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LEAGUE OF NATIONS

TWENTY-EIGHTH REPORT

of the Commissioner of the League of Nations in Bulgaria.

(Quarter from May 15th to August 15th, 1933.)

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INTRODUCTION.

The following are the main points brought out in the present report:

1. The quarter under review has been characterised by the serious difficulties of the Treasury. The power conferred on the Government to issue new Treasury bills could only be exercised in part, as the conditions on which it had been made to depend were not entirely fulfilled. Moreover the position of the money market would not have allowed this power to be fully used.

2. The Budget for the financial year 1932-33 closed with a real deficit which, though exceeding a milliard leva, was less than that estimated. The reconstruction scheme approved by the Financial Committee at its session in May last was, it is true, adopted by Parliament, though not completely; but very few of the recommendations in the scheme have as yet been put into effect. The new budget already shows a deficit.

3. The foreign debt service formed the subject of difficult negotiations with the creditors. Conversations were dominated and impeded by the Government's refusal to include the whole of that service in the budgetary credits.

4. It has not yet been possible to apply the provisions of the plan approved at Geneva for a comprehensive regulation of credit, debts, rate of interest, banking activities, etc. The Government was obliged to resort to partial measures, rushed through before the close of the Parliamentary session; those measures, like others under consideration, have done nothing to remedy the persistent deterioration of private credit.

5. Government intervention in the economic sphere has not abated, though the results secured have been no more satisfactory than in the past.

The present report has been drawn up in collaboration with Dr. Koestner, Adviser to the National Bank of Bulgaria.

I. BUDGET.

(a) RESULTS OF THE FINANCIAL YEAR 1932-33.

(See Appendix I a and b.)

The general results—budget of the State and autonomous budget of the Railways and Harbours—for the financial year 1932-33, which closed on June 30th, 1933, are presented as follows by the Public Accountancy Department:

	Millions of leva
Expenditure	6,607.1
Revenue	5,856.1
Deficit	751

As will be explained below, the figures for expenditure were considerably reduced on the closing of the accounts by the carrying forward and cancellation of certain sums which will be a charge upon subsequent financial years; the real results for the financial year are, in fact, as follows:

	Millions of leva
Expenditure	6,875.3
Revenue	5,856.1
	1,019.2
Deficit	1,019.2

This deficit, which includes 98 millions in respect of the autonomous budget of the Railways and Harbours, shows a definite change for the worse as compared with the deficit for 1931-32, which was provisionally established at 931 millions. It is due, on the one hand, to a heavy falling off in revenue and, on the other, to inadequate retrenchment.

Revenue. — The falling off in revenue is 1,537 millions—*i.e.*, 20 per cent compared with the approved estimates and 14 per cent compared with the revenue for the preceding financial year.

These figures would be particularly alarming if the estimates had been strictly framed. At the outset, however, the Financial Committee submitted reservations as to their soundness. In its report to the Council, dated July 6th, 1932, it noted:

“ . . . The budget for 1932-33 shows an expenditure of 7,300 million leva, and it is hardly likely that the receipts can reach this total . . . ”

It is now clear that those fears were justified and that the estimates were influenced by measures of retrenchment which were not put into effect in time, or by prospects of natural improvement which have not materialised.

The yield from direct taxes was estimated at 675 millions, including 200 millions under the head of land tax on non-built property. The total actual revenue amounted to 392.2 millions—*i.e.*, only 58 per cent. The yield from the land tax—namely 28.6 millions—was less than 15 per cent of the amount estimated. It should be noted that, when establishing these estimates, the Finance Law for the financial year 1932-33 exempted from land tax the vast majority of the rural properties concerned.

Further, a law of March 1st, 1933, ratifying a decision of the Council of Ministers, dated September 22nd, 1932, authorised the payment by certain taxpayers of the land tax for the current financial year by means of tax bonds issued by the Cereals Directorate, a measure which meant that the liabilities of the parties concerned were definitely reduced.

The estimated returns for the other direct taxes might, it would seem, have been obtained by even a hasty improvement in the constitution and working of the finance departments. That reform was not taken in hand during the financial year and the consequences are reflected in a general decrease in revenue.

