6	2.7	
Bulgarie .....	1930-31	Lev	0.007	0.037	0.18	Bulgaria
Canada .....	1931	Dollar canad.	1	5	25	Canada
Chili.....	1932	Peso	0.08	0.4	2	Chile
Chine .....	1930-31	Yuan dollar	0.25	1.28	6.3	China
Colombie.....	1931	Peso oro	1	5	25	Colombia
Costa-Rica.....	1931	Colon	0.25	1.3	6.4	Costa Rica
Cuba .....	1931	Peso	1	5.2	25.5	Cuba
Dominicaine (Répu- blique).....	1931	Dollar	1	5.2	25.5	Dominican Repu- blic
Egypte .....	1931-32	Livre égypt.	4.2	21.6	107.1	Egypt
Espagne .....	1930	Peseta	0.12	0.6	3	Spain
Estonie .....	1930-31	Couronne	0.27	1.38	6.8	Estonia
Finlande .....	1930	Markka	0.025	0.13	0.6	Finland
Grèce .....	1931	Drachma	0.013	0.07	0.33	Greece
Guatémala .....	1931-32	Quetzal	1	5.2	25.5	Guatemala
Haïti .....	1930-31	Gourde	0.2	1	5.1	Haiti
Honduras .....	1931-32	Lempira (ancien- nement peso)	0.48	2.5	12.2	Honduras
Hongrie.....	1929-30	Pengö	0.17	0.9	4.3	Hungary
Irak .....	1933-34	Dinar	3.23	16.76	82.56	Iraq
Lettonie .....	1929-30	Lat	0.19	1	4.93	Latvia
Libéria .....	1929-30	Amer. dollar	1	5.2	25.5	Liberia
Lithuanie .....	1930	Litas	0.1	0.5	2.5	Lithuania
Luxembourg .....	1932	Franc luxemb.	0.028	0.14	0.7	Luxemburg
Mexique .....	1931	Peso	0.43	2.2	10.9	Mexico
Nouvelle-Zélande ..	1930-31	£	4.6	23.7	117	New Zealand
Panama .....	1931	Balboa	1	5.2	25.5	Panama
Pérou .....	1930	Sol	0.36	1.9	9	Peru
Perse .....	1931-32	Kran	0.05	0.27	1.3	Persia
Portugal .....	1930	Escudo	0.045	0.23	1.14	Portugal
Siam .....	1930-31	Baht (tical)	0.44	2.3	11.1	Siam
Turquie .....	1931	Livre turque	0.47	2.4	12	Turkey
Uruguay .....	1931-32	Peso	0.46	2.3	11.6	Uruguay
Venezuela .....	1931-32	Bolivar	0.16	0.8	4.1	Venezuela

Table compiled by the Financial Section and Economic Intelligence Service of the Secretariat of the League of Nations.

<sup>1</sup> For rough conversion into \$, Swiss francs, French francs, of figures given in currencies of the various countries, multiply by the above coefficients.

<sup>2</sup> Former gold dollar of 1.50463 grammes of gold.

Geneva, February 14th, 1935.

LEAGUE OF NATIONS

CONFERENCE FOR THE REDUCTION AND LIMITATION OF ARMAMENTS

NATIONAL DEFENCE EXPENDITURE COMMISSION:

REPORT OF THE TECHNICAL COMMITTEE,  
VOLUME III.

Page 4, Part II, first line of heading, for "Summary" read "Summaries".

Page 16, para.(b), 4th line to read as follows: "...methods of the final audit adopted ...."

Page 17, 1st paragraph, re Chile, delete brackets.

Page 24, penultimate para., 1st line, after words "Model Statement" put colon and delete brackets.

Page 25, 4th line, for "scruting" read "scrutiny".

Pages 118-121, CORRECTION OF THE TEXT OF THE SUMMARY OF INFORMATION RELATING TO SPAIN:

In order to take account of certain information contained in a communication received from the Spanish Government after Volume III had already been printed, the following corrections should be made in the text of this Summary:

Page 118, 3rd para., 2nd line, after the word "entered" add "with a new credit".

3rd line, after the words "special chapters of the budget entitled" read "Obligaciones de ejercicios cerrados" and delete the end of the paragraph.

Page 118, 5th para., 2nd line, for "the Council of State must give an opinion", read "the Council of State must draw up a report".

3rd line, for "must be informed of that opinion", read "must be informed of the proposed expenditure".

Page 119, under B(4) 4th para., 1st line, after the words "Payment orders" add "(Libramiento or Mandamiento de Pago)".

2nd line, after the words "officials delegated", add "(Ordenadores de pagos)".

3rd line, instead of "issued" read "made out".

5th para., 1st line, after the words "cheques drawn" add "by the delegates of the Finance Department".

2nd line, instead of "Treasury funds" read "State funds".

Page 121, 3rd para., 1st line, after the words "by rail" add "and on Spanish steamship lines".

3rd line, to read "or any other reductions in rates".

*Official No.:* **Conf. D./C.G.160(1).**  
[Conf.D./C.D./C.T.239(1).]

Geneva, December 17th, 1934.

LEAGUE OF NATIONS

CONFERENCE FOR THE REDUCTION AND LIMITATION  
OF ARMAMENTS

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PUBLICITY  
OF NATIONAL DEFENCE EXPENDITURE

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**DRAFT CONVENTION**

prepared by the Technical Committee  
of the National Defence Expenditure Commission

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Series of League of Nations Publications
IX. DISARMAMENT ✓
1935. IX. 3.

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### PRELIMINARY NOTE.

In January 1934, document Conf.D./C.G.160, "Instruments necessary for the Application of a System of Publicity of National Defence Expenditure: Draft prepared by the Technical Committee of the National Defence Expenditure Commission", was communicated to the General Commission.

Since then, the Technical Committee has undertaken, in the circumstances related in its complementary report (document Conf.D.158, Volume III), a fresh examination of its original draft and has adopted the final draft Convention contained in the present volume.<sup>1</sup>

\* \* \*

In accordance with its general report (document Conf.D.158), the Technical Committee submits at the end of the draft Convention a number of statements<sup>2</sup> relating to questions which, although they could not at the present time form the subject of contractual obligations by the contracting parties, are nevertheless of some importance from the point of view of perfecting a system of publicity. The reasons for these statements and for the detailed explanations regarding the questions dealt with in the draft Convention are set forth in detail in the report, to which reference should be made for further particulars.

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<sup>1</sup> The modifications introduced into the original text are indicated and explained in the Technical Committee's complementary report (see document Conf.D.158, Volume III, particularly pages 11 and 27).

<sup>2</sup> See pages 85 and 86.

## A. DRAFT CONVENTION.

### DRAFT ARTICLES.

#### *Article A.*

The High Contracting Parties undertake to give publicity to all national defence expenditure by whomsoever that expenditure is incurred and whatever the nature and origin of the resources out of which the said expenditure is met.

Such publicity shall be given in conformity with the stipulations contained in Articles B to N and in the annexes to this part of the Convention and on the basis of reciprocity stipulated in those articles and in their annexes.

#### *Article B.*

Each High Contracting Party shall communicate the following documents:

1. (a) The draft general budget (estimates) of the central power, the draft individual budgets of each of the departments of National Defence;  
(b) The draft individual budgets (estimates) of the other Ministries and draft special budgets whenever these documents include national defence expenditure.
2. (a) The general budget of the central power and the instruments enacting that budget, the individual budgets of each of the departments of National Defence;  
(b) The individual budgets of other Ministries, of colonies, protectorates, oversea territories, territories under the suzerainty of the High Contracting Parties or for which a mandate has been conferred on the High Contracting Parties, and special budgets, whenever these various documents include national defence expenditure.
3. (a) The general closed accounts of the central power, the individual closed accounts of each of the departments of National Defence;  
(b) The individual closed accounts of other Ministries, of colonies, protectorates, oversea territories, territories under the suzerainty of the High Contracting Parties or for which a mandate has been conferred on the High Contracting Parties, and special accounts, whenever these various documents include national defence expenditure.

#### *Article C.*

The High Contracting Parties shall forward the documents specified in paragraphs 1 and 2 of Article B within a period of thirty days of their publication, or, alternatively, of their receipt by the central home administration, and in any case within a period of three months from the date on which the aforesaid documents are given their final form.

The closed accounts specified in paragraph 3 of the same article shall be despatched within thirty days of their publication, or, alternatively, of their receipt by the central home administration. In any event, such accounts shall be published in time to be attached to the statement, the communication of which is provided for in Article F of the present Convention.

#### *Article D.*

The High Contracting Parties shall forward a statement of the estimates of national defence expenditure compiled in accordance with the instructions given in the annexes in respect of the first two financial years after the coming into force of the Convention. This statement, accompanied by reconciliation tables, shall be despatched within three months of the beginning of the financial year in accordance with the conditions mentioned in Annex III, 1 (b).

For the third financial year and following financial years, the High Contracting Parties undertake to furnish a statement of their estimates of expenditure in the simplified form which the Permanent Commission will indicate. In drawing up the form of this statement, the Permanent Commission shall endeavour, in the light of the experience gained during the preceding years, to reduce the figures shown in the statement to one global figure for each of the forces.

#### *Article E.*

The High Contracting Parties shall forward for each financial year two summary statements showing, in relation to the grand total of the initial national defence expenditure authorisations, what changes have been made in that total from the time when the authorisations were fixed up to the end of periods of nine and fifteen months respectively, reckoned from the beginning of the financial year.

The two aforementioned summary statements, compiled in accordance with the instructions laid down in Annex IV, shall be despatched within fifteen days of the expiry of the two periods of nine and fifteen months respectively, referred to in the preceding paragraph.

*Article F.*

The High Contracting Parties shall despatch within fourteen months of the end of the financial year a statement of the payments effected, compiled in accordance with the instructions prescribed in Annex III.

This statement shall be based on the closed accounts, the communication and dates of despatch of which are prescribed respectively in Article B, paragraph 3, and Article C, paragraph 2.

In addition, the High Contracting Parties shall attach to the statement the following supporting documents:

A certified statement of the national defence expenditure included in the accounts of the federated States;

A certified statement of the national defence expenditure effected by regional or local public bodies.

*Article G.*

Without prejudice to the general provisions of the Convention relating to supervision, the High Contracting Parties undertake to communicate, on receipt of a special request accompanied by a statement of reasons from the Permanent Commission, the individual budgets and accounts of civil ministries, special budgets and accounts, the budgets and accounts of federated States or of regional or local bodies, the regular and periodical communication of which is not provided for under the terms of Article B.

*Article H.*

The High Contracting Parties undertake, so long as the Convention remains in force, not to reduce the degree of detail of their budgets and accounts as submitted to the Conference to an extent which would make it more difficult for the Permanent Commission to check the accuracy of the figures contained in the statements and to follow the financial outlay devoted by each State to its armed forces.

Such High Contracting Parties as have laid before the Conference unpublished budgetary documents of a more detailed character than those actually published at the time when the unpublished documents were submitted, undertake in future to introduce into their published budgets and accounts a degree of detail at least as great as that of the unpublished documents submitted to the Conference.

As regards the High Contracting Parties whose documentary material it was not possible for the Conference to examine, the Permanent Commission will decide whether the degree of detail of the published budgetary documents furnished in support of the first statements supplied in execution of the Convention is satisfactory; if necessary, it will specify any modification in the detail which, in its opinion, should be introduced.

*Article I.*

The Permanent Commission shall verify the statements provided for in Articles D and F of the present Convention before publishing them.

During the examination of these statements, the Commission may ask the Governments concerned for any additional particulars and explanations that it considers necessary.

If, as a result of this examination, the Commission considers that alterations should be made in the figures supplied to it, it shall inform the Government concerned of the changes which it would wish to be made in these figures, stating the reasons therefor.

The statements published by the Commission shall show the figures as supplied or corrected by the Governments. Should agreement not be reached between the Commission and the Government concerned as regards the figures in the statements, the Commission shall attach to the statements a note specifying in detail the changes which it considers should be made in the figures submitted by the Government.

*Article J.*

The Permanent Commission shall follow the progress made by the States in the presentation of the documentary material provided for in the preceding articles.

By the continuous examination of the whole of this documentary material, the Commission shall, on the one hand, follow the development of the financial outlay devoted by each State to its national defence and, on the other hand, see the changes in the military strength of each country by means of the information thus collected.

*Article K.*

The stipulations of the present Convention shall apply, in the case of each High Contracting Party, to the first financial year following the entry into force of the Convention, subject, however, to the rules laid down in Articles L to N.

TRANSITIONAL PROVISIONS.

*Article L.*

The High Contracting Parties shall forward to the Permanent Commission all the documents enumerated in Article B, paragraphs 1 and 2, in respect of the financial year already in progress at the time of the entry into force of the Convention. These documents shall be despatched not later than two months after the entry into force of the Convention. Within nine and fifteen months, respectively, of the beginning of the financial year in progress when the Convention comes into force, the High Contracting Parties shall despatch a list of all laws and other instruments by which the grand total of the initial national defence expenditure authorisations in respect of that year may have been changed, together with the texts of all such laws and instruments.

*Article M.*

The first statement supplied by the States in pursuance of the provisions of Article F shall be accompanied, not only by the closed accounts relating to the financial year for which this statement is compiled, but also by the closed accounts of the three previous financial years.

If the High Contracting Parties, when presenting the first statement, are not in a position to communicate the closed accounts for the three previous financial years, they shall lay before the Permanent Commission certified statements of payments effected for national defence during each of these three financial years, it being understood that the closed accounts themselves of the last three financial years will be despatched as soon as possible.

*Article N.*

The High Contracting Parties referred to in Article H, paragraph 2, shall be entitled to despatch their draft budgets and budgets together with the accounts in respect of the first two financial years in the form in which such documents were published prior to the entry into force of the Convention. In support of the statements, they shall, however, append certified statements of estimates and payments so compiled as to have the same practical value for the purpose of checking by the Permanent Commission as the statements of payments submitted to the Conference.

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ANNEX I.

CONVENTIONAL LIST OF ITEMS OF NATIONAL DEFENCE EXPENDITURE.<sup>1</sup>

National defence expenditure is expenditure in respect of military formations, services and establishments of the land, naval and air forces, in the home country and overseas, in particular:

Central administrations;  
Missions;  
Military attachés;<sup>2</sup>  
Headquarters staffs and staffs of commands;  
Arms and services of the armed forces:

Combatant and non-combatant personnel of the land armed forces, infantry, cavalry, artillery, engineers and signal corps, tanks, anti-gas units, combatant and non-combatant personnel of all categories of the naval armed forces, flying, non-flying and auxiliary personnel of the air armed forces and all services, formations and establishments of the land, naval and air armed forces, including the air defence;  
Supply corps, transport troops;  
Pay and accountancy technical services;  
Recruiting services;  
Medical and hospital services;  
Remount and veterinary services;  
Religious ministrations;  
Military police;  
Justice and prisons;  
Colleges, schools and training centres;  
Military bands, including drum and bugle bands.  
Scientific services, historical sections, records, libraries;  
Geographical service, hydrographical or coastal surveys, cartographic, geodesic and topographical services;  
Meteorological service and astronomical service.

In so far as these services work for the army, navy or air force.

This expenditure includes:

1. *In respect of Expenditure on Personnel.*

Pay, half-pay, salaries, emoluments, allowances of all kinds, bonuses, gratuities, remuneration, grants, family and any other allowances, grants for the civil professional training of soldiers, travelling and mission allowances, contributions to social insurance funds (sickness, old-age, invalidity, unemployment, etc.) on behalf of military and civil personnel, whether normally forming or not forming an effective part of the formations, services and establishments of the land, naval and air forces, personnel of the police forces and similar formations to be included in the table of effectives (personnel with the colours, unattached or on leave, persons undergoing preparatory military training, reservists, territorials) during periods of training or not.

Expenditure on maintenance, viz.:

Expenditure for meeting the immediate requirements of the effectives normally forming part of military formations, services and establishments, and of personnel called up for periods of training, more especially expenditure on subsistence, clothing, equipment, bedding, furniture, laundry, sanitary and medical attention, religious ministrations, office expenditure or various other items of expenditure not covered by 2, 3 and 4, expenditure for military, physical and athletic training and education, games and various amusements, including subsidies for those purposes, together with expenditure in respect of compensation for losses and damage caused by military formations, services and establishments.

Expenditure in respect of the creation and maintenance for military purposes of reserves of goods, foodstuffs, raw materials or products relating to the aforementioned requirements; subsidies

<sup>1</sup> The enumeration contained in this list is not exhaustive.

<sup>2</sup> The term "military", wherever it is used in the present list, is understood to apply indiscriminately to the land, naval and air forces.

paid to private associations and undertakings with a view to meeting these same requirements, together with expenditure relative to rifle clubs and physical culture societies, pigeon fanciers' societies and aviation clubs of military value.

2. *In respect of Expenditure on Transport.*

Expenditure relating to horses and other animals, the purchase of raw materials, hand tools, finished articles and their repair and maintenance, irrespective of whether such materials and products (forage, shoeing material, harness, solid fuel, liquid fuel—whether for vehicles, ships or aircraft—lubricants, etc., spare parts and accessories) are intended for stock or current use, together with expenditure relating to transport and communications services (railways, post, telegraph, telephone, radio) rendered by non-military organisations.

Subsidies of a military nature for horse-breeding and the training of horses, mules and other saddle, draught and pack animals, subsidies paid for military purposes to transport undertakings, subsidies or other expenditure relating to the organisation of communications with a view to protection against air-raids and, generally speaking, all other expenditure in respect of fuel, whether for vehicles, ships or aircraft, transport and communications.

3. *In respect of Expenditure on Buildings.*

Expenditure relating to the construction, repair and upkeep of fortifications and defensive works.

Expenditure relating to the purchase and hire of land and buildings, building operations, installation of gas, electricity and water, improvement, extension, upkeep and repair thereof, and also current expenditure on gas, electricity and water; heating and lighting of all kinds of buildings, including fixed machinery and heavy plant (barracks, accommodation, schools, hospitals, prisons, cattle-sheds, stables, State establishments for meeting the material needs of the military units, store-houses and depots, hangars, aerodromes, training camps and ranges, sheds for stores, etc., marine works in naval ports and naval bases, including landing-stages and all other works for the land, naval or air forces and formations).

Expenditure relating to the construction, modification, repair or upkeep for specifically military purposes of roads, bridges, railways, landing-stages, jetties, lighthouses, lightships, buoyage, platforms, semaphore apparatus, canals, together with drainage or forestry works.

Subsidies granted for military purposes with a view to the purchase, hire, improvement, extension, upkeep and repair of the buildings and objects mentioned above under this heading, or any similar expenditure.

4. *In respect of Expenditure on War Material.*

This expenditure comprises, for all categories of war material specified below:

Expenses of upkeep and repair, purchase from private traders or manufacturers, and manufacture in State factories, of ships, goods, materials and munitions, whether complete or in parts, intended either for purposes of training in time of peace or for the equipment and armament of forces on a war footing, the purveying and supply of material of all kinds for these forces and also the expenses relating to the creation and maintenance (in State or private hands) of stocks and plant intended solely for the construction of warlike stores.

Cost of scientific research and experiment, expenditure on the inspection of material delivered and preparation of programmes for material, expenditure on the supervisory services, expenditure relating to the preparation of industrial mobilisation as regards war material and all other similar expenditure.

Subsidies granted to industries, undertakings and workshops which normally manufacture war material in peace time, with a view to the installation, upkeep or extension of plant and equipment for the manufacture of war material and the creation or maintenance of stocks of war material.

Subsidies granted to industries, undertakings and workshops which do not normally manufacture war material in peace time with a view to preparing them for industrial mobilisation—*i.e.*, to equipping them in peace time for the production of war material as soon as mobilisation begins.

Subsidies granted to the mercantile marine expressly with a view to the use of merchant ships if necessary for national defence purposes; subsidies granted with a similar object to the owners of vehicles.

The classes of material mentioned above are as follows:

*In respect of the Land Forces:*

Arms, ammunition, fighting material and other war material, engineering material:

Small arms and automatic firearms; rifles, muskets, carbines, revolvers and pistols, quick-firing rifles and quick-firing pistols, machine-pistols, machine-guns, apparatus and appliances for throwing projectiles, including vehicles for their transport;

Cannons (long and short), howitzers, mortars, field guns, anti-aircraft guns and other anti-aircraft appliances, and all apparatus (armour-plating, etc.) for the operation of these appliances;

Ammunition for small arms, automatic weapons and guns; bombs, grenades, and other kinds of projectiles, explosives, mines, including the electric apparatus connected with all this material, ammunition waggons, carriages, cases, etc., for their transport;

Cutting weapons, such as swords, sabres, lances, bayonets and daggers;

Tanks, armoured cars, armoured trains;

All other arms, ammunition, apparatus and appliances for throwing projectiles; accessory, equipment and spare parts.

Railway material, pioneer equipment, bridging equipment, mining material, liaison material, signalling and radio stores, boats, searchlights, acoustic and optical instruments, anti-gas stores, tractors, motor and horse-drawn vehicles whether specialised or not, bicycles, with their accessory equipment and spare parts, subsidies to the owners of motor and horse-drawn vehicles and all other categories of engineering material.

*In respect of the Naval Forces:*

In addition to the above-mentioned material:

Warships of all kinds, aircraft-carriers, seaplane-carriers, victualling craft, fuelling craft, naval armament vessels, and all other naval transport vessels, repair ships, salvage vessels, floating barracks, harbour craft, tugs, barges and lighters, floating docks; torpedoes, paravanes, and material of all kinds connected with these vessels, and all other craft intended for naval use.

*In respect of the Air Forces:*

In addition to the above-mentioned material:

Aeroplanes, seaplanes, amphibian planes, boats, airships, free and captive balloons, instruments, engines and stores—wireless, electrical, photographic—oxygen apparatus, material for heating purposes, ground equipment, parachutes, hydrogen and helium, accessories and spare parts, material for anti-aircraft defence (watch, alarm and liaison systems, signalling and listening-in apparatus, protective balloons and interception cables, apparatus for artificial fog and camouflage devices, etc.).

