

Geneva, December 18th, 1931.

LEAGUE OF NATIONS

SETTLEMENT OF BULGARIAN REFUGEES.

**Twenty-first Report
of the Commissioner of the League of Nations in Bulgaria.**

Quarter from August 15th, 1931, to November 15th, 1931.

A. Settlement of the Bulgarian Refugees.

I. 1926 REFUGEE SETTLEMENT 7% LOAN.

Appendix I to the present report shows the position of the 1926 Refugee Settlement 7% Loan account as at October 31st, 1931, including the credit interest on the deposits in London and New York. The whole amount available in foreign moneys has been converted into leva, and there was a deposit of 35,835,410 leva at the National Bank of Bulgaria on the date in question.

II. YIELD OF REVENUES ASSIGNED AS SECURITY.

The amounts paid into the account for revenues assigned as security for the service of the 1926 7% Loan are shown below in leva:

Chapter of the budget	Receipts			Monthly budget estimates, one-twelfth
	August	September	October	
<i>Chapter 15 (excise duty on alcohol, etc.)</i>	6,218,894	5,470,547	2,541,429	5,000,000
<i>Chapter 16 (excise duty on salt, etc.)</i>	18,897,103	22,009,903	33,219,629	29,166,666
<i>Chapter 21 (sale of matches)</i>	9,045,000	9,720,000	8,946,000	9,583,333
Total	34,160,997	37,200,450	44,707,058	43,749,999

The total receipts for the three months amount to 116,068,505 leva, as against 135,337,476 and 153,327,560 leva for the corresponding quarters of the last two years. In the first seven months of the financial year, 270,881,559 leva have been paid in, as against the 306,249,993 leva of the budget estimates, making a deficit of 9.3 per cent. The receipts for the first seven months of the financial year 1930-31 totalled 305,678,885 leva.

These figures confirm the tendency which has been apparent for some months past, as a result of the depression, towards a distinct falling-off in the yield of the assigned revenues. The service of the loan is still, however, amply provided for, and the transfers on this account, which have fallen off since October owing to the depreciation of the pound sterling, absorbed only 39,439,277 leva during the three months under consideration, which is equivalent to approximately one-third of the total amount available.

To the yield of the assigned revenues must be added the payments made by the refugees for the reimbursement of expenditure incurred in settling them:

	August	September	October	Previous payments	Total payments up to October 31st, 1931
Interest	68,146	66,687	62,566	2,057,919	2,255,318
Amortisation	213,778	145,795	138,958	13,200,508	13,699,039
Total	281,924	212,482	201,524	15,258,427	15,954,357

The payments for the three months amount to 695,930 leva, as against 937,736 leva for the preceding quarter. Reference is made to what was said in the last report in regard to the inadequacy of the refugees' payments. As the above figures show, the situation has remained unchanged in these last months.

The "Land Redemption" account has been credited with the refugees' payments in respect of the land tax (see twentieth report: Yield of Revenues assigned as Security, page 2), to a total of 234,657 leva for the last two months. The payments into the "Land Redemption" account, like the repayments of expenditure incurred for settlement, will be converted each quarter, on the instructions of the Trustees, into foreign currencies, to be devoted to the supplementary amortisation of the loan.

III. EXECUTION OF THE SETTLEMENT PLAN.

We have had the misfortune to lose the Director-General of Refugee Settlement, Engineer Saraffoff, who died in Vienna on September 3rd last. It is with deep regret that we pay tribute to the memory of our distinguished colleague, whose remarkable capacity succeeded in overcoming difficulties innumerable arising in the performance of the common task. Although for months past his health, impaired by unremitting toil, had demanded complete rest, his high sense of duty led him to neglect the advice of his doctors in the hope of bringing the task he had undertaken to an early close. It is no more than the truth to say he died in harness at the work to which he had devoted the best that was in him. The whole country has paid its tribute to a long life dedicated to the service of Bulgaria, which loses in him, at a critical juncture, one of its great men.

Agricultural Engineer Hitelhoff, who has been in charge of the land settlement work from the beginning, has been appointed by the Prime Minister to be Director-General in the place of M. Saraffoff.

The execution of the settlement plan is now approaching its conclusion. Some work remains to be completed as soon as the first months of fine weather return; but the principal work remaining is administrative, and is in connection with the final establishment of the individual refugee accounts, and the issue of the notarial acts for the constitution of the mortgages on the property of the refugees, for which provision is made in the Protocol and in the "General Bond" of the loan as security for the repayment of the settlement expenditure.

The Cabinet will shortly have before it a Bill laying down the conditions for the conclusion of the work of the General Directorate. As from January 1st next, the General Directorate will be converted into a liquidation organisation, which will be wound up as soon as possible.

(a) Various Supplies.

The following is a summary of the supplies distributed since the beginning of the work and entered as at the date of the report:

	Leva
Seed	74,012,915
Live-stock: 22,178 head	162,692,910
Implements: 10,420 carts	}
8,741 ploughs	
2,860 harrows	
Fishing-tackle	6,702,655
Copper sulphate	77,119
Total	307,579,139

The total at the close of the previous quarter was 302,065,114

(b) *Houses.*

The following table shows the position as at November 30th, 1931:

	Houses		Barns		Byres	
	Finished	Contracted for	Finished	Contracted for	Finished	Contracted for
Built by private enterprise . . .	8,365	—	6,038	—	6,955	—
Built on a monopoly basis by the General Directorate for the Settlement of Refugees . . .	1,210	20	1,041	20	875	7
Built by the refugees themselves .	604	59	410	32	502	43
Total	10,179	79	7,489	52	8,332	50
Figures as at July 31st, 1931. . .	8,426	1,836	5,995	1,532	7,131	1,253

The results obtained are in every way remarkable. All work under contract with contractors is now completed, and there remain only 79 houses to be finished in the coming year.

To the work to which the above figures relate must be added the repairing of 268 houses for the reasons given in our last report (page 3, (b)). The majority were finished this autumn; but, owing to bad weather, there are a certain number the repairs on which will not be completed until next year.