It is not without interest to observe the exceptional results (92.3 per cent of the estimates) of the tax on sheep and goats, a tax actually paid by rural taxpayers. These results show what can be obtained from this category of taxpayers by the use of simple methods of assessment and automatic control.

The yield from indirect taxes, which proved relatively stable at 1,229 millions as compared with 1,254 millions in 1931-32, was estimated at 1,531 millions. This improvement was to be the outcome of a reform in the excise law, which was only voted—and then in an incomplete form—on April 13th, 1933.

The estimated Customs revenue was based on the yield for the preceding financial year (959.6 millions), plus the increased amounts anticipated from the raising of two duties in November 1931 and May 1932 on imports for the protected national industry. Those increases fell short of the estimates, owing to the reduction in imports which is readily explained by the shortage of means of transfer and which actually amounted to 27 per cent in value between the two financial years. The falling-off in Customs receipts under this head was 9 per cent compared with the preceding financial year and over 14 per cent compared with the estimates.

Postal, telegraph and telephone charges were raised, as from June 1st, 1932, by amounts which, in theory alone, could produce the estimated yield (+97 millions compared with 1931-32). In point of fact, the slackening of economic activity and the natural contraction of the field of taxation which generally follows such an increase in charges brought down the revenue for 1932-33 to a level below (—7 per cent) that of 1931-32 and caused a decrease of 19 per cent compared with the budgetary estimates.

The Railway Annuity, which is a fixed charge on the autonomous budget, miscellaneous revenue, which was largely derived during the financial year from extraordinary sums from non-budgetary sources, and the revenue in respect of closed financial years which was estimated at a very moderate figure, show decreases that are practically or entirely negligible.

On this last point, Appendix I of the report to the Council of May 23rd, 1933 (document C.268.M.138.1933.II.A), supplied details which still hold good. It should be noted, however, that the special Commissions instituted for determining arrears of taxes have begun work in certain large centres.

The other items of revenue—taxes, fines and confiscations, State domains and capital, contributions of the communes towards teachers' salaries—show a marked decrease as a result of the falling-off in trade.

For the same reasons the gross revenue under the autonomous budget of the Railways and Harbours was 19 per cent less than the estimates and 9 per cent less than the revenue for the pre-

ceding financial year. The increase anticipated in the budgetary estimates was based simply on the hope of a resumption of business which has not materialised.

To sum up, the budgetary receipts, which were estimated with undue optimism, did not come up to expectations during the financial year.

Expenditure.—For the first time for some years, the revenue for the supplementary period of the financial year has not, even with the help of practically the whole of the receipts for the new financial year, been sufficient to satisfy the claims of private creditors in regard to expenditure for the previous financial year. On June 30th, 1933, there were unliquidated payment orders for 268.2 millions, relating for the most part to supplies delivered to the Departments of War, Public Works, the Interior, the Railway Administration and, in general, the various Ministries and services. In conformity with the arrangements set out in the Financial Committee's report to the Council, dated May 23rd, 1933 (document C.268.M.138.1933.II.A, 10, *ad* 4 (*d*)), the Government has the right to consolidate these arrears up to the amount of 200 millions by the issue of Treasury bonds. This solution, which is regarded as only moderately satisfactory by the creditors and requires, moreover, the passing of a law, has not yet been applied. It would, moreover, be inadequate and the balance not covered by bonds would have to be met out of the budget of the current financial year, which includes no credit for the purpose.

The actual expenditure for the financial year 1932-33 thus amounts to 6,875.3 millions, including 5,657.1 millions for the budget of the State. The saving effected is 8 per cent compared with the estimates and 7 per cent compared with the expenditure (presented according to the same system) for the preceding financial year. As noted in our twenty-fourth report, at the close of the financial year 1931-32, this saving is of a purely empirical character and is not the outcome of coherent reforms. Certain charges which cannot be reduced, or which it is believed cannot be reduced, continue to absorb a considerable proportion of the budgetary resources to the detriment of really productive expenditure: National Defence accounts for 20 per cent of the total revenue, Public Education 18 per cent, and the debt service 40 per cent. As will be realised, it has been difficult to effect further reductions in the balance of 22 per cent allocated to the other requirements of the State.