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*Note.* — Certain expenditure considered to be of little importance from the point of view of national defence, such as expenditure on military museums and memorials, has been deliberately excluded from this conventional list.

ANNEX II.

INSTRUCTIONS FOR THE TRANSMISSION TO THE PERMANENT  
COMMISSION OF BUDGETS, CLOSED ACCOUNTS AND OTHER  
DOCUMENTS REFERRED TO IN THE CONVENTION.

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**1. Number of Copies and Translation of Documents to be supplied.** The contracting parties shall communicate three copies of all documents (draft budgets, budgets, closed accounts, statements, reconciliation tables, summary statements) the transmission of which is provided for in Articles B, D, E and F of the Convention. The provisions of Article B imply that the budgets and accounts must be published. On the other hand, States which do not publish their draft budget shall have the option of communicating typed copies of that document.

As a translation of the wording of the various budgetary items relating to national defence is to be given in the reconciliation tables (see Annex III, Part 4, paragraph 4), it is not necessary to translate such wording in the budgets or closed accounts themselves, although a translation of the headings of the various tables and of the columns of such tables shall be supplied. Such translations shall be furnished in respect of the tables and column headings of the budgets or accounts of the departments of national defence and also of the tables and column headings in the other budgetary documents showing national defence expenditure.

The Permanent Commission shall be entitled to modify the provisions of the present paragraph whenever its experience would appear to make such a course desirable.

**2. Communication of General Draft Budgets, Budgets and Accounts, and of Individual Draft Budgets, Budgets and Accounts.** Such contracting parties as publish separately, not only a draft general budget, a general budget and a general closed account, but also the individual draft budgets, budgets and closed accounts of each ministerial department shall transmit both classes of documents.

**3. Publications containing Draft Budgets, Budgets either voted or enacted, and Closed Accounts.** Of the publications (*Official Journal* and its annexes, parliamentary proceedings, special publications) containing the draft budgets, budgets either voted or enacted and the closed accounts, there shall be sent to the Permanent Commission the earliest of the several publications issued dealing with the draft budgets, budgets or closed accounts, followed by the most complete of each class, in the event of the earlier publication's being less detailed and less complete than any of the subsequent publications.

**4. Closed Accounts serving as a Basis for the Compilation of Statements of Expenditure.** The published closed accounts shall be communicated, even if not audited by the higher auditing authorities until after publication. In the latter case, the contracting parties shall advise the Permanent Commission as soon as the published accounts have been duly audited by the higher auditing authorities. Should the audit result in any modification in the figures previously published, such modifications shall be notified to the Permanent Commission.

**5. Documents to be regarded as published.** Documents shall be regarded as published, not only when they may be purchased in the usual way, but also when they are circulated to Members of Parliament without being marked "Confidential" or "Secret", or when they are deposited in the library of Parliament where they may be consulted by the public, even if such consultation is subject to special authorisation.

**6. Time-limit for transmitting Documents.** In view of the fact that the publication of certain budgets and certain specially voluminous accounts takes place by degrees as the printers and book-binders are able to complete their work, it is to be understood that the three copies intended for the Permanent Commission will be sent to it as soon as copies are first put into circulation. The copies so sent shall bear an indication of the date on which copies were actually first put into circulation.



**7. Budgets and Accounts of Federated States and of Regional and Local Authorities.**

The provisions of Article G regarding the budgets and accounts of federated States and of regional and local authorities should be interpreted to mean that such budgets and accounts are to be transmitted to the Permanent Commission on receipt of a specific request from that body accompanied by a statement of reasons and specially mentioning the federated States and the particular regional and local public bodies of which the Permanent Commission desires to receive the budgets or accounts.

If there are any official statistical publications giving a summary of the budgets of all regional or local bodies or of certain categories of such budgets, the Powers shall inform the Permanent Commission accordingly.

**8. Budgets and Accounts of Colonies, Protectorates, etc.**

The stipulations of the Convention relative to the despatch of the budgets and accounts of colonies, protectorates, overseas territories or territories under the suzerainty or mandate of the contracting parties, apply exclusively to the general budgets of such colonies, protectorates or territories and not to the local budgets.

**9. Documents to be submitted in respect of Certain Territories under Suzerainty or Protection.**

The provisions laid down in Article F for the production of certified returns for federated States and for regional or local bodies shall be applicable by analogy to certain territories under suzerainty or protection which defray a portion of the national defence expenditure to be included by a contracting party in its statement.

Furthermore, if the budgets and accounts of any of the States, territories or bodies mentioned above are not published, and if the Permanent Commission, in accordance with Article G, asks for the communication of these documents, the contracting party responsible for entering in its statement the national defence expenditure defrayed by the said States, territories or bodies may, in place of the budgets and accounts asked for, draw up a return of the estimated figures of national defence expenditure borne by such States, territories or bodies. This return shall be certified by a competent Government authority, which shall testify that these figures are officially considered by the contracting party as representing as accurately as possible the grand total of the national defence expenditure of such States, territories or bodies.

**10. Certified Statements.**

The certification of documents provided for in paragraphs 3 and 4 of Article F of the present Convention shall be effected by affixing an official stamp over the signature of a competent Government authority.

**11. Transitional Provisions.**

If the date of the entry into force of the Convention is subsequent to the expiration of the period of nine months as from the beginning of the current financial year, it will not be necessary to make the first despatch of the list of laws and Acts of all kinds having modified the budgets of the said year, and of the texts of these documents the communication of which is prescribed in Article L.

ANNEX III.

INSTRUCTIONS FOR COMPILING THE STATEMENTS  
AND THE RECONCILIATION TABLES.

PART 1.

INSTRUCTIONS FOR DETERMINING THE EXPENDITURE TO BE ENTERED  
IN TABLES I TO IV OF THE STATEMENTS (ARTICLES D AND F OF THE  
CONVENTION).

**1. Purpose of the Instructions.** In order to determine the expenditure to be entered in the statements, of estimates of expenditure or of payments effected, the contracting parties shall comply with the general instructions herebelow, paragraphs 2 to 19, and, further, in respect of each of the two statements, they shall comply with the rules laid down in paragraphs 20 to 28 and 29 to 34 of the present instructions.

Section (a).

GENERAL INSTRUCTIONS FOR COMPILING THE STATEMENTS (TABLES I TO IV).

**2. Determination of the Expenditure to be entered in the Statements.** The expenditure to be entered in the statements provided for in Articles D and F of the Convention is that which, in general, is necessitated or entailed by the creation, maintenance and training, in time of peace, of armed forces and by immediate preparation for mobilisation.

Such expenditure is scheduled in the conventional list of national defence expenditure in Annex I.

In accordance with the provisions of Article A of the Convention, the contracting parties shall enter in their statements all expenditure in respect of the purposes scheduled in the aforementioned list, by whomsoever incurred and irrespective of the nature and origin of the resources from which such expenditure is defrayed.

**3. Exceptional and Unforeseeable Expenditure.** Deductions shall be made from the totals of national defence expenditure in respect of certain expenditure of an exceptional and unforeseeable character resulting from the employment of the armed forces, and the loss or destruction of material of all kinds, in so far as such expenditure shall not have increased the armed strength of the State by which the deductions are made.

Deductions shall only be made under the provisions of the foregoing paragraph in respect of expenditure entailed by natural calamities, such as earthquakes, cyclones, tidal waves, large-scale explosions, epidemics, the repression of internal disturbances, civil wars, risings in distant possessions and the protection of the life and property of nationals in danger.

The deduction shall be assessed, as the case may be, on the value of the material or buildings destroyed, if such are replaced, or on the cost of restoring or repairing damaged buildings or materials, and likewise on the cost of transport, additional appropriations or grants of every kind, or any other additional expenditure entailed by the exceptional use of the armed forces.

When in accordance with the above provisions a State deducts unforeseeable and exceptional expenditure, it shall show the total of these deductions in a note at the bottom of each of the tables I to IV of the statement. This note shall be worded as follows:

“ These sums do not include exceptional and unforeseeable expenditure amounting to . . . (For details of the deductions, see the reconciliation tables.) ”

If a State considers that the unforeseeable and exceptional expenditure is not of sufficient importance to influence the interpretation of the figures of national defence expenditure for the purpose of publicity, it may insert the amounts of this expenditure in tables I to IV of the statement.

**4. Expenditure arising directly out of the Reduction of Armaments.**

Expenditure occasioned by the reduction of armaments must be inserted in the statements. Nevertheless, sums paid to third parties as compensation for the cancellation of building or manufacturing contracts or supply contracts, or the breach of contracts of any kind whatsoever, arising out of such reductions, shall be deducted from the expenditure to be entered in the statements.

When any such deduction has been made, this shall be mentioned in a note at the bottom of the tables I to IV of the statements. This note shall be worded as follows:

"The above amounts do not include expenditure on compensation for cancellation of contracts entailed by the reduction of armaments amounting to . . . (For details of the deductions, see the reconciliation tables.)"

If any State considers that this expenditure is not of sufficient importance to influence the interpretation of the national defence expenditure figures for the purpose of publicity, it may insert the amount in tables I to IV of the statement.

**5. Expenditure occasioned by Previous Wars.**

Expenditure in respect of the settlement or adjustment of expenditure incurred during previous wars (terminal charges on account of previous wars) shall be deducted from the expenditure entered in the statements. Should any State make such deductions, it must mention the amount in a note at the bottom of each of the tables I to IV of the statements. This note shall be drafted as follows:

"The above amounts do not include terminal charges on account of previous wars amounting to . . . (For details of the deductions, see the reconciliation tables.)"

If a State considers that the amount of the terminal charges on account of previous wars is not of sufficient importance to influence the interpretation of the national defence expenditure figures for the purpose of publicity, it may insert this expenditure in tables I to IV of the statements.

**6. Expenditure of a General Character capable of enhancing the Defensive Power of States. War Potential.**

As a rule, expenditure of a general character, even if capable of enhancing the armed power of the country concerned, shall not be entered in the statements. Thus expenditure on *public works*, such as expenditure on the construction and upkeep of railways, canals, roads, bridges, aerodromes, expenditure on the development of airways, drainage works, forestry works, maritime works, expenditure in connection with construction and maintenance of lighthouses and buoyage; expenditure on the *development of certain industries* (steel works, national fuel supplies (solid and liquid) refining or storing of liquid fuel and lubricants, refrigerating plant, optical industry, shipbuilding, motor and aircraft industry, etc.), and expenditure on the *physical training of the young* need not as a rule be inserted in the statements.

If, however, some of the expenditure mentioned above has been incurred for mainly military purposes, the State concerned shall insert in the statements that part of such expenditure which it deems to have been incurred for military purposes. In order to assist the Permanent Commission in examining statements (see Article I), the State concerned shall communicate in a note annexed to the reconciliation tables its interpretation of the principles stated above.

If, on the other hand, expenditure on the upkeep or construction of railways, the improvement of wharves or the construction of roads is incurred for purely strategical purposes—*i.e.*, if they are not regularly operated or used in the ordinary way—such expenditure must, in accordance with the instructions contained in the list of expenditure on national defence (Annex I), be entered in its entirety in the statements.

It should be remembered, moreover, that subsidies, as defined in the list of national defence expenditure, which may be granted to the above-mentioned undertakings, must be entered in the statements.

**7. Expenditure relating both to the Civil and Military Activities of the State.**

In the case of expenditure which relates both to the civil and military activities of the State, that part of such expenditure which relates to national defence shall be inserted in the statements.

The proportion of such mixed expenditure to be inserted in the statements shall be computed as far as possible in accordance with the following instructions, which only deal with the most common cases. Special cases not expressly mentioned in the present instructions shall be dealt with on the analogy of the indications given below.

**(a) Expenditure in respect of the Pay of Military Personnel seconded for Service with Civil Departments.**

All expenditure on the pay of personnel discharging military functions and temporarily seconded for service with civil departments must be included in the statements even when such pay is charged to civil budgets; this would be the case with expenditure on the pay of officers and military personnel of every kind on the active list who are temporarily entrusted with civil duties in the colonies, or of military instructors temporarily seconded for service with civil

departments for the physical education of the young and military personnel employed on civil work (e.g., studs, cartographical service, etc.). Should such personnel, although maintaining their military rank, be definitely seconded to civil administrations and receive a salary different from the pay attaching to the rank, the expenditure on their salary should not be included.

(b) *Expenditure common to Civil and Military Aviation.*

Should there be services common both to civil and military aviation, the expenditure on civil and military aviation respectively should be computed in the light of administrative documents or, failing these, on estimation. That part of such expenditure which relates to military aviation shall be entered in the statements. The Power concerned shall state in the reconciliation tables the bases on which such computation has been made.

(c) *Expenditure common to the Navy and the Merchant Marine; Expenditure on Sea Fisheries Protection Service.*

The same rule as in the preceding paragraph will apply, where applicable. Further:

(1) Should the staff of the harbour-master's offices consist of military personnel, the expenditure shall be deemed to be national defence expenditure;

(2) Should the merchant marine services be responsible for recruiting naval crews, an estimate shall be made of the expenditure thus incurred by the merchant marine services and the amount thereof shall be included in the statements. The Power concerned must indicate in the reconciliation table the methods adopted for making this computation.

(d) *Expenditure on the Geographical, Hydrographical, Cartographical, Geodesical, Survey and Meteorological Services.*

Whenever expenditure on these services is entered in the budgets and accounts of a national defence ministry, it shall be presumed to represent national defence expenditure in its entirety. If, however, the State considers that the totals thus included contain expenditure of a non-military character, it will have the option of estimating the amount of such non-military expenditure with a view to its exclusion from the statements. If, on the other hand, such expenditure is shown in the budgets and accounts of civil ministries or services, an estimate shall be made of such part of it as has a military value. If, in the latter case, the Power concerned is of opinion that no such expenditure should be included in the statements, it shall append a note to the reconciliation tables stating the reasons for which it has thought fit to omit such expenditure from its returns.

(e) *Expenditure on the Construction, Transformation and Upkeep of Buildings, Furniture, Office Expenses, Printing, and Certain Health Services.*

Where such expenditure relating at once to both national defence and civil purposes is merged in the budgets and accounts of civil ministries, an assessment shall be made either by means of departmental documents, or, failing these, by estimation, of the expenditure relating to national defence and civil activities respectively. The part of such expenditure which relates to national defence must be entered in the statements. The Power concerned shall indicate in the reconciliation tables the methods employed in making this assessment.

(f) *Services rendered without Payment or at Reduced Rates to the National Defence Organisation by Certain Public Services such as Railways, Posts and Telegraphs, Telephones, Semaphore Services, Wireless Telegraphy, etc.*

Should the national defence organisation use these various services without being liable for any payment in respect thereof, or should the State pay over to such services lump sums on account of all branches of the public administration, the value of the services rendered without payment to the national defence organisation shall be estimated and the resultant amount inserted in the statements. If, however, a contracting party considers it impossible to make an estimate of the value of such services, a note should be added to the reconciliation tables stating the reasons why such an allocation has proved impossible.

(g) *Expenditure on Justice, Prisons, etc.*

Should such expenditure be borne by a civil ministry in respect either of all military personnel or merely of a part thereof, and should the expenditure in respect of military personnel not be shown separately in the budgets and accounts of the civil department concerned, an estimate shall be made and that proportion of the total expenditure representing charges occasioned by military personnel shall be entered in the statement. If, however, a contracting party considers it impossible to make an estimate of such expenditure, a note should be added to the reconciliation tables stating the reasons why such an estimate has proved impossible.

(h) *Expenditure on Audit.*

The expenditure of the general auditing bodies common to both military and other Government expenditure must not be entered in the statements. Only the expenditure of the auditing sections directly responsible to and acting on behalf of the Departments of National Defence shall be entered in the statements.

(i) *Continuity in the Application by States of the Same Methods.*

The contracting parties undertake to apply throughout the period of the execution of the Convention whatever methods they may have adopted in accordance with the foregoing instructions for the differentiation of mixed expenditure on the occasion of the despatch of the first statement. Should changes in organisation subsequently necessitate a modification of such methods, the Power concerned should indicate the new bases of such differentiation.

**8. Expenditure out of Funds derived from Gifts and Bequests.** Under the provisions of Article A of the Convention, national defence expenditure financed from the proceeds of donations or bequests received by the defence services from associations or private individuals should be included in the statements.

**9. Associations.** All subsidies granted by the State or by regional or local public bodies to associations for national defence purposes must be included in the statements.

The expenditure incurred by associations out of their own funds for their own purposes may be excluded from the amounts to be entered in the statements. Nevertheless, the expenditure of these associations on the purchase, upkeep or repair of arms and ammunition and fighting material, as specified in the Conventional List of National Defence Expenditure (Annex I) and the Instructions on Classification (Annex III, part 2), must be included in the statements. If this expenditure cannot be computed on the basis of accounts, an estimate shall be made and the amount thereof entered in the statements. If this expenditure is insignificant, it may be excluded from the statements.

The nature and the purposes of the associations whose activities have a bearing on national defence shall be indicated in a note appended to the reconciliation tables.

**10. Expenditure of National Defence Departments for a Foreign Government.** Should a contracting party incur expenditure for such purposes as supplies, material or services intended for a foreign Government, such expenditure shall be excluded from the statements of the Government delivering the supplies or rendering the services for the year for which this expenditure was appropriated or incurred.

The application of this principle will not, however, be held to preclude a national defence department from deducting, as the expenditure in question, the total of the amount repaid, provided that the latter can be deemed to be equivalent to the actual expenditure and can be more easily traced in the accounts than the actual expenditure.

**11. Expenditure by a National Defence Department on Articles for Delivery to Civil Authorities, Associations or Private Individuals.** Should a national defence department incur expenditure on articles—*e.g.*, supplies, materials or on services—delivered or rendered to civil authorities, associations or private individuals, the expenditure on such articles may be deducted, except, however, expenditure on the purchase, manufacture or construction of arms, ammunition and fighting material as specified in the Conventional List (Annex I) (unless such expenditure has been covered by State subsidies (see 9 above)).

The application of the principle of deducting expenditure borne by a national defence department for the benefit of a civil department shall not, if the civil department refunds such expenditure and the amount thereof may more easily be traced in the accounts than the expenditure itself, prevent the deduction of the amount of such refunds (as expenditure) on practical grounds.

**12. Expenditure by Autonomous Establishments.** If expenditure on the upkeep, repair, manufacture or construction of supplies or material to be delivered by State establishments to the national defence departments is entered in special accounts for those establishments, and if the special accounts of these autonomous establishments show, as receipts, the amounts entered as expenditure in the budgets and accounts of national defence departments, it is the expenditure as shown in the budgets and accounts of national defence departments which must be entered in the statements.

The deficits of these establishments, and also their expenditure on new plant, the improvement of existing plant or the constitution of stocks which are charged against the general budget or defrayed by the public Treasury or out of funds supplied by third parties (loans, etc.), shall be included in the statements.

- 13. Expenditure covered by the Receipts of the National Defence Services.** National defence expenditure shall be entered in the statements in its entirety, without deduction of the receipts at the disposal of national defence services.  
This rule shall apply both in cases in which, under the national legislation, the receipts of the national defence services are paid into the Treasury and recredited to such services, or *vice versa*, and in cases where these services are empowered to collect and use their receipts either in whole or in part, regardless of whether they are the proceeds of services rendered, of sales of third parties of new or used goods and materials, of contributions from regional or local public bodies and from colonies or, in general, of all contributions granted to the State for national defence purposes by third parties.  
The rule shall apply whether the aforementioned expenditure is shown in the budgets or budgetary accounts or outside these budgets and accounts.
- 14. Sums deducted from Pay.** Expenditure in respect of pay and salaries shall be entered in the statements at its gross amount, without deduction of sums retained out of the said amounts in respect of taxation, pensions, social insurance (sickness, disability, old age, unemployment . . . ).
- 15. Expenditure charged against Loan Funds.** Under the provisions of Article A of the Convention, national defence expenditure budgeted for or paid out of the proceeds of loans must be entered in the statements.
- 16. Expenditure charged against Extra-budgetary Resources.** Should special resources be applied outside budgets or budgetary accounts to purposes scheduled in the conventional list of national defence expenditure, the expenditure covered by such resources shall be entered in the statements.
- 17. Duplication.** Should the application of the foregoing principles tend to result in an item of expenditure being entered twice in the statements, it will be necessary, with a view to avoiding such duplication, to comply with the detailed provisions which are, for convenience of reference, given in the instructions for compiling reconciliation tables. (Part 4 of this Annex.)
- 18. Expenditure to be stated in National Currency.** The figures of expenditure entered in the documents communicated by the Governments to the Permanent Commission in execution of the provisions of the present Convention shall be stated in their respective national currencies.  
The Permanent Commission may, subject to the provisions of Articles I and J of the Convention, ask States for the statistical data it considers necessary to estimate the effect on the cost of armaments of possible fluctuations in the purchasing power of their currencies.
- 19. Statements of Colonial Expenditure.** When the statements prescribed in Articles D and F of the Convention include expenditure appearing in the budgets and accounts of the colonies, protectorates, oversea territories or territories under the suzerainty or mandate of contracting parties whose budgetary year does not correspond to that of the home country, the expenditure of the said colonies, protectorates and territories to be entered in the statements shall be that relating to the budgetary year of the colony, protectorate or territory which is current at the date on which the budgetary year of the home country has begun.

#### Section (b).

#### SPECIAL INSTRUCTIONS FOR DETERMINING THE EXPENDITURE TO BE ENTERED IN THE STATEMENT PROVIDED FOR IN ARTICLE D OF THE CONVENTION.

- 20. Determination of the Expenditure to be entered in the Statement of Estimates.** In application of the provisions of Article A of the Convention and paragraph 2 of this Annex, the statement shall include the amounts of all estimated expenditure specified in the said Article and paragraph and shown (see paragraphs 21 to 23) in the general draft budgets or budgets, in the special draft budgets or budgets, or any other document as the case may be:

(a) Of the unitary State or federal State (national defence ministries and services, colonial ministries and, where appropriate, other civil ministries and services);

(b) Of the colonies, protectorates, oversea territories, territories under the suzerainty of the contracting parties, or territories for which a mandate has been entrusted to the contracting parties;

(c) Of the federated States and of all regional and local public authorities in the home country and colonies.