(c) *Distribution of Land.*

In the course of the quarter, 43,989 decares were allotted to 1,099 families, bringing the total of allotments made since the beginning up to 1,076,259 decares, distributed among 29,886 families—an average of 36.01 decares per family.

At Karaboas and Messemvria, there has been a distribution of reclaimed marshland. At Messemvria, the work was not completed; but it was found possible to make allotments of cultivable land nevertheless.

At Karaboas, all the houses for the refugees (919) are ready, but only some of them (292) are at present occupied. Land has been allotted to 415 families, but they have preferred to remain for the winter in their old villages; they will not make the move to Karaboas till the spring, when they can begin to get to work on the land. This leaves 212 families for whom land has still to be found.

(d) *Supply of Drinking-Water.*

The completion of the proposed programme will take three more months' work.

(e) *Drainage of Marshes.*

1. *Karaboas Plain.* — The embankment and drainage work is finished. A bridge is in process of completion.

2. *Straldja Marsh.* — The work done down to November 30th represents 85 per cent of the total.

3. *Messemvria Marsh.* — Of the work under the contract 88 per cent is completed.

4. *Mandra-Jakesli Marsh.* — About half the work is left over to next year.

(f) *Means of Communication.*

The railway was opened for traffic as far as Kurdjali (kilometre 85) on November 8th last. The permanent way is finished between Kurdjali and the terminus at Mastanla, but the laying of the track will probably take till next June.

(g) *Files of Refugees.*

There are 7,579 files now ready. All the arrangements for the issue of the notarial acts will be dealt with in a Bill which will shortly be introduced in the Sobranje. The issue of the notarial acts, which is a considerable undertaking, will be in the hands of a special department of the future liquidation organisation.

B. 7½ % Stabilisation Loan of 1928.

I. POSITION OF THE LOAN ACCOUNT.

The position of the loan account as at October 31st, 1931, is shown in Appendix II to this report. All the foreign exchange holdings have been converted into leva. The balance at the National Bank on the date in question was 69,638,525 leva.

II. YIELD OF THE ASSIGNED REVENUES.

The revenues assigned for the service of the 7½% 1928 Loan (Customs revenues) amounted, during the last three months, to the following sums (in leva):

August	September	October	Monthly budget estimates, one-twelfth
72,637,481	82,190,021	90,170,865	81,250,000

The receipts from the assigned revenues show a slight improvement during the quarter as a result of the seasonal stimulation of imports. They amounted to 244,998,367 leva, as compared with 229,702,943 leva in the previous quarter.

For the first seven months of the year, the Customs receipts totalled 555,768,626 leva (budget estimate 568,350,000 leva), as compared with 482,125,281 leva in the same period of the previous year, representing an increase of 15 per cent. A certain falling-off of imports may be anticipated in the coming months, as a consequence of recent restrictions on foreign exchange transactions.

Raw materials for industry have hitherto been imported duty free under the Encouragement of Industry Act. An Act has recently been promulgated imposing a duty of from 8 to 25 per cent *ad valorem* on materials used in industry. The Finance Minister anticipates an annual addition of 150 million leva of revenue from this source.

The service of the loan for the last three months absorbed 72,820,245 leva, or rather less than one-third of the available funds. Transfers show a slight falling-off from October onwards, as a result of the depreciation of the pound sterling.

III. EMPLOYMENT OF THE LOAN.

£1,250,000 *Sterling Block for Means of Communication.*

(a) *Railways and Harbours.*

The following figures sum up the position at October 31st, 1931, of the expenditure for the execution of the Regnoul programme, to be met from the credit of 672,300,000 leva appropriated for railways and harbours.

		Figures at July 31st, 1931
	(In leva)	
Expenditure already authorised	672,300,000	672,300,000
Contracts concluded	536,304,342	535,759,342
Value of work undertaken on a monopoly basis	120,000,000	110,000,000
Sums actually expended	624,230,514	601,684,193

For various reasons the expenditure has not followed the schedule proposed. In the last report, it was estimated that the credits unexpended at the end of the year would amount to 15 million leva; it is now anticipated that they will amount to nearly 40 million leva.

In accordance with the provisions of Article 50 of the Railways and Harbours Organisation Act of July 15th, 1929, the Railways and Harbours Department published in the *Official Gazette* of November 26th, 1931, the annual balance-sheet and profit and loss account for the financial year 1929-30, following on the initial balance-sheet of April 1st, 1929, attached to the eighteenth report. These documents will be found in Appendix III.

(b) *Roads.*

The following figures summarise the position at October 31st, 1931, with regard to the expenditure for the improvement of the road system in execution of the Regnoul programme, to be met from the credit of 176,966,179 leva earmarked for the purpose.

		Figures at July 31st, 1931
	(In leva)	
Expenditure already authorised	197,739,300	190,239,300
Contracts concluded	132,937,758	132,937,758
Work undertaken by the Directorate of Compulsory Labour	30,770,000	30,770,000
Sums actually expended	138,528,567	113,216,160

The expenditure already authorised, which was calculated on the basis of the estimates in the terms of contract, seems to exceed the credit of 176,966,179 leva; but, owing to the economies effected in awarding the contracts, the expenditure does not, in fact, exceed the credit.

The work, carried out in a way which still leaves much to be desired, has (as anticipated) proceeded very slowly; and the credits still remaining to be expended in the coming year will be in the neighbourhood of 35,000,000 leva.