The system of monthly budgets has not constituted an adequate obstacle to the creation of the deficit; this arrangement as a rule leads to an over-estimate of the revenue for the month in question and, as a consequence, to excessive commitments. In other words, the monthly budgets do not take the facts of the situation sufficiently into account, the tendency being to divide up the budgetary estimates into twelfths. The method of employing these budgets has been improved to some extent by the Finance Law of 1933-34; their efficacy depends primarily on the extent to which the Government utilises and observes them.

(b) BUDGET FOR 1933-34.

The budget was passed on June 19th and promulgated on the 28th of the month. As the financial year normally opens on April 1st, three "provisional twelfths" (monthly votes on account) would have been necessary; two of these were voted.

The budget consists as usual of three sections—budget of the State and incorporated funds, autonomous budget of the railways and harbours, budget of non-incorporated funds.

1. *Budget of the State.*

Revenue, like expenditure, is fixed at 5,221,222,000 leva, the details being shown in Appendix I (a). It includes 81,222,000 millions resulting from the incorporation in the budget of departmental funds hitherto devoted to the maintenance of the general councils. These assemblies have just been abolished, and their powers, together with the corresponding expenditure, transferred to the central administration. In order to permit of comparison with previous data, the budget figures for 1933-34 must thus be reduced, as regards both revenue and expenditure, to 5,140 millions of leva.

This figure indicates a marked effort at retrenchment compared with the budget estimates for 1932-33, under which revenue appeared as 6 milliards and expenditure, including supplementary credits, as 6,186 millions. At the same time, the estimates voted should be compared with the actual results of the preceding financial year.

In its report to the Council of May 23rd, 1933 (document C.268.M.138.1933.II.A.), the Financial Committee noted a declaration by the Bulgarian Government showing in detail a plan for financial restoration. As regards the amount of the budget then in course of preparation, the declaration was as follows:

"The Bulgarian Government . . . affirms its decision: To obtain the vote, before June 30th, 1933, of a State budget making provision, as compared with the probable provisional results of the financial year 1932-33, on the one hand, for 560 millions of new revenue or increases in existing items of revenue, and, on the other hand, for 300 millions of economies on different budgetary items, other than the service of the foreign debt. . . ."

It now has to be considered how far that undertaking has been fulfilled.

A. *Revenue.*

Increases are expected from the application of five laws which have actually been voted and promulgated—namely:

Law of February 10th, 1933, modifying the taxes on income;

Law of March 13th, 1933, amending the system for collecting direct taxes;

Law of April 13th, 1933, modifying the indirect taxes;

Law of May 10th, 1933—for improving the State revenues, instituting new taxes, new excise duties, new licence taxes, new or higher *ad valorem* Customs duties applicable to imports for purposes of the protected industry

Law of March 12th, 1933, increasing the rates for stamp duties.

The increases anticipated as a result of these various provisions, compared with the actual results for the financial year 1932-33, were estimated in the Government's initial plan at 500 millions, to which was to be added 60 millions anticipated from the incorporation of new funds in the general budget. These estimates were shown in the budget as voted to the amount of 404.6 millions only.

Chapter I: Direct Taxes (See Appendix I (d)).—Estimates 424 millions; results for 1932-33 = 392 millions: increase anticipated = 32 millions, or 8 per cent.

The estimated revenue from the land tax was reduced from 200 millions for 1932-33 to 30 millions, and thus approximates to the actual situation, 28.6 millions having been obtained in the past year. While appreciating the Government's action in thus facing the facts, we must once more point out the failure—officially admitted on this occasion—on the part of the immense majority of the taxpayers in the Kingdom to discharge their obligations. As may be seen from our previous reports (cf., in particular, the twenty-fourth), they have borne only a small part of the public charges. It would be idle, in our view, to maintain that the increased indirect taxes place an additional and compensatory burden on the rural population: the non-taxation in practice of certain articles of consumption produced in the country, and the Bulgarian peasant's peculiar capacity to go without all sorts of commodities furnish very strong arguments against such a contention. In any case, the estimates under this paragraph constitute a minimum, which should be exceeded in view of the satisfactory results of the harvest. It is not certain, however, that this will be so, since the marketing of the harvest and the rates at which it will be effected are for the moment doubtful and not very remunerative. Accordingly, the yield from the land tax has hitherto been low—4.9 millions for the first four months of the financial year, compared with 9.2 for the same period in 1932-33.