**21. Compilation of the Statement on the Basis of the Budgets.** (a) *Expenditure authorisations shown in the State budget.* — The statement shall include the amounts of the expenditure authorisations shown in the State budget (unitary State or federal State) whenever such budget is enacted in time to permit of the transfer of the amounts therein entered to the statement to be despatched within the period prescribed in Article D of the present Convention.

(b) *Budgets fixed for several successive years.* — Should the annual State budget be enacted in advance for a certain number of successive years, the statements relating to the second and subsequent years shall include the amounts of the expenditure authorisations shown in the budget thus enacted for a certain number of years.

Should the State budget be enacted for a period of two or more years, the statement for each year shall include a proportional part of the expenditure authorisations.

If, however, in either cases, the initial budget has been modified prior to the compilation of the statements for the following years, the latter shall take account of the modifications thus introduced.

(c) *Extended budgets.* — If, owing to the budget's not having been enacted prior to the beginning of the financial year, the budget for the preceding year is extended to the new financial year, the statement shall include the amounts of the expenditure authorisations shown in the budget for the preceding year, due regard being had to any modifications which it may have undergone prior to the date by which the statement must be compiled to permit of its despatch within the period specified in Article D of the Convention.

**22. Statement compiled on the Basis of the Draft Budget.** In all cases other than those mentioned in paragraph 21, the statement shall include the amounts of the estimates shown in the draft budget (Estimates) of the State (whether unitary State or Federal) published within the meaning of Annex II, paragraph 5, or, should that document not be published, in the draft budget as drawn up at the time when the statement of estimated expenditure is prepared.

Such draft budget shall be communicated in time to be attached as a supporting document to the statement of estimated expenditure.

Where it has proved absolutely impossible to prepare a draft budget in time to permit of the transmission of the statement of estimates within the period specified in Article D of the Convention, the contracting parties concerned shall send the Permanent Commission a report stating the reasons for the delay in supplying the statement.

**23. Block Credits and Transferable Credits.** Should credits have been granted to the national defence services for several years on the understanding that an instalment of such credits shall be entered in each year's budget, the amount of such annual instalments shall be entered in tables I to IV of the statement. Where credits are granted for several years in one budget without the entry in the budgets of each of the following years of such part of these block credits as may remain available at the end of each financial year, the full amount of such credits shall be entered in tables I to IV of the statement for the year in which they are granted.

**24. Rectifications in the Statement based on Draft State Budgets.** In the event of the State budgets not being finally enacted until after the despatch of the statement, the contracting parties shall notify the Permanent Commission within two months of the date on which the State budget is enacted of any respects in which the statement requires to be rectified.

Such rectifications shall also take account of any changes made since the despatch of the statement in the estimates of expenditure outside the budget and in the estimates of the national defence expenditure of regional or local public authorities.

**25. Inclusion in the Statement of Expenditure Authorisations outside the Budget.** In pursuance of the provisions of Article A of the present Convention and of paragraph 4 of the general instructions, whenever funds are appropriated under authorisations outside the budget for one or more of the purposes scheduled in the list of national defence expenditure, the amounts of such expenditure authorisations shall be shown in the statement, irrespective of whether they were granted by legislative or administrative action.

Where the employment of such funds is governed by one or several published authorisations, it is the amount or any fraction of the amount of such authorisation or authorisations relating to national defence purposes and available for expenditure in the course of the financial year which shall be shown in the statement.

Where the employment of funds allocated outside the budget to national defence has been decided without the decisions being embodied in published expenditure authorisations, an estimate of the expenditure to be effected for national defence purposes in the course of the financial year shall be entered in the statement.

In the latter case, an explanatory note in the reconciliation table shall be added stating to what purpose or purposes such expenditure is to be applied.

**26. Expenditure Authorisations outside the Budget valid for Several Years.** If under special provisions national defence expenditure is authorised outside the budget not merely for the current financial year but also for subsequent financial years, tables I to IV of the statement shall include the amounts of such authorisations as may be drawn upon within the meaning of the national law of the country concerned in the course of the financial year—*i.e.*, the amounts for which liabilities may be incurred, liabilities acknowledged, orders for payment issued or payments actually made, as the case may be.

**27. Estimates of Expenditure out of Receipts available for National Defence Services.** In application of the provisions of paragraph 13, the statement shall also include the estimated expenditure to be effected out of all kinds of receipts which national defence services are authorised to collect and use in the course of the financial year.

**28. Losses on Exchange.** Statements must include the expenditure appropriations in the budget to meet losses by exchange which might occur in the case of purchases made or services rendered abroad for the requirements of national defence during the financial year.

### Section (c).

#### SPECIAL INSTRUCTIONS FOR COMPILING THE STATEMENT PROVIDED FOR IN ARTICLE F OF THE CONVENTION.

**29. Determination of the Payments to be entered in the Statement.** This statement shall include all payments made during the financial year in respect of the purposes scheduled in the list of national defence expenditure in Annex I:

(a) *State and Public Authorities.*

In consequence, all national defence payments shown in the budgetary accounts, special accounts and other accountancy documents, if any:

- (i) Of the unitary State or federal State (national defence ministries and services, colonial ministry, and, where appropriate, other civil ministries and services);
- (ii) Of the colonies, protectorates, oversea territories, or territories under the suzerainty or mandate of the contracting parties;
- (iii) Of the federated States, of all regional and local public authorities in the home country and colonies;

shall be transferred to the statement.

(b) *Associations.*

The entry in the model statement of payments made for national defence purposes by associations is dealt with in paragraph 9 of the general instructions.

(c) *Private Individuals, Various Services.*

(i) Should military personnel be required to supply at their own expense their mount and saddlery and all or part of their equipment, arms, clothing, or food, without receiving compensation, the amount of expenditure borne by such personnel shall be entered in the statement.

This rule does not apply to any of the expenditure listed above which may be defrayed by military personnel out of their pay, when the rate of their pay is so calculated as to enable them to meet such expenditure.

(ii) Should national defence works be carried out by workmen who are normally employed by companies or private individuals and continue to be paid by such companies or individuals for the national defence work on which they are engaged, no payment being made by the State on that account, the amount of the wages thus received by such workmen while engaged upon the aforesaid work shall be entered in the statement.

In the event of its being possible only to estimate the expenditure referred to in (i) and (ii) the amounts of these estimates (which are to be shown in the specimen table of the Special Information, No. 9, appended to the reconciliation tables) shall be inserted in the statement.

**30. Conventional Definition of Payments.** For the purposes of the Convention, the payment is the act which discharges the debtor from his debt either by the delivery to the creditor of the sum due to him, or by the placing of the amount of the said sum to the creditor's account in a banking institution, or, again, by the delivery of the sum to a third party, if the law recognises such delivery as discharging the debt.



Treasury bonds or other national debt securities delivered by the State to its creditors by way of payment are also to be regarded as payments for the purposes of the Convention, irrespective of whether such bonds or securities are entered in the budget accounts or elsewhere.

**31. Services in Kind.** Should associations or private individuals make gifts of materials or supplies to the national defence authorities, the amounts which the State would have had to pay had it bought or manufactured such materials at the date of their receipt shall be entered in the statement.

**32. Inclusion of the Payments made in the Course of the Financial Year, irrespective of the Dates on which the Expenditure was authorised or the Claims originated.** The statements shall include all payments made during the financial year, even when such payments are charged against credits granted during previous financial years or are made in settlement of claims originating in previous financial years, irrespective of whether the payments concerned are entered in the budgetary accounts proper or in special accounts (arrears accounts, etc.).

**33. Special Funds formed out of Budgetary Credits.** Where payments are charged against special accounts financed out of the general budget, it is the payments charged against these accounts which must be shown in the statement, and not the sums transferred from the budgets to the special accounts.

In accordance, however, with the provisions of paragraph 12 of the General Instructions, it is the transfers from the budget to the account of autonomous establishments which must appear in the statement, and not the expenditure of such establishments.

As a derogation to the rule laid down in sub-paragraph 1 above, whenever lump sums charged against the budgetary credits are made over to army units for the maintenance of their effectives or materials (" masses "), the States concerned may insert in the statements the amounts of the sums transferred to these funds as shown in the budgetary accounts, if they cannot enter the expenditure actually made by the army units out of such funds. In that case, States must, in a note appended to the reconciliation tables, explain the reasons why this is impossible and give full particulars of the nature of these funds.

**34. Losses on Exchange.** Expenditure in respect of purchases made or services rendered abroad for national defence purposes shall be shown in the national currency at the rate of exchange ruling on the date when the currency used in settlement was purchased.

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## PART 2.

### INSTRUCTIONS FOR THE CLASSIFICATION OF EXPENDITURE IN TABLES I TO IV OF THE STATEMENTS.

#### A. GENERAL PROVISIONS.

**1. Purpose.** The annual returns of national defence estimates and payments provided for in Articles D and F of the Convention shall be compiled in accordance with the Model Statement to be found in Annex V and with the instructions set out in the present Annex.

**2. Expenditure to be entered in the Statements in accordance with the Purpose to which it is actually applied.** The expenditure entered under the headings of the statements shall correspond to the purpose specified in such headings and in the present instructions.

**3. Separation of Expenditure on Three Forces (Tables I, II and III).** The tables in the statement relating to expenditure on each of the three forces respectively shall be drawn up as far as possible on the basis of estimated expenditure and actual payments for which separate figures are shown in the budgets and accounts.

**4. Common Services administered by one of the National Defence Forces.** Even if there are separate accounts for the expenditure of each force in the budgets of the national defence ministries or departments there will remain, in the case of certain States, common services administered by one only of the national defence forces, expenditure in respect of which cannot be accounted for separately without a radical transformation, not only of the accounts, but also of the existing military organisation of those States.

These common services, the expenditure on which is shown in the budget and account of one force only and cannot be split up by means of this account to show the extent to which it concerns the other national defence forces, can be divided into the two following categories:

(a) Common services, the amount of whose expenditure is closely related to the figures for effectives—*e.g.*:

- Recruiting service;
- Supplies service;
- Clothing and equipment service;
- Medical and hospital services;
- Religious ministrations;
- Justice and prisons;
- Colleges, schools and training centres.

The expenditure on the above-mentioned services should be split up between the various forces concerned as far as possible by means of internal accounts and administrative documents. If there are no accounts or documents by virtue of which the total expenditure on such services could be accurately split up, this should be done, as a derogation, by means of an estimate based upon the figures for the effectives of the forces concerned. For the purpose of such an estimation, a coefficient of correction should be employed, allowing for the differences between the rates of pay and, in general, the maintenance costs of these various categories of military and civil personnel.

(b) Common services, expenditure on which bears no direct relation to the totals of effectives of the various forces, but rather to the total expenditure of each of these forces—*e.g.*:

- Central administrations;
- Headquarters' staffs and staffs of commands;
- Transport troops;
- Pay and accountancy technical services;
- Scientific and record services;
- Geographical service; cartographic service;
- Meteorological service.

In the absence of internal accounts and administrative documents, the expenditure on these services should be split up between the forces which benefit therefrom on the basis of the percentage of the aggregate defence expenditure represented by the total expenditure (whether calculated or estimated) of each armed force respectively.

**5. Services rendered** Expenditure in respect of services rendered to national defence by **by Civil Ministries** civil ministries, such as posts, telegraphs, public works, etc., and shown to **National Defence** exclusively in the accounts of such departments, should be split up in **Departments.** accordance with the general principles laid down in paragraph 7(*f*) of Part I of this Annex in regard to mixed services. For the purpose of the allocation of such expenditure as between the three forces and failing a more scientific basis, expenditure in respect of these common services should be split up, according to their nature and character, in the manner prescribed in the foregoing rules.

**6. Expenditure on Fortifications, Coast Defence, Air Defence and on Shipping belonging to the Land Forces.** This expenditure (for both personnel and material) should be included in Table I, II or III of the statement, according to whether it appears in the budgets and accounts, of the land, naval or air forces. Expenditure shown in a special account should be entered in the table for the land forces when relating to fortifications or coast defence and in the table for the air forces when relating to air defence. The nature of this expenditure and its allocation among the various tables of the statement should be shown clearly in the reconciliation tables, Table B, column 8.

The expenditure on shipping belonging to the land forces should be shown in the expenditure statements of those forces.

**7. Optional Columns.** States may, if they so desire, enter separately, in the columns of the statement intended for this purpose, expenditure on the armed forces stationed in the home country and overseas respectively; they shall also be entitled to split up national defence expenditure between the columns relating respectively to the armed forces and other formations stationed in the home country or overseas. States which do not complete the optional columns should enter their full expenditure in the "Totals" column.

**8. Derogations.** In order to meet the difficulties which may arise in carrying out the present instructions in view of the varied character of the national defence organisation and institutions of the various countries, the contracting parties shall be entitled to depart from these instructions in cases where they find it impracticable to comply therewith.

The contracting parties may avail themselves of this right under the following conditions:

(1) The contracting parties shall endeavour to follow the instructions as closely as possible;

(2) Should difficulties be encountered which call for a special solution, the contracting parties undertake:

(a) To make it clear that derogations have been resorted to;

(b) To specify the nature of such derogations and the method adopted, when rendering the first statement;

(c) Not to change the method adopted during the period of the Convention without notifying the Permanent Commission.

#### B. DETAILED PROVISIONS.<sup>1</sup>

##### *Conventional List of Items of National Defence Expenditure.*

National defence expenditure is expenditure in respect of military formations, services and establishments of the land, naval and air forces, in the home country and overseas, in particular:

Central administrations;

Missions;

Military attachés;<sup>1</sup>

Headquarters' staffs and staffs of commands;

Arms and services of the armed forces:

Combatant and non-combatant personnel of the land armed forces, infantry, cavalry, artillery, engineers and signal corps, tanks, anti-gas units, combatant and non-combatant personnel of all categories of the naval armed forces, flying, non-flying, and auxiliary personnel of the air armed forces, and all services, formations and establishments of the land, naval and air armed forces, including the air defence;

Supply corps, transport troops;

Pay and accountancy technical services;

Recruiting services;

Medical and hospital services;

Remount and veterinary services;

Religious ministrations;

Military police;

Justice and prisons;

Colleges, schools and training centres;

Military bands, including drum and bugle bands;

Scientific services, historical sections, records, libraries;

Geographical service, hydrographical or coastal surveys, cartographical, geodesic and topographical services;

Meteorological service and astronomical service.

##### *Instructions for the Classification of Expenditure indicated in the Left-hand Column.*

The expenditure on the personnel and material enumerated in the left-hand column should be classified under the various heads and subheads of Tables I to IV of the statements according to the following detailed instructions:

In so far as these services work for the army, navy or air force.

<sup>1</sup> Throughout the present instructions the term "military" is applied indiscriminately to the land, naval and air forces.

This expenditure includes:

**I. IN RESPECT OF EXPENDITURE  
ON PERSONNEL;**

**Head I.**

**PERSONNEL.**

**SUBHEADS A AND B.**

*Subhead A.* — PAY AND ALLOWANCES OF ALL KINDS: OFFICERS.

*Subhead B.* — PAY AND ALLOWANCES OF ALL KINDS: N.C.O.'S  
AND MEN.

Pay, half-pay, salaries, emoluments, allowances of all kinds, bonuses, gratuities, remuneration, grants, family and any other allowances, grants for the civil professional training of soldiers, travelling and mission allowances, contributions to social insurance funds (sickness, old age, invalidity, unemployment, etc.) on behalf of military and civil personnel, whether normally forming or not forming an effective part of the formations, services and establishments of the land, naval and air forces, personnel of the police forces and similar formations to be included in the table of effectives (personnel with the colours, unattached or on leave, persons undergoing preparatory military training, reservists, territorials) during periods of training or not.

1. Subheads A and B should include the pay and allowances of all kinds of the officers, N.C.O.'s and men normally forming an effective part of military formations and services.

2. The following should be regarded as normally forming an effective part of formations and services: Officers, N.C.O.'s and men who, under the legislation in force in their own countries, carry out their duties in the formations and services of the active or regular land, naval or air armed forces either in a professional or permanent capacity or when performing an initial period of service.

3. The remuneration paid to personnel on furlough who may be required to resume active service on the expiry of their furlough should be entered under Subheads A and B.

4. Should any difficulty arise under national legislation in making a distinction between an officer and an N.C.O., the personnel in question should be classified under one of the two Subheads A and B according to the interpretation of the Power concerned; but, in doubtful cases, the system adopted should be indicated in an explanatory note.

5. These subheads should also include any part of the pay of military personnel which is not actually handed over to those concerned until they leave the service.

6. The following expenditure should not be included in these subheads:

(a) The remuneration of military personnel attached to the services whose expenditure should be shown under Subheads L to N;

(b) The pensions of military personnel, the State's contribution to pension funds and gratuities in lieu of pensions (see Part 3 of the present Annex).

**SUBHEAD C.**

**PAY AND ALLOWANCES OF ALL KINDS: CIVILIAN  
PERSONNEL.**

1. Subhead C should include pay and allowances of all kinds assigned to civilian personnel for national defence purposes.

For the purposes of this subhead, civilian personnel shall be deemed to include civilian chaplains, civilian doctors, civilian dentists, civilian pharmacists, civilian male nurses, female nurses, civilian veterinary surgeons; civilian schoolmasters and teachers; advocates; civilian technical and scientific staff; civilian office staff and accounting staff, civilian cleaning and domestic staff, civilian workmen, non-military police and all other non-military staff, male or female, whether permanently employed, hired or engaged under contract by military formations, services and establishments, with the exception of personnel the expenditure on which is to be shown under Head IV.

2. This subhead should include any unemployment benefit which the aforementioned personnel employed for national defence purposes may continue to draw, as well as any additional allowances which may be paid to them for such purposes.

3. The present subhead should not include:

(a) The remuneration of military chaplains, doctors, male nurses, veterinary surgeons, etc. (to be entered under Subheads A, B and D);

(b) The remuneration of civilian personnel to be shown under Subheads L to N;

(c) Pensions paid to civilian personnel, contributions by the State to pensions funds and gratuities in lieu of pensions (see Part 3 of the present Annex).

#### SUBHEAD D.

##### PERSONNEL NOT NORMALLY FORMING A PART OF FORMATIONS AND SERVICES. PERSONS UNDERGOING PRE-MILITARY TRAINING, RESERVISTS AND RESERVE ORGANISATIONS.

1. Subhead D should include the pay and allowances of all kinds assigned to persons undergoing pre-military training and to military personnel not normally forming a part of formations and services.

2. The expression "not normally forming a part of formations and services" shall be deemed to apply to officers, non-commissioned officers and men not falling under the categories dealt with under Subheads A and B (personnel performing a second period of service, etc.).

3. This subhead should include all remuneration awarded to personnel who, on ceasing to belong to formations and services of the active or regular forces, receive remuneration in consideration of a liability imposed upon them to return to military service. This rule applies equally where the remuneration may be awarded as a combined reward for services rendered and in consideration of services to be rendered in time of peace (see instructions relating to ordinary pensions in Part 3 of the present Annex).

4. The present subhead should include:

(a) The pay and allowances of all kinds paid to officers and men in consideration of military services both during periods when they are recalled to the colours and in civilian life;

(b) Administrative expenditure in respect of reserve organisations which it is impossible to split up between the other subheads.

5. The present subhead should not include:

(a) The remuneration of personnel attached to services the expenditure in respect of which is to be shown in Subheads L to N;

(b) Pensions, State contributions to pensions funds and gratuities in lieu of pensions paid to personnel coming under the present subhead (see Part 3 of the present Annex).

#### SUBHEAD E.

Expenditure on maintenance—  
viz.:

Expenditure for meeting the immediate requirements of the effectives normally forming part of military formations, services and establishments, and of personnel called up for periods of training, more especially expenditure on subsistence, clothing, equipment, bedding, furniture, laundry, sanitary and medical attention, religious ministrations, office expenditure or various other items of expenditure not covered by II, III and IV, expenditure for military, physical and athletic training and education, games and various amusements, including subsidies for those purposes, together with expenditure in respect of compensation for losses and damage caused by military formations, services and establishments.

Expenditure in respect of the creation and maintenance for military purposes of reserves of goods, foodstuffs, raw materials, or products relating to the aforementioned requirements; subsidies paid to private associations and undertakings with a view to meeting these same requirements, together with expenditure relative to rifle clubs and physical culture societies, pigeon fanciers' societies and aviation clubs of military value.

##### MAINTENANCE OF PERSONNEL REFERRED TO IN SUBHEADS A TO D.

1. The present subhead should include expenditure in respect of the purchase, manufacture and repair of all articles intended for the maintenance of personnel whether in State factories or private establishments; expenditure in respect of the storage of stocks, including cleaning, handling, etc., together with expenditure in respect of the purchase and maintenance of live-stock for use as food.

2. Articles of clothing and equipment shall be deemed to mean garments, articles for meeting the soldiers' requirements in the matter of personal hygiene, whether in garrison or on active service, and all articles accessory to the arms, ammunition and fighting material with which the soldier is provided with a view to performing his combatant duties.

3. For the purpose of the present subhead, furniture shall be deemed to mean the furniture of buildings of all kinds with the exception of those the expenditure on which is to be included in Head IV.

4. Expenditure on medical attention should include expenditure in respect of military recuperation centres, expenditure in respect of the treatment of national defence personnel in civilian hospitals and dressing stations and all other expenditure relating to the medical services.

5. Expenditure in respect of military training and education should include all expenditure relating to the equipment of military schools of all kinds, including the special schools for reservists and children's schools, expenditure on the vocational and civilian training of military personnel, including expenditure on pilots' schools.

The present subhead should likewise include all the aforementioned classes of expenditure relating to military cartographical, hydrographical, meteorological, geographical, topographical, geodesic, etc., establishments and to all other scientific establishments engaged in national defence work and not to be assigned to Head IV, and all expenditure relating to military libraries and historical sections, to charges occasioned by the participation of military teams in athletic events and to institutions of all kinds dealing with the maintenance, training and recreation of military personnel and not to be assigned to other subheads.