(c) *Execution of the Regnoul Programme.*

The following table shows the position at October 31st, 1931, as regards the execution of the Regnoul programme:

	Estimates	Expenditure
	(In leva)	
<i>1. Railways and harbours:</i>		
(a) Upkeep of railways and engineering works; reconditioning of rolling-stock	239,233,000	221,593,303
(b) Improvements, enlargements, purchase of rolling-stock, supplies, etc.	329,255,000	304,042,779
(c) Construction of new lines	72,312,000	72,283,521
Total for railways.	640,800,000	599,919,603
(d) Essential supplies, enlargements and improvements for harbours	31,500,000	26,310,911
Total for railways and harbours	672,300,000	624,230,514
 <i>2. Roads and bridges:</i>		
(a) Road construction	55,000,000	35,506,684
(b) Road repairs	49,966,179	47,102,374
(c) Construction and repair of bridges.	72,000,000	53,557,479
(d) Material (expenditure not included in the Regnoul programme)	—	2,362,030
Total for roads	176,966,179	138,528,567
Grand total	842,266,179	762,759,081
Expenditure to July 31st, 1931		714,900,353

The credit allotted to roads was fixed in the Regnoul programme at 172,700,000 leva. In order to meet requirements, this credit was increased to 178,966,179 leva by transferring the available balance from the block of £1,100,000 (reimbursement of budget arrears).

IV. BUDGET.

The Finance Committee, at its session in September 1931, took note of the deficit shown by the closing accounts for the financial year 1930-31. The Committee felt some apprehension as to the balancing of the current budget, on the ground that, of the revenue estimate of 7,900,000,000 leva (equal to the estimate for expenditure), only 6,800,000,000 leva appeared likely to be realised, leaving a threatened deficit of some 1,100,000,000 leva.

The Bulgarian Government, appreciating the reality of the danger, submitted to the Committee a general statement of ways and means to cover the deficit, on the following lines:

	In millions of leva
Reduction of expenditure.	600
Improved methods of collection	290
Improved railway returns	100
New charges on national industries.	60
Additional contribution from State mines.	30
Reincorporation of available assets of certain "funds"	20

This programme came under consideration in October 1931, but had not yet been put into execution by the close of the quarter covered by the present report. Its effects are not, therefore, apparent in the budget figures given below. In the course of November, however, certain features of the retrenchment programme assumed concrete shape as follows.

A law was passed on November 25th altering the Customs tariffs, and imposing on the national industries enjoying protection an additional annual contribution of 150 millions.

The Government issued an order for 165 millions of the available assets of certain funds to be drawn upon for account of the Treasury.

The reorganisation and reform of the methods of assessing and collecting the direct taxes, and the imposition of a special turnover tax, have been carefully studied.

The policy of strict economy which has been followed since the beginning of the financial year has not been relaxed, and the reduction of 600 millions for which the retrenchment programme provides may consequently be secured. A law has been passed, under which salaries and pensions are to be cut down for the last five months of the financial year: this will effect a saving estimated at 103 millions. It is a pity that this saving will be more than swallowed up by the increased calls on the Pension Fund, to which the State budget has now to contribute 300 millions, as against the estimated amount of 150 millions. In these circumstances, it is regrettable that it has not yet been possible to reform the law in relation to pensions in such a way as to relieve the Treasury of a burden which—to judge by a number of specimen cases—appears to be without justification.

At the same time, attention must be drawn once more to the fact that a valuable source of revenue in the shape of the manufacture of alcohol is still insufficiently tapped; the Bill dealing with this question, which is at present under discussion, barely hints at reform.

The results for the first seven months of the budget year (expressed in leva) are as follows:

REVENUE.				
(In leva)				
	First seven months of 1931-32	Comparison with corresponding results of previous year	Comparison with seven-twelfths of budget estimates	
				%
	<i>I. Ordinary Budget and Incorporated Funds.</i>			
Direct taxes	297,200,997	— 38,857,209	— 231,882,336	— 43
Indirect taxes	1,314,163,384	+ 15,538,448	— 120,836,616	— 8
Duties	332,185,236	— 63,427,054	— 102,836,616	— 23
Fines and confiscations	33,925,142	— 4,243,420	— 15,657,858	— 31
Railways and harbours	—	—	—	—
Posts, telegraphs and telephones	187,909,077	+ 6,849,942	+ 11,159,077	+ 6
State domains and capital	184,751,415	— 46,516,300	— 124,414,585	— 40
Contributions of communes to- wards teachers' salaries	188,377,032	— 45,330,055	— 51,955,968	— 21
Miscellaneous revenue	263,783,301	+ 2,680,774	— 89,716,699	— 25
Revenue from closed financial years	110,189,070	— 103,835,834	— 29,810,930	— 21
Total	2,912,484,654	— 277,140,708	— 755,513,679	— 20
	<i>2. Railways and Harbours.</i>			
	757,708,689	+ 28,514,965	— 152,303,561	— 16
	<i>3. Extra-budgetary Receipts.</i>			
	51,540,593	—	—	—
Total	3,721,733,936	—	—	—

EXPENDITURE.		
(In leva)		
	First seven months of 1931-32	Comparison with corresponding figures of previous year
Ordinary budget and incorporated funds	2,098,024,485	
Railways and harbours	437,624,985	—
Extraordinary budgets for previous financial years	9,013,334	—
Supplementary war credits	80,790,885	—
Expenditure on provisional receipts and current accounts: Public Debt	301,411,694	—
Service of Refugee, Stabilisation and Reparation Loans	516,335,938	—
Total sums actually expended	3,443,201,321	— 706,690,516
Orders for payment held over	786,379,000	+ 329,428,000
Total expenditure (sums already expended or due to be expended)	4,229,580,321	— 377,262,516

COMPARISON OF REVENUE AND EXPENDITURE.

		Leva
Revenue		3,721,733,936
Expenditure		<u>3,443,201,321</u>
Apparent surplus		278,532,615
Net deficit of previous year		<u>1,283,686,881</u>
Uncovered deficit		1,005,154,266
		Leva
Treasury resources: Treasury Bonds	600,000,000	
Calls on profits from seigniorage	<u>516,587,035</u>	
		<u>1,116,587,035</u>
Treasury surplus		111,432,769
From which must be deducted provisional excess expenditure on proceeds of Refugee and Stabilisation Loans		<u>10,740,319</u>
Balance of Treasury account with National Bank of Bulgaria at October 30th, 1931		100,692,450
		Leva
Treasury obligations: Treasury Bonds	600,000,000	
Calls on profits from seigniorage	516,587,035	
Orders for payment held over	<u>786,379,000</u>	
		<u>1,902,966,035</u>
Total deficit		1,802,273,585
Of which the previous year's deficit accounts for		<u>1,283,686,881</u>
Deficit for the financial year 1931-32, to October 30th, 1931.		518,586,704