The yield from scholastic taxes is estimated at 200 millions, as against 180 millions collected in 1932-33. This increase is expected as the outcome of the two above-mentioned laws, of February 10th and March 13th, 1933, which will have been in force since the beginning of the financial year. In point of fact, the present paragraph yielded 63.8 millions during the first four months, compared with 52.4 millions for the same period of the preceding financial year.

There might, in our view, be a further improvement if the staff of the Finance Administration, after being weeded out and stabilised, could be educated in simpler, stricter and more accurate methods of assessment, collection and supervision.

Such an improvement in fiscal methods would appear also to be indispensable if the 14 per cent increase (estimates = 20 millions compared with 17.5 millions collected in 1932-33) anticipated from the general income tax is to be obtained. Despite the effect of the slackening of business on individual incomes, the increase in question seems technically feasible, since the possibilities of the tax have certainly not been fully utilised.

The paragraph relating to the taxation of corporations provides for an increase of 2.5 millions, though the law of February 10th, 1933, was supposed to place an additional burden of 30 millions on this class of taxpayer. In framing their budgetary estimate the authorities displayed a prudence which was justified in the circumstances and this figures may very well be accepted.

The remaining paragraphs of this first chapter show estimates very close to the actual results for 1932-33, and the figures should be reached, if not exceeded.

The general results under the chapter relating to direct taxes for the first four months of the financial year are, moreover, relatively satisfactory: the sums recovered amount to 41 per cent of the estimates fixed for the whole year and 97 per cent of the fractions due; they are moreover almost 12 per cent higher than for the corresponding period of the preceding financial year.

Chapter II: Customs and Excise.—The Customs revenue is estimated at 894 millions, as against 883 millions collected in 1932-33. It should be noted at once that it includes 100 millions to be derived from *ad valorem* duties created or increased under the law for improving the revenues of the State. Apart from this factor, Customs receipts are thus estimated at 794 millions. Taking as a basis for comparison the receipts for 1932-33 and the imports recorded for that financial year (3,278 millions, or an average of 273 millions per month), we may conclude that the estimates fixed for 1933-34 would demand average monthly imports of 245 millions. That average, however, has not exceeded 173 millions during the first four months of the new financial year—*i.e.*, the period when imports are usually heaviest. It is moreover, inevitable, in view of the shortage of foreign means of payment, that there should be a new and marked falling-off in the imports for 1933-34. It would not be at all surprising, therefore, if the estimates voted showed a decrease in the neighbourhood of 100 to 150 millions.

The increase anticipated from the *ad valorem* duties on imports for the purposes of the national industry which has hitherto been protected obviously depends on the general movement of imports. At the same time, the law provides for largely increased tariffs on raw materials and for the fairly heavy taxation of products hitherto admitted duty-free. Further, the Customs administration regards the figure of 100 millions as falling far short of the results which it anticipates. These estimates, like the preceding ones, seem optimistic, and calculations regarding the total Customs revenue, unless there is an unforeseen change in the general economic situation, are likely to be very far out. During the first four months of the financial year, this revenue was in point of fact only 198 millions—a falling-off of 40 per cent, compared with the corresponding results for 1932-33.

The return from the excise is estimated at 1,323 millions, compared with 1,230 millions recovered in 1932-33. The principal increases are expected from the raising of the duties on alcohol (+ 12), vinegar (+ 6), glucose (+ 3) and from an improved procedure for collecting the tax on tobacco (+ 65). We have repeatedly expressed the view that there would be an enormous improvement in the revenue returns for alcohol and tobacco if something could be done to stop smuggling. There is no technical difficulty in obtaining the increases mentioned above the Government appears to be determined to secure them. The tax on sugar has been raised considerably, but practically the whole of this increase—it is put at the unduly high figure of 100 millions, or 28 per cent of the revenue for 1932-33—appears, for reasons of presentation, among the revenue from the taxes in Chapter III below. In short, the estimated yield from the excise duties, as indicated in the present chapter, appears to be sound and is borne out by the results for the first four months—440 millions, compared with 411 millions in 1932-33.