6. Expenditure in respect of compensation for losses and damage shall be deemed to mean all sums granted by way of compensation or indemnity either to an association, undertaking

or private individual, or to national defence personnel, whether military or civilian, for losses, damage or other detriment caused them by national defence services with the exception of:

- (a) compensation, etc., in respect of loss, damage, etc., occurring in the course of the manufacture, repair and maintenance of war material or occasioned thereby (to be entered in Head IV);
- (b) pensions and gratuities granted to national defence personnel, whether military or civilian, and their dependents in respect of death or injury sustained in the performance of their duties (to be entered in Table V (x)).

7. Where office expenditure includes items relating to purposes appropriate to other subheads which it is impossible to split up satisfactorily, such office expenditure shall be entered in its entirety in Subhead E.

8. The present subhead should not include:

- (a) The pay and allowances of the personnel, whether military or civilian, coming under Subheads A, B, C, D;
- (b) Expenditure in respect of the purchase and maintenance of saddle, draught and pack animals (to be entered in Subhead F);
- (c) Expenditure in respect of the upkeep, heating, lighting, water, fixed installations of buildings and grounds and expenditure on scavenging (to be inserted in Subhead K);
- (d) All expenditure, whether in respect of personnel or material, which falls to be shown in Head IV.

## Head II.

### TRANSPORT.

#### 2. IN RESPECT OF EXPENDITURE ON TRANSPORT:

Expenditure relating to horses and other animals, the purchase of raw materials, hand tools, finished articles and their repair and maintenance, irrespective of whether such materials and products (forage, shoeing material, harness, solid fuel, liquid fuel—whether for vehicles, ships or aircraft—lubricants, etc., spare parts and accessories) are intended for stock or current use, together with expenditure relating to transport and communication services (railways, post, telegraph, telephone, radio) rendered by non-military organisations.

Subsidies of a military nature for horse-breeding and the training of horses, mules and other saddle, draught and pack animals, subsidies paid for military purposes to transport undertakings, subsidies or other expenditure relating to the organisation of communications with a view to protection against air-raids and, generally speaking, all other expenditure in respect of fuel, whether for vehicles, ships or aircraft, transport and communications.

#### SUBHEAD F.

##### HORSES AND OTHER ANIMALS, FORAGE, HARNESS AND SHOEING.

1. This subhead shall apply to the land forces only. Expenditure on horses and other animals belonging to the naval and air forces shall be entered in Tables II and III, Subhead G.

2. Expenditure on horses and other animals shall be deemed to mean expenditure on the purchase, hire and maintenance of such animals.

3. The present subhead shall not include:

- (a) The remuneration or maintenance of personnel whether military or civil (to be entered in Subheads A to E);
- (b) Expenditure in respect of draught and pack animals used for transport within establishments coming under Head IV;
- (c) Expenditure on animals (live-stock) intended to be used as food (to be entered in Subhead E);
- (d) Expenditure in respect of veterinary schools (to be entered in Subhead E);
- (e) Expenditure in respect of the upkeep, repair and manufacture of horse-drawn vehicles, and subsidies granted to the owners of such vehicles (to be entered under Head IV).

#### SUBHEAD G.

##### COAL, FUEL, OIL, PETROL, LUBRICANTS, ETC., AND OTHER TRANSPORT EXPENSES.

1. This subhead should include all expenditure in respect of solid and liquid fuel, etc., used for the transport of personnel and material and the propulsion of national defence material, including tanks, as well as motor vehicles, warships and all other vessels and aircraft; expenditure on the hire of vehicles.

2. Expenditure relative to transport should include all expenditure in respect of harbour and pilot dues and also of the transport of the personnel, animals, supplies or material of the three forces by rail, water, road (including any taxes payable on this account), air, etc.

3. In the case of the naval and air forces and formations, expenditure on saddle, draught and pack animals should be entered in the present subhead. (In the case of the land forces, such expenditure is shown under Subhead F.)

4. The present subhead should not include:

(a) Expenditure in respect of the remuneration and maintenance of personnel whether military or civil (to be entered in Subheads A to E);

(b) Expenditure in respect of solid and liquid fuel, oils, grease, etc., for the heating, lighting and power services (to be entered in Subhead K or Head IV, according to whether it is regarded as expenditure on buildings or war material within the instructions relating to these various services);

(c) Expenditure in respect of the installation and maintenance of apparatus for the distribution of liquid fuel—*e.g.*, petrol pumps (to be entered in Subhead K and Head IV);

(d) Expenditure in respect of the purchase, upkeep and repair of motor and horse-drawn vehicles and bicycles (to be entered in Head IV);

(e) Subsidies to the owners of motor and horse-drawn vehicles (to be entered in Head IV);

(f) Subsidies granted to the mercantile marine with a view to the subsequent use of merchant vessels by the national defence authorities (to be entered in Subhead L).

### Head III.

#### BUILDINGS.

##### SUBHEAD H.

#### 3. IN RESPECT OF EXPENDITURE ON BUILDINGS:

Expenditure relating to the construction, repair and upkeep of fortifications and defensive works.

Expenditure relating to the purchase and hire of land and buildings, building operations, installation of gas, electricity, and water, the improvement, extension, upkeep and repair thereof, and also current expenditure on gas, electricity and water; heating and lighting of all kinds of buildings, including fixed machinery and heavy plant (barracks, accommodation, schools, hospitals, prisons, cattle-sheds, stables, State establishments for meeting the material needs of the military units, storehouses and depots, hangars, aerodromes, training camps and ranges, sheds for stores, etc., marine works in naval ports and naval bases, including landing-stages and all other works for the land, naval or air forces and formations).

Expenditure relating to the construction, modification, repair or upkeep for specifically military purposes of roads, bridges, railways, landing-stages, jetties, lighthouses, lightships, buoyage, platforms, semaphore apparatus, canals, together with drainage or forestry works.

Subsidies granted for military purposes with a view to the purchase, hire, improvement, extension, upkeep and repair of the buildings and objects mentioned above under this heading or any similar expenditure.

##### CONSTRUCTION OF NEW FORTIFICATIONS AND DEFENSIVE WORKS.

1. The present subhead should include expenditure relating to the construction of new fortifications and defensive works, together with major improvements to such fortifications and works, including the purchase price of the site; expenditure on the construction of or major improvements to barracks, hutments or shelters for the use of troops (casemates) forming an integral part of the fortifications and defensive works; expenditure on installations and fixed protective shields for the artillery of such fortifications and works, together with the machinery or apparatus used for the service of such artillery.

2. The present subhead should not include:

(a) Expenditure on the remuneration and maintenance of personnel whether military or civilian (to be entered in Subheads A to E);

(b) Expenditure on the upkeep of fortifications (to be entered in Subhead K);

(c) Expenditure on guns in fortifications and on movable apparatus (protective shields, appliances) for the service of such guns (to be entered in Head IV).

##### SUBHEAD K.

#### BARRACKS, OTHER BUILDINGS, FIXED INSTALLATIONS, UPKEEP.

1. Subhead K should include the items of expenditure enumerated in the left-hand column whenever such expenditure is incurred in respect of buildings used by the services enumerated in E, F and G.

2. Expenditure in respect of heating, lighting and power should include expenditure relating to materials and products for the use of such services (solid and liquid fuel, etc.).

3. Expenditure in respect of the purchase and hire of land and buildings should include the rates paid to municipal or local authorities in respect of grounds and buildings belonging to the national defence authorities.

4. The present subhead should not include:

(a) Expenditure on the remuneration and maintenance of military and civilian personnel (to be entered in Subheads A to E);

(b) Expenditure in respect of the provision of solid and liquid fuel, etc., for movements and transport services (to be entered in Subhead G);

(c) Expenditure relating to the construction of fortifications (to be entered in Subhead H);

(d) Expenditure specified in the left-hand column relating to the establishments and services shown under Head IV;

(e) Subsidies to private industry and other expenditure incurred with a view to the improvement, extension or installation of plant for the building of war vessels, the manufacture of munitions and war material and other similar purposes (to be entered in Head IV).

#### Head IV.

#### 4. IN RESPECT OF EXPENDITURE ON WAR MATERIAL:

#### WAR MATERIAL.

This expenditure comprises, for all categories of war material specified below:

Expenses of upkeep and repair, purchase from private traders or manufacturers, and manufacture in State factories, of ships, goods, materials and munitions, whether complete or in parts, intended either for purposes of training in time of peace or for the equipment and armament of forces on a war footing, the purveying and supply of material of all kinds for these forces and also the expenses relating to the creation and maintenance (in State or private hands) of stocks and plant intended solely for the construction of war-like stores.

Cost of scientific research and experiment, expenditure on the inspection of material delivered and preparation of programmes for material, expenditure on the supervisory services, expenditure relating to the preparation of industrial mobilisation as regards war material and all other similar expenditure.

Subsidies granted to industries, undertakings and workshops which normally manufacture war material in peace time, with a view to the installation, upkeep or extension of plant and equipment for the manufacture of war material and the creation or maintenance of stocks of war material.

Subsidies granted to industries, undertakings and workshops which do not normally manufacture war material in peace time with a view to preparing them for industrial mobilisation—*i.e.*, to equipping them in peace time for the production of war material as soon as mobilisation begins.

Subsidies granted to the mercantile marine expressly with a view to the use of merchant ships if necessary for national defence purposes; subsidies granted with a similar object to the owners of vehicles.

1. In view of the special importance of Head IV, which relates to expenditure on war material, the instructions hereunder should be followed as strictly as possible. In cases in which the amount of the expenditure to be allocated, in virtue of the present instructions, between the various subheads of Head IV cannot be exactly identified in the budgets and accounts, recourse should be had, wherever possible, to internal accountancy documents for the purpose of calculating such items, or, where that is impracticable, the closest possible estimates should be made.

2. The present head should include all expenditure in respect of warehouses and depots of war material and all storage costs relating to such material.

In regard to mixed depots, the expenditure relating to war material proper should be estimated, identifiable expenditure relating to other material being omitted.

3. In so far as war material is manufactured or repaired by private industry or autonomous State establishments, the present heading should include all expenditure representing the purchase price or cost of reconstitution or repair of war material, including all items in the cost of production of material manufactured or constructed. This head should also include all costs of transport as far as the place where delivery to the military authorities is required under the contracts or, in the case of supplies and deliveries of goods made by autonomous State establishments, under the regulations or standing orders, and also expenditure of every kind in respect of buildings used for the manufacture and construction of war material (see on this point Subhead K, 4 (d)).

4. In so far as this material is manufactured, reconstituted, repaired, maintained and stored by non-autonomous State establishments, all the working expenses of the establishment should be included; in particular:

- |   |   |                        |
|---|---|------------------------|
| Labour  | } | Military and civilian; |
| Office staff  |   |                        |
| General subordinate staff   |   |                        |
| Managing and supervisory staff  |   |                        |
| Purchase of raw materials (including cost of transport to the establishment);   |   |                        |
| Construction, maintenance and repair of buildings of all kinds, arsenals, yards, including dry-docks, workshops, factories, etc.; |   |                        |
| Rents actually paid;  |   |                        |
| Purchase, erection, maintenance and repair of fixed installations;  |   |                        |
| Purchase, erection, maintenance and repair of machinery, movable equipment and plant;   |   |                        |
| Transport for internal services of workshops, warehouses, etc.;   |   |                        |
| Fuel, solid and liquid, oil, etc.;  |   |                        |
| Gas, electricity;   |   |                        |
| Other motive power;   |   |                        |
| Water;  |   |                        |
| Washing, cleaning and scavenging;   |   |                        |
| Rates actually paid to municipalities;  |   |                        |
| Furniture;  |   |                        |
| Stationery, printing and office expenses;   |   |                        |
| Medical expenses;   |   |                        |
| Postal, telegraph and telephone expenses;   |   |                        |
| Delivery to the factory of all articles purchased;  |   |                        |
| All other auxiliary services necessary for the working of the factories and depots.   |   |                        |



5. This head should also include the sums paid as compensation or indemnity for loss, damage, injury, etc., sustained during or caused by the manufacture, repair or upkeep of war material, except pensions and gratuities paid in respect of such loss, damage, etc., to the military or civilian personnel of the national defence services, which will be entered in Table V.

6. This head should not include the pay and other remuneration of the personnel, whether military or civil, of the central administration of the national defence services; if, however, the central administration comprises technical services or sections, the expenditure of such services or sections should be entered in Head IV.

The classes of material mentioned above are as follows:

SUBHEAD M (*Land Forces*).

*In respect of the Land Forces:*

Arms, ammunition, fighting material and other war material; engineering material:

Small arms and automatic firearms; rifles, muskets, carbines, revolvers and pistols; quick-firing rifles and quick-firing pistols, machine-pistols, machine-guns, apparatus and appliances for throwing projectiles, including vehicles for their transport;

Cannons (long and short), howitzers, mortars, field guns, anti-aircraft guns and other anti-aircraft appliances and all apparatus (armour-plating, etc.) for the operation of these appliances;

Ammunition for small arms, automatic weapons and guns; bombs, grenades and other kinds of projectiles, explosives, mines, including the electric apparatus connected with all this material, ammunition wagons, carriages, cases, etc., for their transport;

Cutting weapons, such as swords, sabres, lances, bayonets and daggers;

Tanks, armoured cars, armoured trains;

All other arms, ammunition, apparatus and appliances for throwing projectiles; accessory equipment and spare parts.

ARMS, AMMUNITION, FIGHTING MATERIAL.

1. All expenditure on the purchase, manufacture, repair and upkeep of the arms, ammunition and explosives, and other fighting material enumerated opposite should be entered in this subhead.

2. Subhead M should not include:

(a) Expenditure relating to non-explosive engineer stores (to be entered in Subhead M (a));

(b) Expenditure on horse-drawn or motor transport vehicles, whether specialised or not, and on subsidies granted to the owners of such vehicles, together with expenditure on bicycles (to be entered in Subhead M (a));

(c) Expenditure on depots for material specified in this subhead (to be entered in Subhead N).

SUBHEAD M (a) (*Land Forces*).

ENGINEER AND OTHER WARLIKE STORES.

This subhead should not include:

(a) Expenditure on transport vehicles belonging to establishments for manufacturing or repairing arms, ammunition or fighting material (to be entered in Subhead M);

(b) Expenditure in respect of depots of the material included in this subhead (to be entered in Subhead N).

Railway material, pioneer equipment, bridging equipment, mining material, liaison material, signalling and radio stores, boats, searchlights, acoustic and optical instruments, anti-gas stores, tractors, motor and horse-drawn vehicles whether specialised or not, bicycles with their accessory equipment and spare parts, subsidies to the owners of motor and horse-drawn vehicles and all other categories of engineering material.

SUBHEAD N (*Land Forces*).

EXPENDITURE ON DEPOTS OF WAR MATERIAL AND EXPENDITURE NOT DIVISIBLE BETWEEN SUBHEADS M AND M (a).

This subhead should include:

(a) The expenditure on storehouses and depots of war material of all kinds, and on all services for the storing of such material, including the cost of upkeep, greasing, cleaning, maintenance, etc.;

(b) Expenditure on non-autonomous establishments for the manufacture or repairs, when such expenditure cannot be divided between Subheads M and M(a);

(c) All other expenditure on the manufacture, repair or upkeep of war material which is not appropriate to Subheads M and M(a),

SUBHEAD L (*Naval Forces*).

*In respect of the Naval Forces:*

VESSELS: NEW CONSTRUCTION.

In addition to the above-mentioned material:

Warships of all kinds, aircraft-carriers, seaplane-carriers, victualling craft, fuelling craft, naval armament vessels and all other naval transport vessels, repair ships, salvage vessels, floating barracks, harbour craft, tugs, barges and lighters, floating docks; torpedoes, paravanes, and material of all kinds connected with these vessels, and all other craft intended for naval use.

1. This subhead should include all expenditure on the construction of all vessels and craft specified opposite, including expenditure on:

(a) All their equipment, navigating instruments, etc., with accessories and spare parts;

(b) Their armament of all kinds, both portable and fixed, with accessories and spare parts;

(c) The initial supplies of explosives, ammunition and fuel, solid or liquid, and of other stores used for navigating and gunnery trials before the vessel is finally accepted for service.

2. The expenditure on construction of aircraft-carriers should include that on the catapults and other apparatus installed on board for launching aircraft, but not that on the aeroplanes themselves.

3. This subhead should also include subsidies granted to the mercantile marine with a view to the eventual use of its vessels for national defence purposes.

4. This subhead should not include expenditure in respect of military personnel embarked before the vessel is finally passed for service, even when such personnel assist in preparing the vessel for service; such expenditure should be entered in Subheads A to E.

SUBHEAD M (*Naval Forces*).

UPKEEP OF VESSELS AND THEIR ARMAMENT; PURCHASE, MANUFACTURE, REPAIR OR UPKEEP OF ARMS, AMMUNITION AND OTHER WAR MATERIAL.

1. This subhead should include all expenditure on the maintenance and repair of vessels of all kinds, including expenditure on the purchase, manufacture, upkeep or repair of ship's stores of all kinds, arms, ammunition and war material and all other equipment, accessories, spare parts, etc., for the vessels enumerated in the opposite column, whether intended for stock or for the current use of a specific vessel.

2. This subhead should also include:

(a) Expenditure for the purchase or manufacture and for the repair and upkeep of arms, ammunition and any other naval war material not designed to form part of the armament or equipment of vessels;

(b) Expenditure on the purchase, manufacture, repair and upkeep of motor and horse-drawn vehicles and of bicycles.

3. This subhead should not include:

(a) The remuneration and maintenance of the personnel, whether naval or civil, forming part of the crews of war vessels, repair ships and all other naval craft, even if the personnel is employed on the upkeep and current repair of vessels (to be entered in Subheads A to E);

(b) The remuneration of the civilian crews of national defence vessels employed on transporting material for the use of the fleet (to be entered in Subhead C);

(c) The cost of hiring transport vessels in peace time, and any other expenditure in respect thereof (to be entered in Subhead G);

(d) Expenditure on the initial supplies of all the stores, ammunition, etc., above mentioned, and on the initial supplies of solid or liquid fuel, etc., for the purpose of navigation and gunnery trials (to be entered in Subhead L);

(e) Any other expenditure on solid or liquid fuel, etc., supplied for warships or other craft (to be entered in Subhead G).

#### SUBHEAD N (*Naval Forces*).

#### EXPENDITURE ON DEPOTS OF WAR MATERIAL; EXPENDITURE NOT DIVISIBLE BETWEEN SUBHEADS L AND M.

This subhead should include:

(a) The expenditure on storehouses and depots of war material of all kinds, and on the various services relating to the storing of such material, including the cost of upkeep, greasing, cleaning, maintenance, etc.;

(b) The expenditure relating to non-autonomous establishments for the manufacture or repair of war material when such expenditure cannot be divided between Subheads L and M;

(c) Any other expenditure on the purchase, manufacture, repair or upkeep of war material which is not appropriate to Subhead L or M.

#### SUBHEAD M (*Air Forces*).

#### ARMS, AMMUNITION, FIGHTING MATERIAL AND ALL OTHER KINDS OF WAR MATERIAL.

#### *In respect of the Air Forces:*

In addition to the above-mentioned material: aeroplanes, seaplanes, amphibian planes, boats, airships, free and captive balloons, instruments, engines and stores—wireless, electrical, photographic—oxygen apparatus, material for heating purposes, ground equipment, parachutes, hydrogen and helium, accessories and spare parts, material for anti-aircraft defence (watch, alarm and liaison systems, signalling and listening-in apparatus, protective balloons and interception cables, apparatus for artificial fog and camouflage devices, etc.).

1. This subhead should include all expenditure on the purchase, manufacture, repair, upkeep and storing of the arms, ammunition, explosives, and other material proper to the air forces, mentioned opposite, including expenditure on horse-drawn and motor vehicles, subsidies granted to the owners of such vehicles and expenditure on bicycles.

2. This subhead should not include:

(a) Expenditure on catapults and other fixed launching apparatus mounted in the vessels belonging to the navy (to be entered in Subhead L (*Naval Forces*));

(b) Expenditure on fuel, lubricants, etc., intended for the use of aircraft (to be entered in Subhead G).

PART 3.

INSTRUCTIONS WITH REGARD TO THE SPECIAL INFORMATION CONTAINED  
IN TABLE V OF THE STATEMENTS<sup>1</sup>.

*Item No. 1. — Ordinary Pensions.*

The publicity to be given under the present Convention in regard to pensions refers to *ordinary pensions* only.

**1. Definition of Ordinary Pensions for the Purpose of the Convention.**

By ordinary pensions is understood for the purpose of the Convention any remuneration granted to national defence personnel for services previously rendered or any compensation for disabilities sustained in the service in time of peace, whether the recipient of such remuneration remains at the disposal of the military authorities or not.

Grants made to the dependents of deceased national defence personnel in return for services rendered by the latter to national defence shall be regarded as expenditure on pensions.

Where sums are paid by the State to institutions for defence force personnel retired for age or disability such as homes, sanatoria and hospitals, or in respect of treatment of all kinds given to such personnel, the States concerned, if they consider that such expenditure is sufficiently important, shall calculate or estimate the total involved and treat it as expenditure in respect of ordinary pensions.

Ordinary pensions shall not be deemed to include the remuneration, grants and expenditure of the nature described if granted in respect of war service.

**2. Personnel whose Pensions are to be included in Table V.**

Item No. 1 of the special information contained in table V shall show the total ordinary pensions paid to personnel: officers, non-commissioned officers, other ranks and civilian personnel (permanent officials and industrials) or their dependents in return for services rendered to national defence.

When ordinary disability pensions are entered in the accounts with expenditure in respect of war pensions, and in the event of its being impossible either to identify them or estimate their amount, they shall not be included in table V of the statement, but a note shall be included in an explanatory table (No. 1) appended to the reconciliation tables to the effect that it is impossible to separate such expenditure from that in respect of war pensions.

**3. Expenditure to be inserted.**

Item No. 1 shall show the amount of remuneration actually paid to the beneficiaries either by the State or from State pensions funds.