The shortages on the ordinary budget amount to 20 per cent of the total voted. The bottom is already out of the estimates which were based—apart from the hope of improvement in the economic situation—on the anticipated adoption of a more fruitful fiscal policy, which is still no more than an idea. It is remarkable that those forms of revenue which are more directly controlled by governmental action show a falling-off out of all proportion to that of other forms. Indirect taxes and Customs bring in within 8 per cent of the estimated returns. In the case of all the other taxes, the shortage is 23 per cent, rising to as much as 40 per cent in the case of proceeds from the domains and 43 per cent in the case of direct taxes. The collection of direct taxes is even less satisfactory than this percentage would suggest, since the first two-thirds of the estimated totals for the year, which became due from the taxpayer on June 25th and should have been paid in full by October 25th, had only been got in to the extent of 47 per cent by the end of the latter month. The land tax, in particular, yielded only 34 millions as compared with 242 millions due; the tax on total income only 13 millions as compared with 23 millions; and the tax on buildings 7.5 as compared with 22 millions.

A comparison between the ordinary receipts for the quarter under consideration and those for the corresponding quarter of the previous financial year is equally disappointing. The months of August, September and October, the yield of which is generally above the average, show a marked falling-off in 1931 as compared with the average.

	Average returns April 1st to July 31st	August	September	October
	(In millions of leva)			
1930-31	429	472	456	541
1931-32	477	320	353	430

There can be no question that the economic depression continues to weigh heavily on the taxable capacity of the country. At the same time, it cannot be too often insisted that this is not an adequate explanation of the meagreness of the revenue returns. The mass of the taxpayers would seem to have a singularly low conception of their duty to the public purse, and regrettable discriminations appear to characterise the pressure put upon them by the fiscal authorities. The assessment of the taxes, made without exactitude and unevenly distributed, is slow, inaccurate and complicated; and their collection is careless and devoid of order. The administrative machine is neither simple nor elastic. The efficient work of single officials, competent in the performance of their duties and secure in their future, is conspicuous by its absence, and in its place there are dilatory and formalistic committees which are anything but efficient, or agents whose activities are restrained by a prudent consciousness of the impermanence of their official positions. Far-reaching reform is required both in the system and in the morality of the taxpayers, who are imbued with the idea of the State as a providential agency which each individual defrauds, as far as is practicable, of his own share of the taxation due.

The falling-off in revenue is offset to a certain extent by the reduction of expenditure in the current budgetary year. The disbursements during the seven months under consideration are lower by 707 millions, or 17 per cent, than those of the corresponding period in the previous year; but the orders for payment held over at the same date show an increase of nearly 100 per cent, and total 786 millions. These figures show the difficulty of the Treasury's position, which is enhanced by the gradual decline in calls on the profits on the coinage of token-money. In accordance with the Financial Committee's decision, calls on seigniorage profits are now linked up with the progressive realisation of the various items in the retrenchment programme. From this source, 48 millions were released on September 14th, 1931, as evidence of the Committee's desire to co-operate in the work of reform; and an equal amount was released as an advance on the yield of the legislative and administrative measures referred to. It was not considered possible to make any further concessions in this connection. The profits on the coinage leave an amount of 420 millions available at November 30th, and these appear in a suspense account in the books of the National Bank. Of this sum, 100 millions go to a supplementary budget for the annual sinking-fund payment on the State debt to the Bank, which fell due on June 30th, 1931, while 129 millions go to the Bank for the purchase of the silver bullion made available for the State.

The existence of the Directorate for the Purchase and Export of Cereals adds a heavy burden to the budget and to the Treasury's embarrassments, and constitutes a serious danger.

On July 15th, 1931, this organisation had absorbed the stocks of the 1930 harvest, operating on the lines laid down by the constitutional law of December 26th, 1930. Its balance-sheet showed a real profit of 164 millions, to be set off against 484 millions of tax-bonds, representing some 11 per cent of the total contributions payable in this form. These 164 millions made it possible to repay the advance of 40 millions given by the Agricultural Bank of Bulgaria to serve as working capital, and to pay into the Treasury a sum of about 90 millions.

A Royal ukase, issued on July 15th, 1931, followed by a law passed on October 12th, made far-reaching changes in the working of the system. The proportion of the purchase price for cereals payable in tax-bonds was reduced to 30 per cent, the nominal price being still very much higher than the world level. The bonds are no longer to be transferable or negotiable at will, and may only be ceded to the Agricultural Bank, which passes them on to non-producing taxpayers. Their use, hitherto restricted to the payment of arrears of taxation, is now extended to the land tax (to the amount of two-thirds of the total due) and to the supplementary land tax of the financial year 1931-32. The Government is given authority—of which it proposes to avail itself from October 19th onwards—to establish a monopoly of bread cereals in the country. The profits derived from this monopoly will go to establish an export bounty on maize, with which it is proposed that the organisation should no longer deal directly.

These innovations are, comparatively speaking, satisfactory; but the initial defect remains in the shape of the continued existence of the Directorate, an artificial and costly organisation importing into commercial transactions all the disadvantages of Government management.¹

The balance at November 15th of the operations from July 15th onwards in connection with the new harvest is approximately as follows:

	(In millions of leva)	
Purchases and other outlay	1,442	
Payment for which was made:		
In bonds	436	
In cash	1,006	1,006
Sales on foreign markets	397	
Sales on home market	120	
Estimated value of stocks	523	
Total receipts	1,040	1,040
Cash profits		34

as against 436 millions of tax-bonds.

These provisional figures do not take into account either the export bounty on maize, in respect of which no actual payments have been made up to the present, or, on the other hand, the proceeds of a special duty charged on stocks in the hands of traders at October 19th, the date on which the monopoly came into force. It would seem that the cash cover for the tax-bonds must, on any showing, still be very small, if not altogether non-existent, and that, over and above the very extensive recourse to these facilities, there is a real loss.