Chapter III: Miscellaneous Taxes and Stamp Duties.—Provision is made in this chapter for an increase in revenue over the results for 1932-33, amounting to 295 millions. This sum includes 29 millions from stamp duties and 258 millions classified under a general paragraph.

The stamp duties are expected to bring in 10 per cent additional revenue, as compared with their yield in 1932-33. The increases having been provided for under the law of May 12th, 1933, it would be premature to forecast the results. There does not, however, appear to be any reason why the additional revenue should not be obtained.

The general paragraph includes the whole of the new or increased imports instituted by the Law for the Improvement of the State Revenue—*ad valorem* taxes on the home consumption of articles of local or foreign origin, tax on new buildings, new excise duties on liquid fuel and spirits, special trade licenses for various industries, etc. Moreover, the greater part of the increases anticipated from certain excise duties, such as that on sugar, has been deliberately included in the revenue under the present paragraph. There has been, indeed, a general stiffening of the consumption taxes, from which the Minister of Finance expects results far exceeding the 298 millions indicated. The yield under the whole chapter during the first four months—180 millions—is actually 5 per cent higher than the corresponding result for the preceding financial year, though 10 per cent lower than the estimates. It has to be remembered, however, that the above-mentioned law for the improvement of the State revenue dates only from May 10th last.

The estimates under Chapters IV (Fines and Confiscations), V (Railway Annuity) and VIII (Contributions of Communes towards Teachers' and Professors' Salaries) do not call for any special comment.

Chapter VI: Post Office, Telegraphs and Telephones.—The estimates under this chapter are reduced to 276 millions as compared with the estimates of 391 millions for 1932-33 and 267 millions actually collected. The readjustment of rates has corrected the excessive optimism of last year and resulted in reasonable estimates.

Chapter VII: State Domains and Capital.—Increase = 16 millions. The estimates here seem rather too high particularly as regards the 30 millions under the head of the share of the State in the profits of the National Bank. This item of revenue does not appear among the results for 1932-33 and should, moreover, have involved a corresponding item of expenditure, since the said share in profits accruing to the State is devoted to the amortisation of its debt to the institution of issue. The total increase anticipated seems doubtful and, moreover, the receipts for the first four months are considerably lower (—31 per cent) than those for the corresponding period of the preceding financial year.

Chapter IX: Miscellaneous Revenue.—This chapter includes the 81 millions of new receipts resulting from the abolition of the departmental councils which are referred to at the beginning of the present report. The total—477 millions—can thus be reduced to 396 millions, compared with the 452 millions collected in 1932-33. The amount of unforeseen revenue, which consists generally of the return of available funds, appears as 50 millions, compared with 150 millions and 311 millions collected in 1932-33 and 1931-32 respectively, and will probably be exceeded. On the other hand, the yield from labour in prisons, public workshops, etc., is shown as 10 millions, whereas the results obtained during the four preceding financial years never amounted to as much as 1 million. Further, 86.6 millions are anticipated from the execution by the Greek Government of the Molloff-Caphandaris Agreement. The preceding financial year shows, from the accountancy standpoint, receipts of the same nature amounting to 62 millions. In reality, payments under this head ceased after the half-yearly instalment of December 15th, 1931, the Greek Government having, at the Lausanne Conference, agreed to the postponement of the Bulgarian reparation payments due to it, subject to the postponement of its own payments due to Bulgaria; the latter payments included the Molloff-Caphandaris half-yearly instalments. Thus, the above-mentioned estimate of 86.6 millions would not be justified from a budgetary standpoint, unless it were set off by expenditure shown under the head of reparation payments, which is not the case in the present budget. There is accordingly no reason to consider the item of revenue in question or the excess of 24.6 millions anticipated from it as compared with 1932-33. These various increases and decreases appear to balance, and the first four months of the financial year have yielded, under the chapter, revenue exceeding by nearly 40 per cent the corresponding results for 1932-33.