If the total expenditure from pensions funds on certain categories of personnel cannot be exactly ascertained or estimated, this fact shall be stated in a note to explanatory table No. 1. If, for example, it is impossible to calculate the sums paid as pensions to permanently employed industrial workers corresponding to that part of their service rendered in military establishments, the fact that such expenditure has not been included shall be duly pointed out.

**4. Expenditure incurred in return for an Undertaking to give Subsequent Service.**

If there are categories of defence force personnel who have retired from the service and whose allowances are increased either temporarily or permanently in consideration of their obligation to render subsequent service, the Power concerned shall enter the total expenditure in tables I to IV of the statements unless it is possible to identify the portion of the total allowance which is paid for services rendered and the portion in return for the obligation to give subsequent service. In the latter case, the first part of the sum should be inserted in table V and the second part in tables I to IV. (See paragraph 3 of Instructions for subhead D, in Annex III, Part 2.)

**5. Capital Payments.**

Item No. 1 shall include capital payments made in one or more instalments to certain defence force personnel who have left the service, provided such payments are of a sufficient amount to be regarded, in view of the beneficiaries' rank, as taking the place of a pension.

**6. Remuneration of Personnel on Leave, invalidated out, etc.**

Each State shall follow the principles laid down above in order to determine, according to their several regulations and systems whether the expenditure on personnel on the unemployed list, on the reserve list, invalidated out, on extended leave or similarly situated, is to be inserted in tables I to IV of the statements or in item No. 1 of the special information contained in table V.

<sup>1</sup> See the specimen tables in Annex V.

**7. Grants to Pensions Funds. Payments made by these Funds.** Where appropriate, item No. 1 shall include the payments made by pensions funds to beneficiaries; on the other hand, however, the grants made to such funds by the State shall not be entered in the statement, If, however, it is impossible to ascertain the payments made by the said funds, no figure shall be entered in table V, the amounts paid to the pensions fund being indicated in a note to explanatory table No. 1.

**8. Pensions granted as a Result of the Reduction of Armaments.** Each Power shall have the option of indicating separately in table V of the statement the amounts of the pensions granted to personnel discharged as a result of the reduction of armaments. Should it be possible to identify such portion of the pensions granted on account of the reduction of armaments as correspond to services already rendered as opposed to services to be rendered in the future, only such amounts as relate to services rendered shall be taken into account when separately indicating such expenditure. (See paragraph 3 of Instructions for subhead D in Annex III, Part 2.)

**9. Particulars regarding Ordinary Pensions.** As item No. 1 of the special information contained in table V of the statement can only show an aggregate figure for expenditure on ordinary pensions, with, in certain cases, a figure representing part of the pensions expenditure resulting from the reduction of armaments, particulars shall be included in explanatory table No. 1, indicating from what official publications the figures for ordinary pensions have been taken. References should be given to those items in the various accounts which contain the expenditure on ordinary pensions.

**10. Special Cases. Interpretation of the Foregoing Instructions.** In dealing with special cases arising out of their laws or regulations, the contracting parties shall be guided by the general principles laid down in the foregoing paragraphs. With a view to enabling the Permanent Commission to interpret the decisions taken by each of the contracting parties as regards the contents of item No. 1, the latter shall specify in doubtful cases the manner in which they have applied the foregoing instructions.

*Item No. 2. — Difference between the initial amounts of the block credits granted for several years and any part of such credits already entered in the budget, including the budget for the year to which the statement refers.*

11. In cases where credits relating to national defence expenditure are granted for several years, if the amounts of those block credits have to be split up into successive annual instalments in the budgets, the difference between the total amounts of these block credits and the total amount of the subsequent annual instalment or instalments already entered in the budgets, including the budget of the financial year for which the Statement is drawn up, shall be entered in item No. 2 of the special information contained in table V.

This information must be communicated, whatever the character of the budget credits, according to the legislation of the various States—*i.e.*, both in cases where these credits directly authorise commitments and in cases where they directly authorise the acknowledgment of debts, the issue of payment orders or the making of payments within the limit of the credits entered in the annual budgets.<sup>1</sup>

12. The calculation of the difference between the block credits and the annual instalments entered in the budgets must take into account all the block credits, irrespective of whether these credits were granted before or after the entry into force of the Convention.

13. If the statement of estimates is compiled on the basis of the draft budget (paragraph 22 of Part I of the present Annex), the estimated instalment to be provided in the budget of the year shall serve as the basis for calculating the difference between the block credit and the annual instalment or instalments entered in the budgets.

In cases where the rectifications provided for in paragraph 24 of Part I of the present Annex also contain modifications of the amount of the instalment provided in the draft budget, the amount reported in item No. 2 of the special information attached to the statement as compiled on the basis of the draft budget should also be rectified.

14. Should the amount of the initial block credits be changed, the figure entered in item No. 2 of the special information contained in table V of the statement must be calculated with due reference to these changes.

15. The figure given under this item should be explained in explanatory table No. 2 appended to the reconciliation tables and, if necessary, in a note annexed thereto. This table and the accompanying note should also be produced whenever the budgets and closed accounts or other official documents do not permit of the verification of the figure required hereunder.

16. Item No. 2 should be completed when the statement of estimated expenditure provided for under Article D is furnished, so long as the production of this statement is required, and thereafter, when the simplified statement provided for in the same article is rendered.

<sup>1</sup> The following shall not be regarded as balances of block credits: the differences between the limits fixed to expenditure over several years and the amount actually voted each year in the budget when these differences are transferred to a reserve fund.

*Item No. 3. — Difference between carry-forward credits—that is to say, credits which may be used for making payments to be made during the year in question or subsequent years—and payments in respect of such credits shown in the accounts for the former.*

17. In cases where certain credits granted in the budget are not annulled at the end of the *exercice*, if they are not expended during that *exercice*, but can, on the contrary, be utilised during one or more *exercices*, the statement in item No. 3 of the special information contained in table V must show the difference between the total amount of these credits and the portion of the credits expended during the financial *exercice*.

In calculating this difference, account should be taken, not only of the credits fixed during the financial year, but also of the credits carried forward from the previous year or years.

18. Irrespective of whether, under the national legislation, the credits authorise the Departments under the national legislation to enter into commitments, to acknowledge debts, to issue payment orders or to pay expenditure within the limit fixed by these credits, the figure to be entered in item No. 3 shall represent the difference between the credits and the payments which are made during the financial *exercice*, including the payments appearing in the arrears accounts.

19. The composition of the total amount remaining available at the end of the financial year will be given, in respect of each credit carried forward which has been the subject of a vote or of a special authorisation, in explanatory table No. 3 attached to the reconciliation tables. This table shall also be produced in cases in which the budgets or closed accounts, or other official documents, do not permit of the verification of the figures communicated in pursuance of the provisions of the present paragraph.

20. Item No. 3 of the special information contained in table V will be supplied only when the statement of payments made is produced.

*Item No. 4. — Authorisations to enter into commitments granted by Parliament or the authority enacting the budget, apart from the credits for payment voted in the budget for the year to which the statement refers.*

21. In countries where Parliament or the authority which enacts the budget authorises commitments of expenditure on national defence to be entered into during the financial year on condition that such expenditure shall only be paid out of payment credits of the subsequent *exercice* or *exercices*, the amounts of such authorisations shall be entered in item No. 4 of the special information contained in table V of the statement.

22. The above information shall be obtained either from the budget itself, or from the enactment fixing the budget (finance acts), or, failing this, from the draft budget or draft enactment fixing the budget, according to whether the statement of estimates is based on the budget or the draft budget.

If such authorisations to enter into commitments are granted or modified after the despatch of the statement provided for in Article D of the Convention, such authorisations or modifications must be mentioned when sending the rectifications mentioned in paragraph 24 of Part I of the present Annex.

23. Explanatory table No. 4 attached to the reconciliation tables must include the following information:

- (a) The Law or Act granting authorisations to enter into commitments;
- (b) The nature and object of the authorisations as indicated in the corresponding Law or Act;
- (c) The manner in which the payment credits relating to these authorisations must be entered in the budget or budgets of the following year or years, and, in general, the procedure according to which such authorisations to enter into commitments are regularised in subsequent years.

24. The particulars referred to above will be given when sending the statement of estimates provided for in Article D of the Convention, as long as the production of this statement is compulsory, and thereafter when sending the simplified statement provided for in the same article.

*Item No. 5. — Difference between the authorisations of expenditure contained in special accounts and the payments made against such accounts, including those made during the year in respect of which the statement has been compiled.*

25. In cases where expenditure authorisations are granted outside the budget and are contained in special accounts, the credits of which can be used without fresh authorisation until they are exhausted, the difference between the total initial amounts of such authorisations and the payments made against them during each of the successive financial *exercices*, including the financial *exercice* for which the statement is drawn up, shall be entered in item No. 5 of the special information contained in table V of the statement.

In countries in which expenditure granted outside the budget and included in special accounts is not covered by published authorisation, an estimate should be made of the initial aggregate authorisation, and the difference between this estimated initial aggregate amount and the payments made during previous years and during the year for which the statement is drawn up should be included under item No. 5 of the special information shown in table V of the statement.

26. The details of the calculation of the figure indicated in the above paragraph must be set out in the explanatory table of special information No. 5, attached to the reconciliation tables, in such a manner as to show for each special account the difference between the amount of the original authorisations and the payments made during each *exercice* against this special account.

The part of the State accounts in which the above-mentioned figures can be checked must be indicated.

27. If authorisations originally granted undergo changes, such changes must be mentioned and account must be taken of them in calculating the figures to be entered in item No. 5.

If, at the beginning of the Convention, payments are made from accounts opened before the date on which the Convention comes into force, the amounts indicated in the above paragraph must also include the difference between the amounts of the initial authorisations and the payments effected in virtue of those authorisations.

28. Item No. 5 will only be completed when sending the statement of payments made.

*Item No. 6. — Credit balances of autonomous establishments remaining at the disposal of those establishments at the end of the financial "exercice".*

29. The statement must show, in item No. 6 of the special information in table V of the statement, the total credit balances (surplus of receipts over expenditure) of autonomous establishments remaining at the disposal of those establishments at the end of the *exercice*.

30. The distribution of this total amount as between the different establishments shall be shown in explanatory table No. 6 attached to the reconciliation tables. Explanatory table, No. 6 shall also state the documents and pages where these balances may be found.

31. These particulars will only be given when sending the statement of payments made.

*Item No. 7. — Amounts liquidated but not paid for materials delivered and services rendered payment for which has been deferred.*

32. In cases where materials are delivered or services rendered during an *exercice* without such deliveries or services having been paid for at the end of the year, item No. 7 of the special information in table V of the statement shall show the value of the materials delivered and the services rendered which are to be paid for during the subsequent *exercice* or *exercices*.

33. The provisions laid down in the previous paragraph do not apply to cases in which payments are made within the usual time-limits for Government payments.

34. The particulars mentioned above must be supplemented in explanatory table No. 7 attached to the reconciliation tables by showing separately the following categories of deferred payments:

- (a) Transfers from one Government to another;
- (b) Purchases from private firms;
- (c) Transfers made to national defence departments by autonomous establishments;
- (d) Services rendered by personnel, associations or private individuals to a national defence department;
- (e) Transfers under which the creditors have transferred their claims against the State to a bank, in cases where the State has not refunded the bank at the end of the *exercice*.

35. Full information must be supplied in explanatory table No. 7 in so far as it is necessary for informing the Permanent Commission as to the nature and origin of delays in payments, mention also being made as far as possible of the published documents by which the figures communicated may be checked.

36. The particulars referred to above will only be supplied when sending the statement of payments made.

*Item No. 8. — Expenditure not included in the statement in respect of subsidies paid to and participations in private enterprises having as one of their objects the delivery of war material in time of peace.*

37. If a Power considers that subsidies paid to and participations in private armament enterprises (subsidies to private enterprises having as one of their objects the manufacture of war material in time of peace) have not a national defence character, but were granted for economic or social purposes, it must indicate their total amount in item No. 8 of the special information table V of the statement; a list of these subsidies and the reasons for which they have been excluded from tables I to IV of the statement must be given in explanatory table No. 8 attached to the reconciliation tables.

38. The particulars referred to above will only be supplied when sending the statement of payments made.

*Item No. 9. — Various information regarding unpaid services and supplies for national defence.*

39. Should the expenditure referred to in paragraph 29 c of Part I of the present Annex not be included in the accounts, an estimate of the value thereof corresponding to the amount which shall be entered in tables I to IV of the statements must be given in explanatory table No. 9 attached to the reconciliation tables. A note attached to this table shall state the basis of this estimate.

40. If a sufficiently accurate estimate of the free services or supplies cannot be made, States should mention the impossibility of doing so in item No. 9 of the special information in table V of the statement, but they must give, in the relevant explanatory table, as complete particulars as possible regarding the nature and extent of such services rendered to the State free of charge.

In this item No. 9, States must also indicate the amount of services in kind rendered to the armed forces as, for instance, free lodging provided by the local authorities in connection with the movement of troops, or supplies of foodstuffs, etc., whatever the nature of such supplies may be.

41. Item No. 9 will show only the total amount of the value of free supplies. The appropriate explanatory table will indicate any documents in which the relevant expenditure is to be found.

42. The particulars referred to above shall only be supplied when sending the statement of payments made.

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PART 4.

INSTRUCTIONS FOR DRAWING UP RECONCILIATION TABLES.

**1. Object of the Instructions.** The object of the instructions given in the following paragraphs is to explain to the contracting parties the way in which the reconciliation tables should be drawn up. The latter are intended to show the manner in which the national defence expenditure figures entered in the various accounting documents (budgets, budget accounts, special accounts, etc.) are transferred to the statements referred to in Articles D and F of the Convention.

**2. Form of the Reconciliation Tables.** Three reconciliation tables should be drawn up for each of the statements. Models of these tables are given in Annex V.  
*Summary Table A* gives separately for the three forces (land, naval and air) the aggregate amount of national defence expenditure; it shows how this aggregate amount is obtained by adding to the expenditure of the national defence ministries national defence expenditure incurred by other ministries, other authorities, associations or individuals, and deducting from the amounts contained in the budgets and accounts of the national defence ministries expenditure which, although it is shown in those budgets and accounts, does not constitute national defence expenditure within the meaning of the Convention, and the deduction of which is authorised in accordance with the provisions of this Annex.

*Analytical Table B* gives in detail, and with the necessary explanations, all the items—*i.e.*, the divisions and subdivisions (votes, subheads, items, etc.) in the budgets or accounts of the defence ministries, and also the divisions and subdivisions of the budgets or accounts of other ministries, regional and local authorities, colonies, etc., containing expenditure for national defence purposes, and also the distribution of each amount as between the different tables and subheads of the statement, together with the amounts to be excluded.

*Synthetic Table C*, which is subdivided into three tables, gives separately for the three forces (land, naval and air) a synthetic recapitulation of analytical table B, presented so as not only to show how the figures in the various subheads of the three tables I, II, and III of the statement are made up by inserting the items of expenditure shown in table B, but also to allow the accuracy of the total sums entered under each subhead of the statements to be rapidly verified.

The manner in which the reconciliation tables should show exceptional and unforeseeable expenditure which the contracting parties are entitled, if necessary, to deduct from the statements in accordance with the provisions of paragraph 3 of Part I of the present Annex will be indicated later.



**3. Table B, Columns 1-3.** As all national defence expenditure, without any exception, must be inserted in the statements, the first step in drawing up the reconciliation tables will be the preparation of a complete list of the items of expenditure relating to the objects enumerated in the conventional list of national defence expenditure.

All these different items should be inserted in columns 1 to 3 of table B.

In order to include all expenditure which relates, in whole or in part, to national defence, it will be necessary to examine all documents in which public expenditure is entered (budgets and budget accounts of all ministries of the State, all regional or local authorities, the colonies, special accounts, etc.).

Amounts applied to national defence purposes and not inserted in the foregoing documents, particularly expenditure incurred by associations and private persons, should also be traced and entered in table B.

**4. Exact Indication of Sources of Expenditure.** Table B should show clearly the sources from which the different items of expenditure have been obtained and the place in the documents where they can be found.

For this purpose, table B should include the different series of divisions and subdivisions of each budget or each account under headings, giving for each budget or account such indications as make it possible to find that expenditure without difficulty in the actual budgets and accounts. For instance, the arrangement might be as follows:

**I. State Budget (or account) (Central Authority):**

1. Budget (or account) of the Ministry of War (exact title of the publication in the national language; date of the publication and page on which the subheads begin).

Vote 1. — Subhead 1 . . . . .  
 Vote 1. — Subhead 2 . . . . .  
 . . . . .  
 Vote 2. — . . . . .  
 . . . . .

2. Budget (or account) of the Ministry of Marine:

Vote 1. — Subhead 1 . . . . .  
 Vote 1. — Subhead 2 . . . . .  
 Vote 2. — . . . . .  
 (and so on for the other defence ministries or ministries whose activities are largely devoted to national defence (air, colonies, etc.)—if any).

3. Budget (or account)—*e.g.*, of the Ministry of the Interior (if it contains expenditure for national defence purposes).

(and so on for the other civil ministries, such as Finance, Education, Agriculture, Public Works, etc.):

Vote X. — . . . . .  
 . . . . .  
 (Total of the votes <sup>1</sup> which relate entirely or in part to national defence expenditure.)

4. Special State budgets (or accounts) (exact title of the publication, date, page):

. . . . .  
 . . . . .

**II. Estimated (or actual) expenditure of the federated States and regional and local authorities.**

. . . . .

**III. Budgets (or accounts) of the colonies, protectorates, or territories under the suzerainty or mandate of the contracting parties (title of each publication, pages).**

. . . . .  
 . . . . .

**IV. Other expenditure (title of each publication,<sup>2</sup> page).**

<sup>1</sup> However, in the case of certain divisions of the civil budgets of which only a very small part relates to national defence, that part alone need be mentioned in table B instead of the total amount of the division.

<sup>2</sup> If there is no publication, this fact should be mentioned. In such cases, reference should be made to the estimates to be made by Governments in certain eventualities contemplated in the instructions.

States with separate ministries or accounts for the three forces may divide table B into three subdivisions corresponding to these three forces, in such a way that the chapters in the war budget relating to naval and air services are ordinarily inserted after the naval and air budgets respectively, and each special account and each division of the local or colonial budgets relating to the land, naval, or air forces can be inserted after the war, naval, and air budgets respectively. States taking advantage of this possibility must, however, show the figures in such a way as to make it easy to find the whole series of the items as shown in the original budgets and accounts and must clearly show their distribution between the expenditures of the three forces.

All the divisions and subdivisions of the budgets or accounts of the national defence ministries should be inserted, even if they have not all been transferred to the statement. But if several of the latter divisions or subdivisions are grouped in the budgets or accounts of the defence ministries because they relate to purposes of a similar nature (for instance, to the merchant marine, civil aviation, public works, etc.), they can be mentioned *en bloc*, except, of course, items in those groups which refer in whole or in part to national defence expenditure. The total in column 3 of each budget or each account should correspond to the total to be found in the accounting documents from which that expenditure has been taken.

In the first column the number of each division and subdivision should be shown (e.g., "Votes, Subheads"; or "Chapitres, Articles, Paragraphes"; or "Kapiteln, Titeln", etc.), repeating, in the case of each subdivision, the number of the main division—for example, "Subhead 4 of Vote 33" will be shown as (33) 4.

In the second column ("Headings") the complete headings of the different budgetary items (divisions and subdivisions) should be translated into French or English.

**5. Entry  
of Differences  
between  
Gross and Net  
Expenditure.**

If the amounts inserted in the items of the budgets or accounts represent gross expenditure, the latter should be transferred, as it stands, to column 3 of table B.

If the amounts entered in the items of the budgets or accounts represent net expenditure, the net figures should be entered in column 3, and the differences between these figures and the gross amounts should be added, also in column 3, at the end of each budget, but separately in respect of each item of expenditure and not *en bloc*.

Notes should be added showing, with explicit references to the original documents, the manner of computing the differences between the net and the gross amounts.

**6. Distribution of  
the Various Items  
among the Subheads  
of the Statement  
(Columns 4 to 8 of  
Table B).**

After having transferred to the three left-hand columns of table B the items of expenditure corresponding to the objects enumerated in the conventional list, the amounts will be allocated between columns 4 to 7 of table B.

For each item which can be transferred *en bloc* to a subhead of the statement, there should be mentioned in columns 5 to 7, the amount and also the table and the subhead to which it has been transferred.

If an item of expenditure, from its nature, cannot be transferred *en bloc* to one of the subheads of the statement, it should be subdivided into its constituent elements, and the table and subhead of the statement to which each of those elements has been transferred should be mentioned in columns 6 and 7.

If one of the items or a part of an item shown in the columns 1 to 3 includes expenditure which does not relate to national defence purposes or which should not be included in the statement, the sums excluded should be given in column 4.

For the purposes of the apportionment or exclusion of the expenditure mentioned above, each Power concerned should (in the order of preference given in Part 2 of the present Annex) either consult unpublished accounts or make use of other administrative documents, or, failing these, of estimates.

In the case of the apportionment or exclusion of any sums which cannot be directly verified by means of the published documents communicated, the words "unpublished accounts" or "administrative documents" or "estimates", as the case may be, should be inserted in the "Observations" column of table B.

In the "Observations" column, it should also be stated whether any derogations have been made from the rules given in Part 2 of the present Annex. The explanation of each derogation should be given in a special note.

Similarly, all explanations concerning expenditure on fortifications, on air defence, on coast defence, mixed expenditure, etc., mentioned in Parts 1 and 2 of the present Annex, should be given in the form of special notes.

As there will probably not be enough room in the "Observations" column, observations should be given as footnotes to table B, references to the foot-notes being given in the "Observations" column.<sup>1</sup>

<sup>1</sup> For the question of duplication, see paragraph 11 below.

**7. Expenditure incurred in respect of Exceptional and Unforeseeable Events, etc.**

Expenditure excluded in respect of exceptional or unforeseeable events (see Part I (a), paragraph 3, of the present Annex) should be shown separately in column 4 and recapitulated in respect of each force in a special table entitled: "Expenditure incurred in respect of Exceptional or Unforeseeable Events, to be excluded from the Statement", which should be inserted after table B.