The latter prospect is the more alarming, in that the whole of these operations have only been financed by means of recourse to credit on a very large scale. Nearly 500 millions have been supplied in the form of purchases on deferred payment or advances by the Central Agricultural Bank or the people's banks or co-operative societies. On October 31st, there were nearly 400 millions in bonds (70 millions of which had provisionally been absorbed by the Agricultural Bank) representing a floating asset not yet got in by the Treasury. The system is assuming formidable dimensions and, in view of the continued depression of prices, threatens to give rise to serious disappointments.

¹ The Directorate proved unable, for example, to take advantage of the windfall in the shape of the rapid but transitory rise which took place in November.

V. NATIONAL BANK.

Appendix IV shows the position of the National Bank at the end of each of the three months under review.

The period has witnessed an accentuation of the difficulties, due both to external and to internal causes, to which our last report drew attention.

The Bank was compelled, at the outset, to deal with the effects of certain *de jure* or *de facto* changes that have occurred in the monetary systems under which its foreign correspondents operate. Various technical measures have enabled it to avoid any loss as a result of these changes; and an amendment to Article 35, paragraph 12, of its Statutes adapts the latter to current requirements. The text of the amendment will be found in Appendix V.

The Bank has also had to face increased demands for foreign exchange, due in part to the fluctuations of certain foreign currencies and in part to a seasonal increase of requirements. At the same time it has been confronted with a general extension, in the majority of Central European countries, of the restrictions on free dealing in foreign exchange. The Bank accordingly took steps to secure the passing of a law amending the existing legislation with regard to "dealings in foreign means of payment"; and in execution of the new law it issued regulations and two ordinances. These new provisions strengthen the control of the issue bank, prohibit the export of bonds and coupons of public loans, regulate the powers of public administrations and establishments to contract commitments to foreign countries, and allow of a *de facto* rationing of the national requirements of foreign exchange. In addition to this negative policy of restrictions, the Bank has taken positive action on the lines of the clearing system recommended by the Prague Conference, in the hope of finding a solution for the difficulties in the way of commercial relations. A first agreement on these lines has been concluded with the Austrian Tobacco Monopoly, and came into force on December 1st.

These various measures have maintained the foreign exchange holdings of the Bank at a comparatively stable level (294 millions on October 31st, as compared with 338 millions on July 31st), and that in spite of the absence, since August, of any balance on the Refugee and Stabilisation Loans, and in spite of a certain tendency to repatriate short-term foreign credits.

This avoidance of disturbance, it should be borne in mind, has been achieved only as the result of a variety of palliatives. The legitimate demands of commerce which have been held over total something in the neighbourhood of 150 millions. The transfers from the public debt, slightly diminished by the conclusion of a Greco-Bulgarian agreement for the application of the Hoover Moratorium, require a sum of something like 200 millions for the months of November and December alone; and the favourable trade balance since the beginning of 1930—which does not imply any equivalent favourable balance in the influx of foreign exchange—is absorbed by the settlement of earlier commercial debts.

The National Bank was compelled to check the exodus of foreign exchange by raising the official discount rate on September 29th from 8½ to 9½ per cent. The private discount rate also shows a marked increase, from about 9 to 10 per cent at the end of the first half-year to 12 to 13 per cent. Sight deposits earn 7½ to 8½ per cent at the principal banks, as compared with 6 to 7 per cent at the end of the first half-year.

At the same time, the liquidity of the banks has been affected by a certain tendency to withdraw foreign deposits and short-term credits, and the volume of foreign accounts with the Bank fell from 1,006 millions on July 31st to 790 millions on October 31st. In the course of November, this figure rose to 926 millions (date of November 23rd), reflecting the desire of the majority of these establishments to increase the elasticity of their resources.

The commercial bill holdings of the Bank, after the marked rise to which attention was drawn in July, are being re-absorbed. The advances against goods are being liquidated more slowly as a result of the depression. "Investments" show practically no change. The following table shows the variations which affected the distribution of bill holdings and advances from December 31st, 1930, to June 30th and October 31st, 1931:

	December 31st, 1930 Per cent	June 30th, 1931 Per cent	October 31st 1931 Per cent
Banks	50.13	46.33	62.94
Commerce	19.74	22.47	17.70
Industry	23.68	22.95	16.43
Miscellaneous	6.45	8.25	2.93

An examination of the bill holdings, not including advances, shows a bank rediscount percentage of about 81 per cent.

The cover for sight commitments, which fell from 36.94 per cent on July 31st to 35.06 per cent on October 31st, exhibits the influence of the extraneous circumstances referred to above. It remains, however, strictly within the limits laid down by the Statutes, in which there has been no change on this point. It will be observed that, on October 31st, the circulation and the sight liabilities in leva are covered as to 33.9 per cent by the gold holdings, which are the full and unfettered property of the Bank. The circulation and liabilities of the Bank show, moreover, a certain reduction in the period July 31st to October 31st from 4,680 to 4,459 millions. The divisional coin placed at the disposal of the public during the same period increased from 322 to 491 millions.

VI. STATISTICS.

A. Foreign Trade.

(In thousands of leva)

	1928	1929	1930	1930	1931
	For the whole year			For 10 months	
Imports	7,192,372	8,162,017	4,605,096	3,819,081	3,996,880
Exports	6,379,413	6,097,356	5,927,800	5,024,280	4,857,050
Balance	— 812,959	— 2,064,661	+ 1,322,704	+ 1,205,199	+ 860,170

Imports fell off heavily during the new quarter; but the movement of exports was maintained.

	Quantities			
	Exported during the first ten months of		Imported during the first ten months of	
	1930	1931	1930	1931
Weight (tons)	430,567	636,140	264,966	244,509

Taken as a whole, the trade balance of the Kingdom was favourable for these first ten months, with a surplus of 860 million leva, as compared with 1,205 millions for the corresponding period of 1930.

B. Agricultural Statistics.

Particulars of the Cereal Crop.