Chapter X: Receipts relating to Closed Financial Years.—The estimates are fixed at 200 millions, compared with 203 millions recovered in 1932-33, 202 millions in 1931-32, 365 millions in 1930-31 and 406 millions in 1929-30. Our note annexed to the Financial Committee's report to the Council (document C.268.M.138.1933.II.A.) gave details relating to this question of arrears and pointed to possibility of recovery in the neighbourhood of 20 to 30 per cent of the amounts outstanding,

independently of the taxable balance. We still hold the view that the figure of 200 millions fixed above might thus actually be doubled. In point of fact, the action of the administration, though inadequate and tardy—at a time when the persistent economic depression is exercising an increased influence on the solvency of taxpayers—nevertheless resulted under this head in 100.2 millions of receipts for the first four months of the financial year—*i.e.*, 50 per cent of the total estimates and close upon 55 per cent in excess of the corresponding results for 1932-33.

Actually, the total yield from budgetary receipts amounts for these first four months to 1,678.4 millions, a figure practically the same as for the corresponding period of the preceding financial year—1,680 millions—and representing 32 per cent of the estimates for 1933-34. The proportion in 1932-33 and 1931-32 was 35 per cent of the actual results. It is to be feared, then, that the increases over 1932-33 anticipated for the current financial year will prove difficult of realisation, the disquieting falling-off in Customs receipts not being calculated to dispel this fear. The fact that the taxes in this budget are almost entirely taxes on consumption, the undeniable increase in poverty among the population and the apparent impossibility of really collecting some essential taxes and duties should have pointed to the expediency of seeking to balance the budget by a radical cutting down of expenditure. That policy has only been very imperfectly followed.

B. *Expenditure.*

	Millions of leva
As stated above, the figures for real expenditure for the financial year 1932-33 amounted to	5,657.1
of which	716.2
were devoted to the service, transferred or not, of the external public debt.	—
Apart from this item, the expenditure amounted to	4,940.9
The total credits allocated under the budget of 1933-34 amount to	5,140.0
among which the service of the external debt represents, as will be explained below	380.4
	—
This leaves, for purposes of comparison with the figure of 4,940.9 millions above, a balance of	4,759.6

which indicates the Government's intention to retrench, as compared with the expenditure for 1932-33—not including the external debt—to the amount of 181.3 millions of leva or 3.6 per cent. The education budget appears to call for special comment in a few words.

The allocation therein, amounting to 821.5 millions, does not represent the total credits for education, since part of the expenditure taken over in 1932-33—25.6 millions—has been made a charge upon a fund for "salaries of teachers in secondary schools", instituted on September 15th, 1932. The allocation thus actually amounts to 847.1 millions, as compared with 872 millions expended in 1932-33, taking into account the payment orders still in suspense at June 30th, 1933. The retrenchment agreed on thus amounts only to 25 millions, or less than 3 per cent. The general statistics of the Kingdom showed for the school year 1931-32:

- Elementary education: 1,660 public schools; 6,029 teachers (male and female); 159,656 pupils; plus 61 private schools;
- Secondary education: 86 grammar schools; 1,788 teachers; 37,626 pupils; plus 17 private establishments;
- Special and vocational education: 334 establishments; 2,918 teachers; 28,050 pupils;
- Higher education: 8 schools or academies, with 182 teachers and 1,597 students;
- University of Sofia: an average of 325¹ professors, readers, assistants, etc., for 5,500² students (male and female), excluding the activities of the School of Higher Commercial Studies and the Free University, which together numbered, at that same period, 60 professors and 2,300 students.

The population of the Kingdom at the last census was 5,478,741.

There can be no doubt that, from the budgetary point of view, this excessive development of public education is unjustifiable and that it constitutes a social danger. A fundamental reform is essential, though at present the matter is simply being discussed.

If expenditure on National Defence and the service of the debt is left out of account, the credits allocated to the other departments merely call for one general remark: though of small amount, they are none the less too large having regard to the probable budgetary receipts. These two facts, which have not escaped the notice of the Government, led it to effect a wholesale reduction of the credits set aside for the service of the public debt (see below). It is by no means certain that this expedient, if it is agreed to, will be sufficient to maintain budgetary equilibrium.