Permissible deductions of expenditure occasioned by the reduction of armaments or by the liquidation of past wars should also be shown separately in column 4.

**8. Table C.**

Table C should be completed by transferring the various figures in column 5 of table B to the appropriate heads. The arrangement and order of the various items should, as far as possible, be the same as in table B.

Whereas, in table B, the names of the items of the budgets and accounts should be translated in full into English or French, they can be abridged in table C, also in English or French.

The totals of each column to be carried forward to the following page should be given at the foot of each page of table C.

A special table showing, by heads of tables I to III of the statement, the expenditure incurred in respect of exceptional and unforeseeable events and deducted from the amounts to be entered in the statements, but not specifying the manner in which such expenditure is distributed among the subheads of each head, should be added, if necessary, to each of the tables C.

**9. Table A.**

After tables B and C have been completed, they should be recapitulated in table A, which is intended to give briefly in a few figures the composition of the grand totals entered in the statements.

In drawing up this table, the amount of all expenditure included in the budgets or accounts of each force should first be entered in the subdivision relating to that force.

Sums which should not be included in the statement (expenditure not relating to national defence or, as the case may be, national defence expenditure incurred in respect of unforeseeable or exceptional events, expenditure incurred by the reduction of armaments, costs of liquidation of previous wars, and all entries which might lead to duplication) should be deducted from this amount.

**10. Annexes to the Reconciliation Tables.**

At the end of table C should be given, on as many sheets as there are items of special information in table V, explanatory tables, specimens of which are in Annex V.

There should in addition be given a list and also the amounts of subsidies to, and participations in, private undertakings whose objects include the manufacture or construction of war material in peace time, or any establishment or undertaking for the purpose of enabling them to obtain new installations or to improve their existing installations with a view to the manufacture of war material on mobilisation. In each case, the date and title of the law or instrument under which the subsidies or participations have been granted should be stated, together with the names of the beneficiaries mentioned in those laws or instruments and the necessary references to enable those laws or instruments to be found in the official journals or other official documents.<sup>1</sup>

**11. Duplication.**

In accordance with the provisions of paragraph 17 of Part I of this Annex, the entry of the same expenditure twice over in the statements is to be avoided. In applying those provisions, the general principles and special provisions hereunder will be adhered to. Any cases not specifically mentioned in these instructions will be dealt with on analogous lines.

(a) *General Principles.* — Inasmuch as the statement is essentially based upon the budgets and accounts of the national defence ministries, if civil authorities or services, regional or local authorities, colonies, etc., associations or private persons, bear expenditure which, at the same time, appears in the budgets and accounts of the national defence services, the expenditure shown in those budgets and accounts will, as a general rule, be entered in the statements, and the expenditure borne by the civil authorities or services, regional or local public bodies, colonies, etc., associations and private persons will not be shown.

Where, however, it is a case of avoiding duplication as between the different national defence departments, whose expenditure is to be classified according to the tables, heads and subheads of the statements, the following rule will be adopted in order to carry out this classification of

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<sup>1</sup> Such references should be connected with the information to be given in table V on subsidies and participations of this kind which the Governments have seen fit to exclude in virtue of the instructions with regard to the special information (see paragraph 37 of Part 3 of this Annex).

expenditure with accuracy: expenditure incurred by one national defence department for the purchase of material on behalf of another national defence department will, in accordance with the general instructions, be entered in the statement relating to the department on whose behalf such expenditure was effected. To avoid duplication, any repayment that the latter department may make in respect of the expenditure incurred on its behalf will be excluded from its own statement. For practical reasons, however, where it is easier to identify the amount of the repayment in the accounts than the expenditure itself, it is the amount of the repayment that should be entered (as expenditure) notwithstanding the rule laid down above.

(b) When a particular service in a national defence ministry enters as expenditure sums devoted to the purchase or manufacture of objects, foodstuffs, or supplies of any kind, for the use of another service or of personnel, such sums being repaid to it by the service or personnel on whose behalf they were expended, without the amount of such repayments being deducted in the actual budgets and accounts (*e.g.*, if a budget or account shows expenditure for the purchase or manufacture of articles of clothing or miscellaneous goods, such as tobacco, soap, etc., and also shows the amount of the allowances—whether separate from or incorporated in pay—given to personnel for the purpose of supplying themselves with such articles), there will be deducted from the expenditure of the purveying service the amount of the repayments.

(c) Where capital expenditure for national defence purposes is borne by a civil department or regional or local authorities, etc., the capital expenditure effected in the course of the financial year shall, in accordance with the general principles, be included in the statements. If the national defence ministry (or ministries) pay rent or annual interest or amortisation for the purpose of covering the capital expenditure, such payments (rent, interest or amortisation) shall be deducted from the statement, even if the capital expenditure was effected prior to the entry into force of the Convention.

(d) Where the national defence budgets and accounts show current expenditure and capital expenditure separately, and where current expenditure includes expenditure for interest and amortisation on borrowings (and also rent, if any), the amounts in respect of such interest and amortisation and rent will be deducted, even if the capital expenditure was effected prior to the entry into force of the Convention. If expenditure on rent, interest and amortisation of capital expenditure incurred for national defence purposes appears elsewhere than in the budgets and accounts of the national defence ministries, the rule laid down above will likewise be followed.

(e) In the case referred to in paragraph 15 of Part I of this Annex, in which national defence expenditure is effected out of loan funds (Treasury loans, loans from insurance or reserve funds, etc.), the amounts of the interest and amortisation of such loans appearing in the budgets and accounts of the national defence services will be deducted, in order to avoid duplication even if the capital expenditure was effected prior to the entry into force of the Convention.

(f) When a State hands its creditors Treasury Bonds or National Debt securities by way of payment (see paragraph 30 of Part I (c) of this Annex, the expenditure on the redemption of these securities will not be shown in the statements of subsequent years.

(g) When a budget contains a credit suspense account to enable the national defence services to meet current expenditure which will subsequently be charged to other chapters of the budget, the credit suspense account will not be entered in the statement.

(h) Where, in the course of a financial year, national defence services grant repayable advances to military personnel, the amounts of such advances should not be included in the statement, unless the accounts show only the net amount of pay issued during the period of reimbursement.

(i) Where military personnel draw on grants accorded to them by the State in order to establish deposit funds for any purpose, the expenditure effected out of such deposit funds should not be entered in the statements, even if the State has a right to supervise their administration.

(j) *Services rendered and Material supplied by one Government to another Government.* — If a national defence department effects expenditure either by performing a service (*e.g.*, repairs) or by supplying material to another Government, the national defence department concerned should deduct the expenditure from its statements (see paragraph 10 of Part I (a) of this Annex).

On the other hand, the Government for which the service is performed or to which the materials are supplied will enter in its statements the amounts it has paid for the service rendered or the material supplied, but will not enter the amounts of the expenditure borne by the Government which performed the service or supplied the material. If for any reason whatsoever, the sum paid does not represent the value of the service or the material, calculated according to ordinary commercial practice, or if no payment is made at all, the Government concerned will call the attention of the Permanent Commission to this point in a special note, to be appended to explanatory table No. 9, annexed to the reconciliation tables.

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ANNEX IV.

INSTRUCTIONS FOR COMPILING THE SUMMARY STATEMENTS  
PROVIDED FOR IN ARTICLE E OF THE CONVENTION.

(Changes in the grand total of initial expenditure authorisations.)

- 1. Object of the Summary Statements.** With a view to showing in the two summary statements provided for in Article E of the Convention the changes made in the grand total of the initial expenditure authorisations, the contracting parties shall take account exclusively of changes affecting:
- (a) The budgets of national defence departments;
  - (b) Authorisations of national defence expenditure contained in the budgets of civil departments, including the colonial departments;
  - (c) Extra-budgetary national defence expenditure authorisations;
  - (d) Authorisations for national defence expenditure contained in the colonial budgets.

As regards changes in the budgets mentioned under (a), the contracting parties shall have the right to state in an explanatory note whether such changes relate to national defence expenditure or to expenditure which, although it is included in the military budgets, does not constitute national defence expenditure within the meaning of the Convention.

As regards the categories of expenditure covered by (b) and (d), account shall only be taken of changes affecting items relating solely to national defence expenditure. Moreover, as regards the expenditure covered by (d) only those States the greater part of whose colonial military expenditure is shown in the colonial budgets shall show the changes made in the initial authorisations of such expenditure.

Should the initial estimates for the expenditure covered by (c) have formed the subject of one or more published authorisations, the changes in such expenditure as compared with the amounts of these published authorisations shall be calculated. Should it have been decided, however, to utilise extra-budgetary resources for national defence purposes without that decision having been published, the expenditure assigned to national defence should be estimated and any changes in such expenditure as compared with the amount of the estimate should be calculated.

For the purposes of the present instructions, extra-budgetary expenditure shall include authorisations for national defence expenditure granted outside the budget either by legislative or administrative means and relating, for instance, to naval construction, the defensive organisation of frontiers, anti-aircraft measures, the construction of military buildings, etc. No distinction will be made between authorisations relating solely to objects of the kind enumerated above and those included in programmes of national equipment, programmes designed to reduce unemployment and other programmes of general interest.

States may, if they desire, take account of the indirect effects of certain laws of a general character (revision of official salaries, etc.) on the amounts of the expenditure authorisations.

- 2. Categories of Changes.** The two summary statements shall show separately the changes in the total amounts of the initial authorisations for national defence expenditure enumerated in the previous paragraph, which are due to:
- (a) The authorisation of fresh expenditure;
  - (b) An increase in the initial expenditure authorisations;
  - (c) A reduction in such initial authorisations.

- 3. Calculation of Changes.** In calculating changes in the total amount of the initial authorisations, each of the categories of expenditure enumerated in the model summary statements shall be considered separately (see Annex V).

- 4. Expenditure Authorisations carried forward.** The initial amounts of the expenditure authorisations shall not include the amounts of expenditure authorisations carried forward from the previous financial year to the financial year for which the summary statements are compiled; on the other hand, in calculating changes in the initial amounts, the amounts of expenditure authorisations carried forward to the following financial year shall not be deducted, even when the amounts carried forward are known at the time the second summary statement is compiled.

- 5. Changes to be excluded from the Summary Statements.** In compiling the summary statements, account shall be taken only of measures which affect the total amounts of the initial expenditure authorisations enumerated above. There will thus be no need to cite the instruments in virtue of which transfers have been made between the various subdivisions of the budgets mentioned in the model summary statements.
- 6. Second Summary Statement.** In compiling the second summary statement, account shall be taken of the modifications shown in the first summary statement, and the further modifications introduced between the two dates to which these two summary statements refer shall be added in accordance with the method of calculation described under paragraph 3 above.
- 7. Communication of the Laws and Decrees enacting the Modifications.** In addition to specifying the laws and decrees of the legislative or executive authorities which have led to changes being made in the total amounts of the initial expenditure authorisation, States shall communicate the actual texts of these various instruments.
- 8. Modifications in the Budgets of the Colonies.** States which, in accordance with paragraph 1 above, have to take account of changes in the expenditure authorisations contained in the colonial budgets shall have the right, as regards such changes, to make out the summary statements for the periods of eight and fourteen months respectively as from the beginning of the financial year.
- 9. Form of the Summary Statements.** The form of the summary statements is laid down in the models given in Annex V. While the Convention is in force, the Permanent Commission shall have the right, in the light of the experience gained, to change the form of the summary statements, without, however, adding to their complexity.
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ANNEX V.

MODEL STATEMENT OF NATIONAL DEFENCE EXPENDITURE,  
MODEL RECONCILIATION TABLES AND TABLES EXPLANATORY  
OF THE SPECIAL INFORMATION CONTAINED IN TABLE V  
OF THE STATEMENT,  
MODEL SUMMARY STATEMENTS OF CHANGES  
MADE IN NATIONAL DEFENCE EXPENDITURE AUTHORISATIONS.

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## **MODEL RECONCILIATION TABLES**

**These model reconciliation tables may be used for both the statement of estimates (Article D) and the statement of payments made (Article F).**

## MODEL STATEMENT.

Country  
.....

Table I.

Year  
.....

### LAND FORCES.

SUB-HEAD	CATEGORY OF EXPENDITURE	Armed forces stationed in the home country (optional)	Armed forces stationed overseas (optional)	Police forces and similar formations stationed in the home country <sup>1</sup> (optional)	Police forces and similar formations stationed overseas <sup>1</sup> (optional)	TOTAL
		(1)	(2)	(3)	(4)	(5)
	<b>HEAD I.</b>					
	<b>Personnel.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds: Officers. . . . .					
B	Pay and allowances of all kinds: N.C.O.s and men .					
C	Pay and allowances of all kinds: Civilian personnel.					
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing pre-military training, reservists and reserve organisations					
E	Maintenance of personnel referred to in subheads A to D					
	<b>HEAD II.</b>					
	<b>Transport.</b>					
F	Horses and other animals, forage, harness and shoeing. . . . .					
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . .					
	<b>HEAD III.</b>					
	<b>Buildings.</b>					
H	Construction of new fortifications and defensive works . . . . .					
K	Barracks, other buildings, fixed installations, upkeep					
	<b>TOTAL: HEADS I TO III .</b>					
	<b>HEAD IV.</b>					
	<b>War Material.</b>					
M	Arms, ammunition, fighting material . . . . .					
M(a)	Engineer and other warlike stores . . . . .					
N	Expenditure on depots of war material and expenditure not divisible between subheads M and M(a)					
	<b>TOTAL: HEAD IV. . . . .</b>					
	<b>GRAND TOTAL. . . . .</b>					

<sup>1</sup> This heading is liable to alteration.

Table II.  
NAVAL FORCES.

SUB-HEAD	CATEGORY OF EXPENDITURE	Armed forces (optional)	Police forces and similar formations <sup>1</sup> (optional)	TOTAL
		(1)	(2)	(3)
	<b>HEAD I.</b>			
	<b>Personnel.</b>			
	<i>Personnel normally forming part of formations and services:</i>			
A	Pay and allowances of all kinds: Officers . . . . .			
B	Pay and allowances of all kinds: N.C.O.s and men. . . . .			
C	Pay and allowances of all kinds: Civilian personnel . . . . .			
	<i>Personnel not normally forming part of formations and services:</i>			
D	Persons undergoing pre-military training, reservists and reserve organisations . . . . .			
E	Maintenance of personnel referred to in subheads A to D . . . . .			
	<b>HEAD II.</b>			
	<b>Transport.</b>			
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses . . . . .			
	<b>HEAD III.</b>			
	<b>Buildings.</b>			
H	Construction of new fortifications and defensive works . . . . .			
K	Barracks, other buildings, fixed installations, upkeep . . . . .			
	<b>TOTAL: HEADS I TO III . . . . .</b>			
	<b>HEAD IV.</b>			
	<b>War Material.</b>			
L	Vessels: new construction . . . . .			
M	Upkeep of vessels and their armament; purchase, manufacture, repair or upkeep of arms, ammunition and other war material . . . . .			
N	Expenditure on depots of war material; expenditure not divisible between subheads L and M . . . . .			
	<b>TOTAL: HEAD IV . . . . .</b>			
	<b>GRAND TOTAL . . . . .</b>			

<sup>1</sup> This heading is liable to alteration.

**Table III.  
AIR FORCES.**

SUB-HEAD	CATEGORY OF EXPENDITURE	Armed forces stationed in the home country (optional)	Armed forces stationed overseas (optional)	<i>Police forces and similar formations stationed in the home country</i> <sup>1</sup> (optional)	<i>Police forces and similar formations stationed overseas</i> <sup>1</sup> (optional)	TOTAL
		(1)	(2)	(3)	(4)	(5)
	<b>HEAD I.</b>					
	<b>Personnel.</b>					
	<i>Personnel normally forming part of formations and services:</i>					
A	Pay and allowances of all kinds: Officers. . . . .					
B	Pay and allowances of all kinds: N.C.O.s and men .					
C	Pay and allowances of all kinds: Civilian personnel.					
	<i>Personnel not normally forming part of formations and services:</i>					
D	Persons undergoing pre-military training, reservists and reserve organisations					
E	<i>Maintenance of personnel referred to in subheads A to D . . . . .</i>					
	<b>HEAD II.</b>					
	<b>Transport.</b>					
G	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses. . .					
	<b>HEAD III.</b>					
	<b>Buildings.</b>					
K	Barracks, other buildings, fixed installations, upkeep					
	<b>TOTAL: HEADS I TO III .</b>					
	<b>HEAD IV.</b>					
	<b>War Material.</b>					
M	Arms, ammunition, fighting material and all other kinds of war material . .					
	<b>TOTAL: HEAD IV . . . . .</b>					
	<b>GRAND TOTAL. . . . .</b>					

<sup>1</sup> This heading is liable to alteration.

Table IV.

TOTAL EXPENDITURE FOR THE THREE FORCES.

LAND FORCES . . . . .

NAVAL FORCES . . . . .

AIR FORCES . . . . .

GRAND TOTAL . . . . .

.....
.....
.....
.....
.....



Table V.

SPECIAL INFORMATION.<sup>1</sup>

- Item 1. ORDINARY PENSIONS . . . . .
- Including pensions granted as a result of the reduction of armaments (*optional*) . . . . .
- Item 2. Difference between the initial amounts of the block credits voted for several years and any part of such credits already entered in the budgets, including the budgets for the year to which the statement refers . . . . .
- Item 3. Difference between carry-forward credits—that is to say, credits which may be used for payments to be made during the year or subsequent years—and payments in respect of such credits shown in the accounts for the former . . . . .
- Item 4. Authorisations to enter into commitments granted by Parliament or the authority enacting the budget, apart from the credits for payments voted in the budget of the year to which the statement refers . . . . .
- Item 5. Differences between the authorisations of expenditure contained in special accounts and payments already made against such accounts, including those made during the year in respect of which the statement has been compiled . . . . .
- Item 6. Credit balances of autonomous establishments remaining at the disposal of those establishments at the end of the financial *exercice* . . . . .
- Item 7. Amounts liquidated and not paid for material supplied and services rendered, the payment of which has been deferred . . . . .
- Item 8. Expenditure not included in the statement in respect of subsidies paid to and participations in private enterprises having as one of their objects the delivery of war material in time of peace . . . . .
- Item 9. Various information regarding unpaid services and supplies for national defence . . . . .



<sup>1</sup> Only Item No. 2 and Item No. 4 should be completed for the statement of estimates (Article D). On expiry of a period of two years, these two items should be given with the simplified statement provided for in the aforesaid Article D.

## **MODEL STATEMENT OF NATIONAL DEFENCE EXPENDITURE**

**These models should be used for compiling both the statement of estimates and the statement of payments made, as provided for in Articles D and F of the Convention respectively.**

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**As regards the statement of estimates, see note on page 52.**

**A. SUMMARY TABLES.**

**I. TOTAL EXPENDITURE ENTERED IN TABLE I OF THE MODEL STATEMENT  
(LAND FORCES).**

Total expenditure of the Ministry of War (or Ministry of National Defence) . . . . .	.....	
Reconstruction of gross expenditure . . . . .	.....	<u>                    </u>
<i>To be deducted:</i>	.....	
Expenditure relating to the naval forces . . . . .	.....	
Expenditure relating to the air forces. . . . .	.....	
Unforeseeable and exceptional expenditure <sup>1</sup> . . . . .	.....	
Expenditure resulting from the reduction of arma- ments . . . . .	.....	
Expenditure entailed by the liquidation of previous wars . . . . .	.....	
Sums, the entry of which would give rise to duplica- tion . . . . .	.....	
Non-military expenditure of the Ministry of War . . . . .	.....	<u>                    </u>
		<u>                    </u>
		.....
<i>To be added:</i>		
Expenditure on the land forces borne on the budget of the Ministry of Marine <sup>2</sup> . . . . .	.....	
Expenditure on the land forces borne on the budget of the Air Ministry <sup>2</sup> . . . . .	.....	
Expenditure on the land forces borne on the budgets of other Departments: <sup>2</sup>		
Ministry of . . . . .	.....	
Ministry of . . . . .	.....	
Ministry of . . . . .	.....	
Ministry of . . . . .	.....	<u>                    </u>
Expenditure from Special Accounts . . . . .	.....	
" " " " . . . . .	.....	
Expenditure in regional and local budgets . . . . .	.....	
Expenditure of the colonies, etc. . . . .	.....	
.....	.....	<u>                    </u>
		<u>                    </u>
		.....
Total of Table I of the Model Statement (Land Forces). . . . .	.....	<u>                    </u>

[Continued]

<sup>1</sup> Should this item include unforeseeable and exceptional expenditure relating to one of the other two forces, a note should be added stating the respective amounts of the deductions in respect of the two forces in question.  
<sup>2</sup> Where unforeseeable and exceptional expenditure concerning the land forces is deducted from the expenditure of the Department in question, a note should be added showing the amounts of the expenditure thus deducted.

[Continued]

II. TOTAL EXPENDITURE ENTERED IN TABLE II OF THE MODEL STATEMENT  
(NAVAL FORCES).

Total expenditure of the Ministry of Marine (or Ministry of National Defence)	.....	
Reconstruction of gross expenditure . . . . .	.....	
<i>To be deducted:</i>	.....	
Expenditure relating to the land forces . . . . .	.....	
Expenditure relating to the air forces . . . . .	.....	
Unforeseeable and exceptional expenditure <sup>1</sup> . . . . .	.....	
Expenditure resulting from the reduction of armaments . . . . .	.....	
Expenditure entailed by the liquidation of previous wars . . . . .	.....	
Sums, the entry of which would give rise to duplication . . . . .	.....	
Non-military expenditure of the Ministry of Marine . . . . .	.....	
	<u>.....</u>	.....
		<u>.....</u>
<i>To be added:</i>		.....
Expenditure on the naval forces borne on the budget of the Ministry of War <sup>2</sup> . . . . .	.....	
Expenditure on the naval forces borne on the budget of the Air Ministry <sup>2</sup> . . . . .	.....	
Expenditure on the naval forces borne on the budgets of other Departments: <sup>2</sup>		
Ministry of . . . . .	.....	
Ministry of . . . . .	.....	
Ministry of . . . . .	.....	
Ministry of . . . . .	<u>.....</u>	
Expenditure from Special Accounts . . . . .	.....	
" " " " . . . . .	.....	
Expenditure in regional and local budgets . . . . .	.....	
Expenditure of the colonies, etc. . . . .	.....	
	<u>.....</u>	.....
		<u>.....</u>
Total of Table II of the Model Statement (Naval Forces). . . . .		<u>.....</u>

[Continued]

<sup>1</sup> Should this item include unforeseeable and exceptional expenditure relating to one of the other two forces, a note should be added stating the respective amounts of the deductions in respect of each of the two forces in question.  
<sup>2</sup> Where unforeseeable and exceptional expenditure concerning the naval forces is deducted from the expenditure of the Department in question, a note should be added showing the amounts of the expenditure thus deducted.