In the preceding report, preliminary figures were given for the yield of the harvest. The following figures give approximate information as to the quantities of cereals available for export:

	Output (not including seeds) Tons	Exports November 1st, 1931 Tons	Available for export on November 1st, 1931 ¹ Tons
Wheat	1,435,000	121,000	264,000
Rye	270,000	34,000	43,000
Barley	361,000	15,000	50,000
Maize	997,000	2,000 ²	312,000
Oats	125,000	—	5,000

The prices of cereals exported via the port of Burgas were as follows:

(In leva)

	1930			1931		
	April	July	November	April	July	November
Wheat	5.52	4.41	2.68	3.28	2.42	2.57
Maize	3.06	2.86	1.86	2.19	2.09	2.30
Rye	—	2.47	1.65	1.96	2.04	2.54
Barley	2.73	2.19	1.72	2.23	2.14	2.75

¹ The quantities available for export are really below these figures, since the latter include the stocks generally held in reserve by the farmer at the end of the season—*e.g.*, about 100,000 tons in the case of wheat, so that probably not more than 160,000 tons of wheat will remain to be exported.

² November only.

C. Wholesale Price Index-Number.

(1914 = 100)

1924	2,688
1925	3,052
1926	2,781
1927	2,819
1928	3,072
1929	3,205
1930	2,585

1930		1931	
January	3,107	January	2,193
April	2,721	February	2,132
July	2,467	March	2,108
October	2,373	April	2,085
December	2,283	May	2,088
		June	2,044
		July	2,061
		August	1,999
		September	1,950
		October	1,935

D. Protested Bills.

	1928		1929	
	Number	Leva	Number	Leva
January	15,337	111,819,097	13,759	113,192,033
February	14,556	105,712,466	11,239	90,167,775
March	14,643	100,975,598	12,641	99,433,785
April	13,793	91,814,860	14,861	106,500,913
May	15,768	104,133,666	19,061	140,342,206
June	13,369	93,751,200	15,331	125,199,218
July	17,187	120,740,468	21,920	152,871,240
August	21,594	147,817,253	23,554	158,630,065
September	22,572	143,495,746	29,152	199,743,521
October	21,271	151,537,079	30,299	289,989,065
November	15,158	139,428,506	26,993	305,809,887
December	14,351	120,668,902	28,758	341,535,527
Total	199,599	1,431,894,841	247,528	2,123,415,135

	1930		1931	
	Number	Leva	Number	Leva
January	27,159	298,291,560	17,776	142,594,226
February	23,730	266,386,266	14,808	117,195,528
March	29,648	296,295,032	16,805	158,598,004
April	32,509	298,299,075	17,195	116,091,112
May	32,375	286,994,789	18,023	133,321,715
June	20,549	181,697,662	14,738	118,734,142
July	25,003	206,305,900	16,176	109,557,815
August	30,005	212,352,860	18,304	117,141,486
September	47,301	296,804,926	33,758	180,023,327
October	37,535	252,506,114	—	—
November	25,795	237,729,941	—	—
December	22,576	174,645,492	—	—
Total	354,185	3,008,309,617	—	—



E. *Bankruptcies and Moratoria in Bulgaria.*

	Commerce	Industry	Artisans	Banks	Total ¹
<i>Bankruptcies.</i>					
1920	7	2	—	—	9
1921	12	4	—	—	16
1922	15	3	—	—	18
1923	24	3	—	1	28
1924	51	7	—	2	60
1925	52	5	—	2	59
1926	100	12	—	1	113
1927	93	23	—	3	119
1928	82	9	2	2	95
1929	85	18	4	—	107
1930	183	21	14	6	224
1931 ¹	150	27	10	4	191
<i>Moratoria.</i>					
1926	67	23	—	—	90
1927	85	16	—	—	101
1928	48	9	1	—	58
1929	80	22	2	—	104
1930	297	52	40	6	395
1931 ¹	77	16	5	2	100

¹ Preliminary figures.

Appendix I.

SETTLEMENT OF THE SPECIAL ACCOUNT OF THE 7% REFUGEE SETTLEMENT LOAN
OF 1926 AS AT NOVEMBER 30TH, 1931.

	Sterling block	Dollar block	Yield in leva
(a) <i>Nominal amount:</i>			
£2,400,000			
\$4,500,000			
	£	s.	d.
(b) <i>Net amount</i>	2,112,000	0	0
		\$	3,915,000.—
(c) <i>Deduct:</i>			
Redemption of 1912 to 1913 Treasury Bonds	£ 625,889	s. 11	d. 6
Half-years' reserve	90,000	0	0 ¹
Miscellaneous ex- penses: Stamps, printing of bonds, etc.	49,474	4	1
	765,363	15	7
	£1,346,636	4	5
		\$	3,746,250.—
(d) <i>Add:</i>			
Interest	118,468	14	10
	£1,465,104	19	3
		\$	4,066,357.50
(e) <i>Subtract:</i> ²			
Amounts released	£1,465,104	19	3
		\$	4,066,357.50
(f) <i>Equivalent in leva of half-year's reserve</i>			83,851,875
(g) <i>Proceeds in leva of amounts released</i>			1,530,807,837
			1,614,659,712
<i>Placed at the disposal of:</i>			
1. The Directorate for the Settle- ment of Refugees	Leva 1,533,824,302		
2. The Government for the recon- struction of the devastated areas	45,000,000		
	1,578,824,302		
		Leva	1,578,824,302
Surplus available	£ —	\$ —	Leva 35,835,410
			(Deposited with the National Bank of Bulgaria)

¹ The equivalent of a half-year's reserve was refunded by the Bulgarian Government out of the proceeds of the Stabilisation Loan, in execution of Article VI, paragraph 2, of the Protocol of March 10th, 1928 (Item 6 of Annex III to that Protocol).

² Not including a sum of £24,144 os. 1d. which was used direct to pay in sterling for material supplied for the Rakoswky-Mastanla Railway.

Appendix II.

STATEMENT OF THE 7½% STABILISATION LOAN OF 1928 AS AT OCTOBER 31ST, 1931.

	Sterling block			Dollar block	French franc block
	£	s.	d.	\$	Fr.
Nominal amount	1,800,000	0	0	13,000,000	130,000,000
Net amount	1,656,000	0	0	11,960,000	121,550,000
<i>Deduct:</i>					
Stamp duties and other expenses . . .	39,286	7	0	49,250	5,200,000
Total	£1,616,713	13	0	\$11,910,750	Fr. 116,350,000
Equivalent in leva.				3,365,065,558	
Add				5,000,000 ¹	
				Leva . .	3,370,065,553
Amount utilised up to October 31st, 1931				3,300,427,028	
Surplus available on that date				Leva 69,638,525 ²	

Appendix III.

BALANCE-SHEET OF THE BULGARIAN STATE RAILWAYS AS AT APRIL 1ST, 1930.

(Application of Article 50 of the Bulgarian State Railways and Harbours Organisation Act of July 16th, 1929³.)

	ASSETS.	
	(In leva)	As at April 1st, 1929
I. <i>Fixed Assets.</i>		
A. Railway system in operation:		
1. Railway-lines	8,607,111,883	
2. Rolling-stock	2,437,301,180	
3. Equipment (fittings, etc.)	82,660,787	
4. Auxiliary services (workshops, etc.)	261,163,626	
	<u>11,388,237,476</u>	
B. Work in hand:		
1. New lines	684,923,742	
2. Extension and improvement of railway-lines in operation.	34,873,798	
3. Rolling-stock	27,968,798	
4. Auxiliary services	2,581,121	
	<u>750,347,459</u>	
C. Subsidiary undertakings (Cartage, etc.)		
	<u>12,138,584,935</u>	<u>11,793,988,829</u>
<i>Carried forward</i>	12,138,584,935	11,793,988,829

¹ Equivalent to interest collected by the Bulgarian Government on sums deposited abroad and paid into the loan account to make up the sum earmarked for road improvement (see Twelfth Report, page 9, (b) Roads).
² This figure represents the unexpended balance of the block of £1,250,000 earmarked for the improvement of means of communication, deposited at the National Bank of Bulgaria.
³ See explanatory observations in the Eighteenth Report, page 17, with regard to the several items of the initial balance-sheet of April 1st, 1929.

As at
April 1st, 1929

Brought forward 12,138,584,935 11,793,988,829

II. *Working Capital* (material and cash):

A. Material	471,708,512		
B. Banks	341,056,697		
C. Funds available in the various services	26,615,201		
D. Debtors	30,007,438		
	<hr/>	869,387,848	512,087,395

III. *Assets of Special Funds*:

A. Renewals Fund	2,872,629,190		
B. Fire Insurance Fund	1,696,786		
C. Railwaymen's Housing, Health Establishments and Pensions Fund	87,346,420		
	<hr/>	2,961,672,396	2,803,454,285

IV. *Expenditure to be paid off*:

A. Difference between the purchase prices and the cost of the lines bought	888,620,000		
B. Cost of issue and conversion of loans	676,031,000		
C. Value of plant destroyed	—		
D. Debts from the operation of the railways at the end of the financial year 1929-30	—		
	<hr/>	1,564,651,000	1,556,710,000
		17,534,296,179	16,666,240,509

LIABILITIES.

I. *Capital acquired.*

(In leva.)

A. Redeemed portion of consolidated State loans 2,920,977,400

B. Other capital furnished by the State:

1. Land 6,692,238

2. Rates and taxes:

(a) Special taxes for the construction of the railways . 276,598,359

(b) Special rates for the extension and improvement of the railways . . 133,760,740

(c) Other rates and taxes 985,957,273

(d) Operating surplus 938,766,649

3. Payments:

(a) Compulsory labour for the roads 10,665,000

(b) Compulsory military labour . . 119,936,433

(c) Compulsory labour 328,192,162

2,800,568,854

C. Grants from:

1. Departments 3,663,468

2. Communes 62,197,821

3. Pernik mine 1,260,233

4. Private persons 267,954

67,389,476

D. Special Funds:			
1. Reserve Fund	—		
2. Renewals Fund (estimated value)	2,872,629,190		
3. Fire Insurance Fund	1,696,786		
4. Railwaymen's Housing, etc., Fund	87,346,420		
	<u> </u>	2,961,672,396	
E. Loans from Special Funds:			
Renewals Fund (worn-out material)	18,067,765	<u> </u>	
			8,768,675,891 8,395,831,330
II. <i>Capital due.</i>			
A. Consolidated State Loans:			
1. Application of Article 38, paragraph 2, of the railways and Harbours Organisation Act	3,990,000,000		
2. 9% Loan to Social Insurance Fund	80,000,000		
3. Share of 7½% Stabilisation Loan	306,335,600	<u> </u>	
		4,376,335,600	
B. Creditors	18,685,184	<u> </u>	
			4,395,020,784 4,022,000,000
III. <i>Difference between Assets and Liabilities due to the devaluation of the leva.</i>			
			4,248,409,179 4,248,409,179
IV. <i>Annual Profits:</i>			
A. Capital investments:			
1. Construction of new railways	14,070,734		
2. Extension and improvement of railways in operation	32,410,380		
3. Interest on invested capital during construction	29,307,704	<u> </u>	
		75,788,818	
B. Reserve Fund		12,219,032	
C. Renewals Fund		12,219,032	
D. Balance available for capital investments		21,963,443	
		<u> </u>	
			122,190,325
			<u> </u>
			17,534,296,179 16,666,240,509

PROFIT AND LOSS ACCOUNT OF THE BULGARIAN STATE RAILWAYS FOR THE
FINANCIAL YEAR 1929-30.