[Continued]

**III. TOTAL EXPENDITURE ENTERED IN TABLE III OF THE MODEL STATEMENT  
(AIR FORCES).**

Total expenditure of the Air Ministry (or Ministry of National Defence) . . . . .	.....	
Reconstruction of gross expenditure . . . . .	.....	
	<hr/>	
<i>To be deducted:</i>	.....	
Expenditure relating to the land forces . . . . .	.....	
Expenditure relating to the naval forces . . . . .	.....	
Unforeseeable and exceptional expenditure <sup>1</sup> . . . . .	.....	
Expenditure resulting from the reduction of armaments . . . . .	.....	
Expenditure entailed by the liquidation of previous wars . . . . .	.....	
Sums, the entry of which would give rise to duplication . . . . .	.....	
Non-military expenditure of the Air Ministry . . . . .	<hr/>	.....
	<hr/>	.....
		.....
<i>To be added:</i>		
Expenditure on the air forces borne on the budget of the Ministry of War <sup>2</sup> . . . . .	.....	
Expenditure on the air forces borne on the budget of the Ministry of Marine <sup>2</sup> . . . . .	.....	
Expenditure on the air forces borne on the budgets of other Departments: <sup>2</sup>		
Ministry of . . . . .	.....	
Ministry of . . . . .	.....	
Ministry of . . . . .	.....	
Ministry of . . . . .	<hr/>	.....
Expenditure from Special Accounts . . . . .	.....	
" " " " . . . . .	.....	
Expenditure in regional and local budgets . . . . .	.....	
Expenditure of the colonies, etc. . . . .	.....	
.....	<hr/>	.....
.....	<hr/>	.....
<b>Total of Table III of the Model Statement (Air Forces) . . . . .</b>	<hr/>	<hr/>

<sup>1</sup> Should this item include unforeseeable and exceptional expenditure relating to one of the other two forces, a note should be added stating the respective amounts of the deductions in respect of each of the two forces in question.  
<sup>2</sup> Where unforeseeable and exceptional expenditure concerning the air forces is deducted from the expenditure of the Department in question, a note should be added showing the amounts of the expenditure thus deducted.

**B. ANALYTICAL TABLE.**

**DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES OF THE MODEL STATEMENT AND THEIR SUBHEADS.**

VOTES, SUBHEADS, ETC., OF THE BUDGETS (OR ACCOUNTS) (..... <sup>1</sup> )			DISTRIBUTION OF THE TOTAL OF THE VOTE (OR SUBHEAD) OF THE BUDGET (OR ACCOUNT)				OBSERVATIONS
Number of the Vote, Subhead, etc.	Headings [English or French translation of the entire heading]	Total entered in the Budget (or Account)	Sums excluded from the Model Statement	Sums included in the Model Statement			
				Amount	Number of the table of the Model Statement	Subhead of the Model Statement	
1	2	3	4	5	6	7	8
<p><b>I. BUDGETS (OR ACCOUNTS) OF THE STATE (CENTRAL POWER)</b></p> <p><i>Budget (or Account) of the Ministry of WAR (-----</i>  <i>-----<sup>2</sup>) published -----</i></p> <p><i>Votes ----- to ----- (pages -----).</i></p>							
<p>Sums to be added to certain Votes or Subheads in order to arrive at gross amounts</p>							

[Continued.]

<sup>1</sup> Description in the national language.

<sup>2</sup> Exact title of the publication in the national language.

**General Notes on Analytical Table B.**

**I.** All indications in these specimens in italics are given for purposes of illustration. The distribution and order of the different groups of votes, subheads, etc., will be set out in accordance with the structure of the national budgets, beginning always with the National Defence Departments.

**II.** Where a large subdivision of the budget or account falls in its entirety into a single table of the Statement and a single subhead of the table, the amounts of separate subheads, etc., making up the subdivision need not be given in detail. But the numerical reference and heading of such subheads, etc., should be shown in columns 1 and 2 of Analytical Table B.

**III.** If the space in column 8 is not sufficient for the entry of the observations, the latter should be appended in a footnote at the bottom of the page, with a reference thereto in column 8 itself.

**IV.** A sufficient number of extra pages to be inserted for each National Defence Department.

**B. ANALYTICAL TABLE.**

**DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES OF THE MODEL STATEMENT AND THEIR SUBHEADS (continued).**

VOTES, SUBHEADS, ETC., OF THE BUDGETS (OR ACCOUNTS) (..... <sup>1</sup> )			DISTRIBUTION OF THE TOTAL OF THE VOTE (OR SUBHEAD) OF THE BUDGET (OR ACCOUNT)				OBSERVATIONS
Number of the Vote, Subhead, etc.	Headings [English or French translation of the entire heading]	Total entered in the Budget (or Account)	Sums excluded from the Model Statement	Sums included in the Model Statement			
				Amount	Number of the table of the Model Statement	Subhead of the Model Statement	
1	2	3	4	5	6	7	8
<p align="center"><i>Budget (or Account) of the Ministry of MARINE (————— —————<sup>2</sup>) published ————— (pages ————) Votes ————— to ————— (pages ————).</i></p>							
<p align="center"><i>Budget (or Account) of the AIR Ministry (————— —————<sup>2</sup>) published ————— (pages ————) Votes ————— to ————— (pages ————).</i></p>							
<p align="center">—————<sup>3</sup></p> <p align="center">—————</p> <p align="center">—————</p> <p align="center">—————</p>							

[Continued.]

<sup>1</sup> Description in the national language.  
<sup>2</sup> Exact title of the publication in the national language.  
<sup>3</sup> Ministries of the Colonies, if any.

See General Notes (page 58).

**B. ANALYTICAL TABLE.**

**DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES OF THE MODEL STATEMENT AND THEIR SUBHEADS (continued).**

VOTES, SUBHEADS, ETC., OF THE BUDGETS (OR ACCOUNTS) (..... <sup>1</sup> )			DISTRIBUTION OF THE TOTAL OF THE VOTE (OR SUBHEAD) OF THE BUDGET (OR ACCOUNT)				OBSERVATIONS
Number of the Vote, Subhead, etc.	Headings [English or French translation of the entire heading]	Total entered in the Budget (or Account)	Sums excluded from the Model Statement	Sums included in the Model Statement			
				Amount	Number of the table of the Model Statement	Subhead of the Model Statement	
1	2	3	4	5	6	7	8
<p align="center"><i>Budget (or Account) of the Ministry of the INTERIOR</i><sup>2</sup> (----- -----<sup>3</sup>) published ----- Votes ----- (pages -----)</p>							
<p align="center"><i>Budget (or Account) of the FINANCE Ministry</i><sup>2</sup> (----- -----<sup>3</sup>) published ----- Votes ----- (pages -----)</p>							
<p align="center">-----<sup>4</sup> ----- -----</p>							

[Continued.]

<sup>1</sup> Description in the national language.

<sup>2</sup> If it contains national defence expenditure.

<sup>3</sup> Exact title of the publication in the national language.

<sup>4</sup> Other civilian Ministry responsible for any national defence expenditure.

See General Notes (page 58).

**B. ANALYTICAL TABLE.**

**DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES OF THE MODEL STATEMENT AND THEIR SUBHEADS (continued).**

VOTES, SUBHEADS, ETC., OF THE BUDGETS (OR ACCOUNTS) (..... <sup>1</sup> )			DISTRIBUTION OF THE TOTAL OF THE VOTE (OR SUBHEAD) OF THE BUDGET (OR ACCOUNT)				OBSERVATIONS
Number of the Vote, Subhead, etc.	Headings [English or French translation of the entire heading]	Total entered in the Budget (or Account) <sup>2</sup>	Sums excluded from the Model Statement	Sums included in the Model Statement			
				Amount	Number of the table of the Model Statement	Subhead of the Model Statement	
1	2	3	4	5	6	7	8
<p align="center"><i>Special Budget or Special Account of the State</i><sup>3</sup> (..... .....<sup>4</sup>) published in .....</p> <p align="center"><i>Vote</i> ..... (pages .....).</p>							
<p align="center"><i>II. Estimates of defence expenditure or expenditure actually effected by Federal States and regional and local authorities</i><sup>3</sup> (..... .....<sup>4</sup>) published .....</p> <p align="center"><i>Vote</i> ..... (pages .....).</p>							
<p align="center"><i>III. Budget (or Account) of Colonies, Protectorates, Oversea Territories, territories under the suzerainty of the High Contracting Parties, or territories in respect of which a mandate has been entrusted to the same</i><sup>3</sup> (.....<sup>4</sup>) published .....</p> <p align="center"><i>Vote</i><sup>(3)</sup> ..... (pages .....).</p>							
<p align="center"><i>IV. Other Expenditure.</i></p>							

<sup>1</sup> Description in the national language.

<sup>2</sup> In certain cases, for which provision is made in the instructions, the amounts shown in column 3 will be estimated figures instead of budgetary figures or will be figures shown in certified statements of payments instead of in published accounts.

<sup>3</sup> If they contain national defence expenditure.

<sup>4</sup> Exact title of each publication in the national language.



BLE.

BLE I OF THE MODEL STATEMENT.

**Land Forces.**

Subhead E.	HEAD II. — TRANSPORT.		HEAD III. — BUILDINGS.		HEAD IV. — WAR MATERIAL.		
	Subhead F.	Subhead G.	Subhead H.	Subhead K.	Subhead M.	Subhead M(a)	Subhead N.
Maintenance of personnel referred to in subheads A to D	Horses and other animals, forage, harness and shoeing	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses	Construction of new fortifications and defensive works	Barracks, other buildings, fixed installations, upkeep	Arms, ammunition, fighting material	Engineer and other warlike stores	Expenditure on depots of war material and expenditure not divisible between subheads M and M(a)
8	9	10	11	12	13	14	15
<b>MINISTRY OF WAR.</b>							
<b>MINISTRY OF MARINE.<sup>1</sup></b>							
<b>AIR MINISTRY.<sup>1</sup></b>							
..... <sup>2</sup>							
..... <sup>3</sup>							

<sup>1</sup> If it contains expenditure on the land forces. <sup>2</sup> Any other National Defence Ministry, the budget (or account) of which contains expenditure on the land forces. <sup>3</sup> Any civil Ministry the budget (or account) of which contains expenditure on the land forces.

C. SYNTHETIC  
I. TABLE RELATING TO

Land Forces (*continued*).

Votes, Items, etc. (indicate designations current in the country)		Sums to be split up	HEAD I. — PERSONNEL.			
Number of vote, item, etc.	Abridged title		Subhead A.	Subhead B.	Subhead C.	Subhead D.
1	2	3	4	5	6	7
	<i>Brought forward . . .</i>					
					<i>SPECIAL STATE</i>	
						<i>OTHER</i>
	<i>Total . . .</i>					

See General Note (page 62).



TABLE (continued).

TABLE I OF THE MODEL STATEMENT (continued).

Land Forces (continued).

	HEAD II. — TRANSPORT.		HEAD III. — BUILDINGS.		HEAD IV. — WAR MATERIAL.		
Subhead E.	Subhead F.	Subhead G.	Subhead H.	Subhead K.	Subhead M.	Subhead M(a)	Subhead N.
8	9	10	11	12	13	14	15
<b>BUDGET (OR ACCOUNT).<sup>1</sup></b>							
<b>STATES AND REGIONAL AND LOCAL AUTHORITIES.<sup>1</sup></b>							
<b>OVERSEA TERRITORY, TERRITORY UNDER THE SUZERAINITY OF THE HIGH CONTRACTING PARTY HAS BEEN INVESTED WITH A MANDATE.<sup>1</sup></b>							
<b>EXPENDITURE.<sup>1</sup></b>							

<sup>1</sup> If it contains national defence expenditure for the land forces.

C. SYNTHETIC

II. TABLE RELATING TO

Naval Forces.

Votes, Items, etc. (indicate designations current in the country)		Sums to be split up	HEAD I. — PERSONNEL.			
Number of vote, item, etc.	Abridged title		Subhead A. Pay and allowances of all kinds Officers	Subhead B. Pay and allowances of all kinds N.C.O.s and men	Subhead C. Pay and allowances of all kinds Civilian personnel	Subhead D. Persons undergoing pre-military training, reservists and reserve organisations
1	2	3	4	5	6	7
<i>BUDGET (OR ACCOUNT) OF THE</i>						
<i>BUDGET (OR ACCOUNT) OF THE</i>						
<i>BUDGET (OR ACCOUNT) OF THE</i>						
<i>Carried forward . . .</i>						

See General Note (page 62).

TABLE (continued).

TABLE II OF THE MODEL STATEMENT.

**Naval Forces.**

	HEAD II. TRANSPORT	HEAD III. — BUILDINGS.		HEAD IV. — WAR MATERIAL.		
Subhead E.	Subhead G.	Subhead H.	Subhead K.	Subhead L.	Subhead M.	Subhead N.
Maintenance of personnel referred to in subheads A to D	Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses	Construction of new fortifications and defensive works	Barracks, other buildings, fixed installations, upkeep	Vessels: new construction	Upkeep of vessels and their armament; purchase, manufacture, repair or upkeep of arms, ammunition and other war material	Expenditure on depots of war material and expenditure not divisible between subheads L and M
8	9	10	11	12	13	14
<i>MINISTRY OF MARINE.</i>						
<i>MINISTRY OF WAR.<sup>1</sup></i>						
<i>AIR MINISTRY.<sup>1</sup></i>						
..... <sup>2</sup>						
..... <sup>3</sup>						

<sup>1</sup> If it contains expenditure for the naval forces.  
<sup>2</sup> Other National Defence Ministry, if it contains expenditure for the naval forces.  
<sup>3</sup> Civil Ministry containing national defence expenditure for the naval forces.

**C. SYNTHETIC**

**II. TABLE RELATING TO**

**Naval Forces (continued).**

Votes, Items, etc. (indicate designations current in the country)		Sums to be split up	HEAD I. — PERSONNEL.			
Number of vote, item, etc.	Abridged title		Subhead A.	Subhead B.	Subhead C.	Subhead D.
1	2	3	4	5	6	7
	<i>Brought forward . . .</i>					
					<i>SPECIAL STATE</i>	
					<i>ESTIMATES (OR CERTIFIED STATEMENTS) OF FEDERATED</i>	
					<i>BUDGET (OR ACCOUNT) OF COLONY, PROTECTORATE, THE HIGH CONTRACTING PARTY OR IN RESPECT OF WHICH</i>	
						<i>OTHER</i>
	<i>Total . . .</i>					

See General Note (page 62).

TABLE (continued).

TABLE II OF THE MODEL STATEMENT (continued).

Naval Forces (continued).

	HEAD II. TRANSPORT.	HEAD III. — BUILDINGS.	HEAD IV. — WAR MATERIAL.			
Subhead E.	Subhead G.	Subhead H.	Subhead K.	Subhead L.	Subhead M.	Subhead N.
8	9	10	11	12	13	14
<i>BUDGET (OR ACCOUNT).<sup>1</sup></i>						
<i>STATES AND REGIONAL AND LOCAL AUTHORITIES.<sup>1</sup></i>						
<i>OVERSEA TERRITORY, TERRITORY UNDER THE SUZERAINTY OF THE HIGH CONTRACTING PARTY HAS BEEN INVESTED WITH A MANDATE.<sup>1</sup></i>						
<i>EXPENDITURE.</i>						

<sup>1</sup> If it contains national defence expenditure for the naval forces.



BLE (continued).

BLE III OF THE MODEL STATEMENT.

Air Forces.

PERSONNEL.			HEAD II. TRANSPORT.	HEAD III. BUILDINGS.	HEAD IV. WAR MATERIAL.
Subhead C. Pay and allowances of all kinds Civilian personnel	Subhead D. Persons undergoing pre-military training, reservists and reserve organisations	Subhead E. Maintenance of personnel referred to in subheads A to D	Subhead G. Coal, fuel, oil, petrol, lubricants, etc., and other transport expenses	Subhead K. Barracks, other buildings, fixed installations, upkeep	Subhead M. Arms, ammunition, fighting material and other kinds of war material
6	7	8	9	10	11

AIR MINISTRY.

MINISTRY OF WAR.<sup>1</sup>

MINISTRY OF MARINE.<sup>1</sup>

.....<sup>2</sup>

.....<sup>3</sup>

<sup>1</sup> If it contains expenditure for the air forces.  
<sup>2</sup> Other National Defence Ministries, if they contain expenditure for the air forces.  
<sup>3</sup> Civil Ministry containing national defence expenditure for the air forces.

G. SYNTHETIC

III. TABLE RELATING TO

Air Forces (*continued*).

Votes, Items, etc. (indicate designations current in the country)		Sums to be split up	HEAD I. — PERSONNEL.		
Number of vote, item, etc.	Abridged title		Subhead A.	Subhead B.	Subhead C.
1	2	3	4	5	6
	<i>Brought forward . . .</i>				
					<b>SPECIAL STATE</b>
					<b>ESTIMATES (OR CERTIFIED STATEMENTS) OF FEDERATED</b>
					<b>BUDGET (OR ACCOUNT) OF COLONY, PROTECTORATE, THE HIGH CONTRACTING PARTY OR IN RESPECT OF WHICH</b>
					<b>OTHER</b>
	<i>Total . . .</i>				

See General Note (page 62).



TABLE (continued).

TABLE III OF THE MODEL STATEMENT (continued).

Air Forces (continued).

		HEAD II. TRANSPORT.	HEAD III. BUILDINGS.	HEAD IV. WAR MATERIAL.
Subhead D.	Subhead E.	Subhead G.	Subhead K.	Subhead M.
7	8	9	10	11
<b>BUDGET (OR ACCOUNT).<sup>1</sup></b>				
<b>STATES AND REGIONAL AND LOCAL AUTHORITIES.<sup>1</sup></b>				
<b>OVERSEA TERRITORY, TERRITORY UNDER THE SUZERAINTY OF THE HIGH CONTRACTING PARTY HAS BEEN INVESTED WITH A MANDATE.<sup>1</sup></b>				
<b>EXPENDITURE.</b>				

<sup>1</sup> If it contains national defence expenditure for the air forces.

EXPLANATORY TABLE FOR ITEM No. 1 OF THE SPECIAL INFORMATION  
CONTAINED IN TABLE V OF THE STATEMENT.

ORDINARY PENSIONS.

Authority responsible for expenditure	Amounts	Remarks
<i>Ministry</i> .....	.....	Vote ... to vote ... internal accounts, estimates and any other particulars.
<i>Ministry</i> .....	.....	
<i>Ministry</i> .....	.....	
.....	.....	
or <i>Pensions Fund</i> (specify which) ..	.....	
.....	.....	
<b>Total</b> . . . . .	..... <sup>1</sup>	

<sup>1</sup> Pensions granted to personnel discharged in consequence of the reduction of armaments—included in the above table—amount to .....

**General Notes on the Explanatory Tables.**

All directions printed in italics in the present specimen tables are given as examples only. The distribution and order of these various particulars should follow the arrangement of the national budgets, beginning with the National Defence Departments in all cases.

Should it be found that there is not room in the column "Remarks", the latter should be set out at the bottom of the page, attention being drawn to them by means of a reference in the "Remarks" column.

**EXPLANATORY TABLE FOR ITEM No. 2 OF THE SPECIAL INFORMATION CONTAINED  
IN TABLE V OF THE STATEMENT.**

**DIFFERENCE BETWEEN THE INITIAL AMOUNTS OF THE BLOCK CREDITS VOTED FOR SEVERAL YEARS  
AND ANY PART OF SUCH CREDITS ALREADY ENTERED IN THE BUDGET, INCLUDING THE BUDGETS  
FOR THE YEAR TO WHICH THE STATEMENT REFERS.**

Particulars				Remarks
<i>Ministry of War.</i>				
Initial amount of the credit		.....		Law — or equivalent enactment—dated . ..... <i>Official Journal</i> or other document.... contain- ing particulars of the voting or authorisa- tion of the credit of ..... to be entered in the budgets of ..... financial years as from the year .... for the sum of ..... each year in respect of expendi- ture on account of.. Vote.... Vote.... Vote....
Amount of the credits shown in the:				
<i>budget for 1930</i>	.....			
» » <i>1931</i>	.....			
» » <i>1932</i>	.....	.....		
Difference to be shown in subsequent budgets . .			.....	
—				
Initial amount of the credit..... etc., etc.		.....	.....	
<i>Ministry of Marine.</i>				
Initial amount of the credit..... etc., etc.		.....	.....	
. . . . .		.....	.....	
Grand Total . . . .			.....	

*Note.* — Particulars in respect of changes in credits. Should changes have been made in the initial amount, purpose or distribution of the initial credit, the relevant particulars—which should embody the same information as that to be supplied in regard to the first credit—should be shown after those relating to the original law.

See General Notes (page 74).

**EXPLANATORY TABLE FOR ITEM No. 3 OF THE SPECIAL INFORMATION  
CONTAINED IN TABLE V OF THE STATEMENT.**

DIFFERENCE BETWEEN CARRY-FORWARD CREDITS—THAT IS TO SAY, CREDITS WHICH MAY BE  
USED FOR PAYMENTS TO BE MADE DURING THE YEAR OR SUBSEQUENT YEARS—AND PAYMENTS  
IN RESPECT OF SUCH CREDITS SHOWN IN THE ACCOUNTS FOR THE FORMER.