A. EXPENDITURE.

(In leva)

I. *Deficit on Operation* —

II. *Funded Debts*¹:

A. Interest:

1. On 3,990,000,000 leva as provided in Article 38, paragraph 2, of the Act	92,864,000	(In leva)
2. On 80,000,000 leva 9% Loan from Social Insurance Fund	15,367,994	
3. On 307,000,000 leva 7½% Stabilisation Loan	23,025,000	

B. Redemption of 7½% Stabilisation Loan	131,256,994	
	664,400	
	<u>131,921,394</u>	

III. *Non-funded Debts* —

IV. *Amortisation Payments*:

A. Difference between the purchase prices and the cost of construction of the lines bought	10,000,000	
B. Cost of issue and conversion of loans	10,700,000	
C. Value of plant destroyed	3,166,143	
	<u>23,866,143</u>	

V. *Payments into Funds*:

A. Renewals Fund	165,503,291	
B. Fire Insurance Fund	1,858,893	
	<u>167,362,184</u>	

VI. *Miscellaneous* 116,787

VII. *Annual Profits*:

1. Capital investment expenditure effected in the course of the financial year for new constructions and extension and improvement of the system	46,481,114	
2. Interest on capital sunk in constructions	29,307,704	
	<u>75,788,818</u>	

VIII. *Net Profits*²:

A. Reserve Fund	12,219,032	
B. Renewals Fund	12,219,032	
C. Balance available for expenditure	21,963,443	
	<u>122,190,325</u>	
	<u>445,456,833</u>	

¹ Article 38 of the Railways and Harbours Organisation Act reads as follows:

"Interest and sinking fund on State debts in respect of loans for the construction of the railway system, the purchase of rolling-stock, supplies and equipment, and also on sums for the repayment of advances under the general budget to cover provisional deficits, shall be shown in the profit and loss account of the railways.

"The balance outstanding of all the State debts is fixed at 3,990,000,000 leva as at December 31st, 1928.

"Between now and the end of 1978, the Bulgarian State Railways shall redeem these 3,990,000,000 leva, carrying 5 per cent interest, by progressive instalments and at the average rates for payments of interest and sinking fund on State loans.

"The table of payments and average rates for the redemption of the railway debt shall be drawn up by agreement between the Minister for Railways, Posts and Telegraphs and the Finance Minister, and then approved by the Cabinet.

"All expenditure in respect of interest and sinking fund on State debts contracted after December 31st, 1928, arising out of loans concluded on the initiative of the Directorate-General of the Bulgarian State Railways and Ports, shall be shown in the annual profit and loss account of the Bulgarian State Railways.

"As regards the other State debts incurred after December 31st, 1928, that part of the interest and sinking fund which the Sobranje shall have fixed, in consideration of the financial position of the railways, at the time of the ratification of the contracts relating to these loans or the voting of the law on the budget of the Bulgarian State Railways and Ports, shall be shown in the annual profit and loss account of the railways.

"The service of interest and sinking fund on the State debts mentioned in the present article shall be effected by the Administration of the Public Debt for the account of the Directorate-General of Railways and Ports, which shall pay the necessary sums to the Treasury within the periods laid down by the said administration."

² Article 39 reads as follows:

"Ten per cent of the profits of the profit and loss account shall be paid to the Reserve and Renewal Funds. The balance shall be utilised by the Minister for Railways and Ports for the construction of new lines in accordance with a programme drawn up by him and approved by the Cabinet."

Note. — The balance of the net profit for the financial year 1929-30 (21,963,443 leva) has not been left in the hands of the railways, but has been used for current Treasury expenditure, in view of the circumstances.

B. INCOME.

(In leva)

I. Surplus on operation	368,127,904
II. Interest on capital sunk in constructions	29,307,704
III. Expenditure on account of Fire Insurance Fund and Renewals Fund	48,021,225
	445,456,833

Appendix IV.

POSITION OF THE NATIONAL BANK OF BULGARIA.

(In leva)

	As at August 31st, 1931	As at September 30th, 1931	As at October 31st, 1931
<i>Assets.</i>			
1. Gold coin and bullion	1,507,571,291	1,509,262,560	1,510,242,514
2. Foreign gold exchange	297,601,546	210,954,052	214,098,389
3. Other foreign exchange	188,578,476	208,844,775	241,125,344
4. Small coinage	372,116,620	364,114,464	490,949,207
5. Bills of exchange and promissory notes:			
Commercial Bills	405,473,425	405,029,046	372,507,769
Treasury Bills	—	—	—
6. Advances:			
To the Government	243,800,000	243,800,000	247,800,000
Other advances	195,671,624	212,100,892	192,563,594
7. State debts	3,058,822,012	3,050,822,012	3,029,988,909
8. Investments	325,647,811	327,200,392	328,221,716
9. Buildings and equipment	23,368,201	23,350,531	23,268,053
10. Other assets	576,408,197	459,495,584	502,672,053
Total assets	7,195,059,203	7,014,974,308	7,153,437,548
<i>Liabilities.</i>			
11. Capital paid up	500,000,000	500,000,000	500,000,000
12. Bank reserve funds	1,184,554,657	1,184,266,255	1,184,422,113
13. Bank-notes in circulation	3,337,600,005	3,334,723,990	3,184,805,530
14. Other sight liabilities	1,287,629,648	1,233,385,455	1,274,261,985
15. Deposits, at notice	252,613,409	252,408,643	251,245,064
16. Foreign exchange liabilities	156,891,788	134,301,135	161,058,596
17. Other liabilities	475,769,696	375,888,830	597,644,260
Total liabilities	7,195,059,203	7,014,974,308	7,153,437,548
<i>Cover.</i>			
(Proportion of gold and silver plus net amount of foreign gold exchange to bank-notes in circulation, plus sight liabilities)	35.64%	34.72%	35.06%
Discount rate	8½%	9½%	9½%

Appendix V.

LAW OF NOVEMBER 25TH, 1931, IN AMENDMENT OF THE LAW CONCERNING THE NATIONAL BANK
OF BULGARIA.

Article 35. — After paragraph 12, insert a new paragraph 12 (*a*) in the following terms:

“ In exceptional circumstances, the National Bank shall be entitled to meet legitimate requirements by the purchase and sale of foreign currencies which do not comply with the conditions hereinbefore specified, provided it at the same time takes all requisite precautions to safeguard itself against the possibility of losses. Decisions with regard to such exceptional purchases and sales and to the adoption of such precautions shall be taken by the Managing Board or Executive Committee in accordance with the procedure laid down in Article 84 of the present law.”