Vote, items, etc.		Amount of the credit carried forward from the previous year	Amount of the carry- forward credit fixed for the year .....	Total	Total payments included in the statement	Difference between columns 5 and 6. Carry- forward cre- dits in hand at the end of the year .....	Remarks
No.	Description						
1	2	3	4	5	6	7	8
	<i>Ministry of War.</i>						
.....	.....	.....	.....	.....	.....	.....	
.....	.....	.....	.....	.....	.....	.....	
.....	.....	.....	.....	.....	.....	.....	
.....	.....	.....	.....	.....	.....	.....	
	Total: Ministry of War . .					.....	
	<i>Ministry of Marine.</i>						
.....	.....	.....	.....	.....	.....	.....	
.....	.....	.....	.....	.....	.....	.....	
	Total: Ministry of Marine .					.....	
.....	.....	.....	.....	.....	.....	.....	
.....	.....	.....	.....	.....	.....	.....	
.....	.....	.....	.....	.....	.....	.....	
	RECAPITULATION.						
	<i>Ministry of War</i>					.....	
	<i>Ministry of Ma- rine . . . .</i>					.....	
.....	.....					.....	
	Grand Total .					.....	

See General Notes (page 74).

EXPLANATORY TABLE FOR ITEM No. 4 OF THE SPECIAL INFORMATION CONTAINED  
IN TABLE V OF THE STATEMENT.

AUTHORISATIONS TO ENTER INTO COMMITMENTS GRANTED BY PARLIAMENT OR THE AUTHORITY  
ENACTING THE BUDGET, APART FROM THE CREDITS FOR PAYMENTS VOTED IN THE BUDGET OF THE  
YEAR TO WHICH THE STATEMENT REFERS.

Particulars			Remarks
<i>Ministry of War.</i>			
Commitment authorisation granted under the Law (or equivalent enactment) dated ..... in respect of expenditure on .....	.....		<i>Official Journal</i> or other document .....
Commitment authorisation, etc.....	.....		The payment credits relating to this authorisation are to be shown in the budget for the following years....
.....	.....		
.....	.....		
Total for the Ministry of War . .	.....	.....	<i>Or:</i> The regularisation of this authorisation in the year ..... or the years ..... will be effected ..... (specify procedure)
<i>Ministry of Marine.</i>			
Commitment authorisation, etc.....	.....		
.....	.....		
Grand Total . . . . .	.....	.....	

See General Notes (page 74).

**EXPLANATORY TABLE FOR ITEM No. 5 OF THE SPECIAL INFORMATION  
CONTAINED IN TABLE V OF THE STATEMENT.**

DIFFERENCE BETWEEN AUTHORISATIONS OF EXPENDITURE CONTAINED IN SPECIAL ACCOUNTS  
AND PAYMENTS ALREADY MADE AGAINST SUCH ACCOUNTS, INCLUDING THOSE MADE DURING THE  
YEAR IN RESPECT OF WHICH THE STATEMENT HAS BEEN COMPILED.

Particulars				Remarks
<i>Special account</i> .....				Law—or equivalent enactment—dated .....
Initial amount of credit <sup>1</sup> . . .		.....		
Total payments made in the year . . . . .	.....			<i>Official Journal</i> or other document . . . . . showing the credit of . . . . . in respect of expenditure . . . . . to be effected during the years <sup>2</sup> .
<i>id.</i> 1930. . . . .	.....			
<i>id.</i> 1931. . . . .	.....			
<i>id.</i> 1932. . . . .	.....			
Difference . . . . .		.....	.....	(Reference to State account from which the figures entered may be checked.)
<i>Special account</i> .....				
Balance available at the beginning of the year . . . . .	.....			Any other particulars.
Receipts . . . . .	.....			
Total payments . . . . .		.....		
Available balance at the end of the year . . . . .			.....	
Grand Total . . . . .			.....	

<sup>1</sup> Particulars should be given of any changes made in the amounts of the initial credits as to their total, distribution or purpose.

<sup>2</sup> Where there is no published authorisation, enter the estimated amount of the expenditure.

See General Notes (page 74).

EXPLANATORY TABLE FOR ITEM No. 6 OF THE SPECIAL INFORMATION  
CONTAINED IN TABLE V OF THE STATEMENT.

CREDIT BALANCES OF AUTONOMOUS ESTABLISHMENTS REMAINING AT THE DISPOSAL OF THOSE  
ESTABLISHMENTS AT THE END OF THE FINANCIAL "EXERCICE".

Particulars of autonomous establishments				Remarks	
<i>Establishment</i> ..... Balance in hand at the be- ginning of the year . . . Receipts . . . . . Expenditure . . . . . Balance at the end of the year	..... ..... ..... .....	..... ..... ..... .....	..... ..... ..... .....	Particulars of the documents with page references in which such balances are to be found. Any other particulars.	
<i>Establishment</i> ..... Balance in hand at the be- ginning of the year . . . Receipts . . . . . Expenditure . . . . . Balance at the end of the year	..... ..... ..... .....	..... ..... ..... .....	..... ..... ..... .....		
<i>Establishment</i> ..... etc.	..... .....	..... .....	..... .....		
Total Balance . . . .	.....	.....	.....		

See General Notes (page 74).

**EXPLANATORY TABLE FOR ITEM No. 7 OF THE SPECIAL INFORMATION  
CONTAINED IN TABLE V OF THE STATEMENT.**

AMOUNTS LIQUIDATED AND NOT PAID FOR MATERIAL SUPPLIED AND SERVICES RENDERED,  
THE PAYMENT OF WHICH HAS BEEN DEFERRED.

Particulars	Expenditure relating to the Heads of the Statement		Totals	Remarks
	I to III	IV		
<i>Ministry of War.</i>				
(a) Government deliveries of .....	.....	.....	.....	Particulars regarding the character and origin of delays in making payments, together with references to published documents from which the figures supplied may be verified.
(b) Purchases from private undertakings or services rendered by such undertakings .....	.....	.....	.....	
(c) Deliveries by autonomous establishments .....	.....	.....	.....	
(d) Services rendered by personnel, etc. ....	.....	.....	.....	
(e) Purchases in respect of which the creditors have transferred their claim against the State to a bank, provided that the State has not settled with that bank .....	.....	.....	.....	
(f) .....	.....	.....	.....	
Totals: Ministry of War .....	.....	.....	.....	
<i>Ministry of Marine.</i>				
(a) .....	.....	.....	.....	
(b) .....	.....	.....	.....	
(c) .....	.....	.....	.....	
-etc. ....				
Totals: Ministry of Marine ...	.....	.....	.....	
<i>Ministry of</i> .....	.....	.....	.....	
.....	.....	.....	.....	
Totals: Ministry of .....	.....	.....	.....	
<b>RECAPITULATION.</b>				
<i>Ministry of War</i> .....	.....	.....	.....	
<i>Ministry of Marine</i> .....	.....	.....	.....	
<i>Ministry of</i> .....	.....	.....	.....	
Grand total. . . . .	.....	.....	.....	

See General Notes (page 74).



**EXPLANATORY TABLE FOR ITEM No. 8 OF THE SPECIAL INFORMATION  
CONTAINED IN TABLE V OF THE STATEMENT.**

**EXPENDITURE NOT INCLUDED IN THE STATEMENT IN RESPECT OF SUBSIDIES PAID TO AND  
PARTICIPATIONS IN PRIVATE ENTERPRISES HAVING AS ONE OF THEIR OBJECTS THE DELIVERY  
OF WAR MATERIAL IN TIME OF PEACE.**

Particulars		Totals	Remarks
<i>Ministry of</i> .....			Law (or equivalent enactment) ..... ( <i>Official Journal</i> or other document ..... ) vote — or other subdivision ..... Name of recipient designated in the above-mentioned law or enactment .... .... Subsidy or participation, etc.
..... subsidies or participation in respect of .....	.....		
..... id. id.: etc. ....	.....		
<b>Total: Ministry of</b> .....		.....	
<i>Ministry of</i> .....			
..... subsidies or participation: etc. ....	.....		
..... id. id.: etc. ....	.....		
<b>Total: Ministry of</b> .....		.....	
.....		.....	
.....		.....	
<b>Grand total</b> . . . . .		.....	

See General Notes (page 74).

**EXPLANATORY TABLE FOR ITEM No. 9 OF THE SPECIAL INFORMATION  
CONTAINED IN TABLE V OF THE STATEMENT.**

**VARIOUS INFORMATION REGARDING UNPAID SERVICES AND SUPPLIES FOR NATIONAL DEFENCE.**

*A. — Estimated Value.*

Character of the unpaid service	Expenditure relating to the Heads of the Statement		Totals	Remarks
	I to III	IV		
..... (particulars of the character of the various unpaid services or supplies) .....	.....	.....	.....	(Particulars of the law—or equivalent enactment—authorising such services or supplies.)
..... (particulars, etc.) .....	.....	.....	.....	
..... (particulars, etc.) .....	.....	.....	.....	
Estimate .....				
Grand totals . . . . .	.....	.....	.....	

*B. Particulars to be supplied in Cases in which Estimates are impossible.*

Character of the unpaid service	Particulars
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

See General Notes (page 74).

Country:.....

Date:.....

**FIRST SUMMARY STATEMENT OF CHANGES MADE IN NATIONAL DEFENCE  
EXPENDITURE AUTHORISATIONS**

FROM THE ENACTMENT OF THE ORIGINAL BUDGET TO THE EXPIRATION OF A PERIOD OF NINE MONTHS AS  
FROM THE BEGINNING OF THE FINANCIAL YEAR.

ORIGINAL AUTHORISATIONS			CHANGES IN ORIGINAL AUTHORISATIONS				Total authorisations on ..... (C±G=H)	Particulars of documents published. Date of publication *
Where authorised	Date of authorisation	Total amount	Total amount of new expenditure authorised	Total amount of increases in original credits	Total amount of reductions in original credits	Algebraic sum of various changes made (D+E-F=G)		
A	B	C	D	E	F	G	H	J
Budget of War Ministry . . . . .	.....	.....	.....	.....	.....	.....	.....	
Budget of Ministry of Marine . . . . .	.....	.....	.....	.....	.....	.....	.....	
Budget of Air Ministry . . . . .	.....	.....	.....	.....	.....	.....	.....	
Budgets of other Ministries:								
Ministry of . . . . .	.....	.....	.....	.....	.....	.....	.....	
Ministry of . . . . .	.....	.....	.....	.....	.....	.....	.....	
Ministry of . . . . .	.....	.....	.....	.....	.....	.....	.....	
Colonial budgets . . . . .	.....	.....	.....	.....	.....	.....	.....	
Authorisations outside the budget <sup>1</sup> . . . . .	.....	.....	.....	.....	.....	.....	.....	
.....	.....	.....	.....	.....	.....	.....	.....	
.....	.....	.....	.....	.....	.....	.....	.....	
.....	.....	.....	.....	.....	.....	.....	.....	
.....	.....	.....	.....	.....	.....	.....	.....	
<b>Total . . . . .</b>	.....	.....	.....	.....	.....	.....	.....	

**RECAPITULATION.**

Total original authorisations (Column C) . . . . .	.....
New expenditure authorised (Column D) . . . . .	.....
Increases in original credits (Column E) . . . . .	+ .....
	.....
Reduction in original credits (Column F) . . . . .	- .....
	.....
Total authorisations on . . . . . (Column H)	.....

<sup>1</sup> Here enter expenditure authorised outside the budget—naval shipbuilding, fortifications, etc.  
<sup>2</sup> Particulars which cannot be entered in this column should be given in a note attached to the present table.

The documents should be enclosed with the present summary statement.

Country: .....

Date: .....

**SECOND SUMMARY STATEMENT OF CHANGES MADE IN NATIONAL DEFENCE  
EXPENDITURE AUTHORISATIONS**

FROM THE ENACTMENT OF THE ORIGINAL BUDGET TO THE EXPIRATION OF A PERIOD OF FIFTEEN MONTHS  
AS FROM THE BEGINNING OF THE FINANCIAL YEAR.

ORIGINAL AUTHORISATIONS			Total changes made up to the expiration of a period of nine months (figures of column G of the first summary statement)	CHANGES IN ORIGINAL AUTHORISATIONS MADE FROM THE BEGINNING OF THE TENTH MONTH TO THE END OF THE FIFTEENTH MONTH				Total authorisations on ..... (C±H=I)	Particulars of documents published.  Date of publication :
Where authorised	Date of authorisation	Total amount		Total amount of new expenditure authorised	Total amount of increases in original credits	Total amount of reductions in original credits	Algebraic sum of various changes made (±D+E+F-G-H)		
A	B	C	D	E	F	G	H	I	K
Budget of War Ministry. . . . .	.....	.....	.....	.....	.....	.....	.....	.....	.....
Budget of Ministry of Marine. . . . .	.....	.....	.....	.....	.....	.....	.....	.....	.....
Budget of Air Ministry. . . . .	.....	.....	.....	.....	.....	.....	.....	.....	.....
Budgets of other Ministries									
Ministry of . . .	.....	.....	.....	.....	.....	.....	.....	.....	.....
Ministry of . . .	.....	.....	.....	.....	.....	.....	.....	.....	.....
Ministry of . . .	.....	.....	.....	.....	.....	.....	.....	.....	.....
Colonial budgets. .	.....	.....	.....	.....	.....	.....	.....	.....	.....
Authorisations outside the budget <sup>1</sup> .	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
<b>Total . . . .</b>	.....	.....	.....	.....	.....	.....	.....	.....	.....

RECAPITULATION.

Total original authorisation (column C) . . . . .	.....
Changes made up to the expiration of a period of nine months (column D)	±.....
<hr/>	
Changes made from the beginning of the tenth month to the end of the fifteenth month:	
New expenditure authorised (column E) . . . . .	.....
Increase in original credits (column F) . . . . .	.....
	±.....
<hr/>	
Reduction in original credits (column G). . . . .	.....
	-.....
<hr/>	
Total authorisations on ..... (column I) . . . . .	.....
	.....

<sup>1</sup> Here enter expenditure authorised outside the budget—naval shipbuilding, fortifications, etc.  
<sup>2</sup> Particulars which cannot be entered in this column should be given in a note attached to the present table.  
 The documents should be enclosed with the present summary statement.

## B. DRAFT TEXT FOR THE FINAL ACT OF THE CONFERENCE.<sup>1</sup>

*Whereas* the system of publicity of national defence expenditure instituted under the Convention should be so applied as to facilitate the supervision which will be exercised by the Permanent Commission and strengthen the guarantees of the principle of reciprocity mentioned in Article A:

The Conference *expresses the hope* that each State will consider the propositions set out hereunder, and endeavour to comply with them as far as possible;

And *requests* the Permanent Commission to follow up the progress made in this direction having regard to the varying conditions of the different States.

**1. Structure of Budgets and Accounts.** With a view to verifying the accuracy of the figures entered in the statements, the ideal arrangement would be that the figures given in the budgets and accounts should, so far as internal requirements permit, be capable of transfer as they stand to the various subheads of the statements without it being necessary to split them up.

**2. Degree of Detail in Budgets and Accounts.** With a view to facilitating the examination by the Permanent Commission of budgetary documents, as provided for in Articles I and J of the Convention, it would be desirable that the degree of detail given in budgets and accounts should be progressively increased.

**3. National Defence Expenditure entered in the Budgets of Civil Departments.** National defence expenditure, within the meaning of the Convention, should, as far as possible, be entered exclusively in the budgets and accounts of the military departments.

In the event of Governments considering it necessary that certain national defence expenditure should remain in the budgets and accounts of civil departments, it would be desirable that this expenditure should be shown, so far as its nature permits, under separate headings in these budgets and accounts, so as to make its military character clear.

If they consider it impossible to do this, it would be desirable that States should at least present, in a published document, a summary of the national defence expenditure shown under those heads of civil budgets which are common to both civil and defence expenditure. Such a summary should be inserted, preferably as an annex to the budgets and accounts.

**4. Expenditure shown in the Budgets of the National Defence Departments which is not in the Nature of National Defence Expenditure.** Similarly, expenditure which is not in the nature of national defence expenditure within the meaning of the Convention and which is at present entered in the budgets and accounts of national defence departments should, in so far as Governments regard it as possible to do so, be entered exclusively in the budgets and accounts of the civil departments.

Should Governments deem it necessary to leave expenditure of this nature in the budgets and accounts of the national defence departments, it would be desirable that such expenditure should be entered under separate heads, and that it should be made quite clear that it is not of a national defence character.

Should expenditure which is not national defence expenditure be left in the military budgets and merged with national defence expenditure under common heads, it would be useful for States to submit, in the form of an annex to the budgets and accounts, a summary of the non-defence expenditure appearing under the said common heads.

**5. Separation of Expenditure on Military Aviation from Expenditure on Civil Aviation.** For the same reasons, States are recommended, so far as possible, to separate in the budgets and accounts expenditure on military from expenditure on civil aviation. Should there be common heads for the joint activities of civil and military aviation, mention should be made of what parts of the total expenditure are chargeable to military aviation and civil aviation respectively.

**6. Special Accounts.** With a view to simplifying the verification of the figures entered in the statements, national defence expenditure should preferably not be shown in special accounts.

If States find it necessary to keep national defence expenditure in special accounts, including special accounts relating to arrears payments of any kind, it would be desirable that these accounts should be entered in the general State accounts and should contain a sufficient degree of detail to enable the nature and purpose of all the expenditure entered therein to be easily and exactly ascertained.

<sup>1</sup> See Preliminary Note, page 5.

- 7. Expenditure effected from the Proceeds of Gifts and Bequests.** Similarly, expenditure for the armed forces effected from the proceeds of gifts and bequests should be entered in the budget accounts of national defence departments, with a mention of the purpose of such expenditure.
- 8. Conformity of Budgets and Accounts.** To facilitate so far as possible the perusal and interpretation of budgets and accounts and the ascertainment of the real purpose of the expenditure shown therein, it would be of assistance that States should submit their budget accounts in the same form as the budgets themselves.  
To facilitate a comparison of estimates with payments, it would also be advisable that the accounts should show clearly any appreciable changes made in the appropriation of expenditure in the course of the financial year.
- 9. Separation of the Expenditure of the Three Forces.** To facilitate the supervision of publicity of expenditure, it would be desirable that States should consider whether their defence organisation would allow of the preparation of a separate budget and a separate account for each of their forces. It is recommended that States should at least show in their budgets and accounts what part of the expenditure is chargeable to each force and that, when items exist in budgets and accounts relating to expenditure common to more than one armed force, the joint character of these items should be made clear in the budget and in the account itself.
- 10. Expenditure to be inserted under Head IV.** To facilitate verification of the accuracy of the figures inserted under head IV, it is desirable that expenditure which, in accordance with the instructions on classification, should be inserted under this head should, so far as possible, be entered under separate heads in the budgets and accounts.
- 11. Non-autonomous Establishments for the Manufacture or Construction of War Material.** To obviate the difficulties presented by the isolation of the expenditure to be entered under head IV of the statements, the ideal arrangement would be for States possessing non-autonomous establishments for the manufacture or construction of war material—*i.e.*, establishments the expenditure of which is shown in the budgets and accounts of national defence departments, to enter under a separate head in their budgets and accounts all expenditure connected with the construction and manufacture of such material, as defined in Annex III, Part 2, in so far as this can be done without involving undue complication.
- 12. Autonomous Establishments for the Manufacture or Construction of War Material.** For the same reasons, it is considered desirable that States possessing autonomous establishments for the manufacture or construction of war material which do not at present publish annual financial accounts specifying the revenue and expenditure of these establishments should compile and publish such accounts.
- 13. Measures for curtailing the Periods for rendering the Statements of Payments effected.** In order that publicity may achieve its full purpose, it should be organised in such a way as to render available the necessary particulars as speedily as possible.  
It would be desirable that the final accounts of all States should be published at dates which would make it possible to curtail the period of fourteen months from the close of the financial year laid down in Article F for despatch of the statement of payments effected. To obtain this result, States are recommended either to shorten the supplementary periods or to expedite the presentation and publication of accounts, or to adopt any other method.
- 14. Independence of the Higher Auditing Bodies.** It is desirable that all the High Contracting Parties should endeavour to ensure and strengthen the independence of the higher auditing bodies, whose duty it is to verify the figures of the closed accounts.
- 15. Special Position of States situated at a Distance from the Seat of the Permanent Commission.** Articles C, D, E and F of the Convention prescribe uniform maximum time-limits for all States for the despatch of the several documents which have to be communicated to the Permanent Commission.  
In order that these documents should be received by the Commission as soon as possible after the expiry of the time-limits laid down, States situated at a distance from the seat of the Commission are, however, urged to do everything in their power to expedite the despatch of these documents.

LEAGUE OF NATIONS

CONFERENCE FOR THE REDUCTION AND LIMITATION OF ARMAMENTS

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PUBLICITY OF NATIONAL DEFENCE EXPENDITURE

DRAFT CONVENTION

prepared by the Technical Committee of the National  
Defence Expenditure Commission

Addendum to the Preliminary Note.

Add at the end of the Note as given on page 5 the following paragraph:

The Technical Committee feels bound to draw the General Commission's attention to the fact that, in accordance with the general provisions of the Convention, it has provided in the articles and instructions, the drafting of which was entrusted to it, stipulations of a special character ensuring from a technical standpoint reciprocity of the obligations contracted by States in regard to the publicity of national defence expenditure.

Indeed, notwithstanding the diversity of institutions and particularly of the rules of public accountancy, the Committee considers that the differences between one country and another will not prevent the satisfactory operation of the system of publicity which it has devised, and that the conditions of the application of this publicity laid down in the articles of the Convention actually guarantee, having regard to the practical aim in view, the reciprocity of the obligations to be undertaken by States.

The Technical Committee is aware that the final decisions which will be taken by the General Commission in other spheres may necessitate amendments in certain parts of the attached instruments concerning the publicity of national defence expenditure. It notes, in particular, that the General Commission has not yet taken any decision regarding the police forces and similar formations which are covered by Article 12 of the United Kingdom draft Convention and which might have to be included in the calculation of effectives. The Committee draws attention to the possible necessity, in the light of the decisions taken by the General Commission in this sphere, of introducing certain amendments into the texts it proposes.