C. *Principal Provisions of the Finance Law.*

The Bulgarian Government's declaration in May last to the Financial Committee contained, in addition to the detailed scheme for the future budget of 1933-34, a number of provisions regarded

¹ For 1932-33, 284.
² For 1932-33, 6,400.

as essential factors in the plan of financial recovery, which, it was decided, was to come into force on June 30th, 1933, at latest.

The majority of these provisions were embodied in the Finance Law for the financial year 1933-34.

The Bulgarian Government was resolved (see document C.268.M.138.1933.II.A, § 9):

“(3) . . . to strengthen the control over the execution of the budget, hitherto found to be inadequate, by establishing previous control by the Finance Minister of all commitments and of all laws of a financial or economic character or relating to credit . . . the said control to apply to all services of the State, departments, communes and autonomous public bodies . . .”

Article 26 of the Budget. — “All commitments in respect of expenditure abroad shall require the previous assent in writing of the Minister of Finance.”

Article 56. — “Ministers, public and autonomous establishments, etc., may not effect on the home market purchases of supplies of foreign origin exceeding 100,000 leva without the previous assent of the Minister of Finance.”

Article 27. — “Expenditure which Ministers may not incur without the authorisation of the Council of Ministers shall be submitted to the Council by the Minister of Finance; otherwise, the expenditure shall be disallowed.”

Article 28. — “All draft laws of a financial or economic character or relating to credit shall be laid before the Council only after the Minister of Finance has given his assent in writing.”

Article 94. — “Previous control over the expenditure of the public autonomous establishments (with the exception of the three State banks) and of the urban communes shall devolve upon the Minister of Finance. Such control shall be exercised by the Council of Ministers as regards the Pernik mine.”

This last provision constitutes a measure of transition between the absolute financial autonomy of the mine as it had existed hitherto and subjection to the financial control of the Minister of Finance, which is highly desirable. This third stage requires an amendment of the organic law of the mine, which should be brought about as rapidly as possible.

Previous control over the expenditure of the various ministries is still exercised by the existing supervisory sections, which come under the Minister of Finance.

“(4) . . . To secure, before June 30th, 1933, the vote of:

“(a) A law establishing statutory regulations affording the officials of the financial services the requisite safeguards in connection with qualifications, stability of tenure and promotion.”

This law was prepared, adopted by the Council of Ministers and passed on first reading in a form which satisfies the three above-mentioned safeguards. The close of the parliamentary session precluded a final vote, but the discussion appears on the programme for the next session.

“(b) An amendment to the present law on public accountancy, making it possible to treat the monthly budgets as authorisations for *commitments* and not merely as authorisations for *payments*.”

Article 55. — “. . . the supervisory and accountancy sections . . . shall ensure that no *commitments* are entered into and that no payment orders or letters of credit are issued in excess of the credits authorised by the monthly budgets.”

“(c) Special legal provisions to guarantee the punctual payments of salaries and pensions in the future, whether by giving such expenditure priority over other expenditure or by earmarking revenue for this purpose.”

Article 83. — “Payment of current salaries and pensions, as from July 1st, 1933, shall be effected, before any other State expenditure, according to a preferential system, for the application of which the Minister of Finance will frame special regulations to be approved by the Council of Ministers.”

These regulations were prepared in collaboration with the Committee of four members provided for in § 10, *ad 4 (d)* of the report (document C.268.M.138.1933.II.A) of the Financial Committee to the Council, the Minister of Finance, with the consent of the President of the Council, having been well inspired to extend the Committee's powers. The new system came into operation on July 1st, 1933, and has yielded satisfactory results. One month's salaries were paid at the end of July and another month's at the end of August.

“(d) Legal provision establishing a sinking fund to deal with arrears of salaries and pensions on the lines laid down by paragraph *ad 4 (d)* of the Financial Committee's report.”

Article 82. — “ There shall be set up at the National Bank of Bulgaria a sinking fund for the payment of arrears of salaries and pensions, to be administered by the Minister of Finance. This fund shall be constituted: (1) from revenue in respect of closed financial years; (2) from 2 per cent of the gross monthly revenue of the State. For the purposes of the application of this article, special regulations shall be prepared which shall be submitted for approval to the Council of Ministers by the Minister of Finance.”

These regulations were drawn up with the assistance of the same above-mentioned special Committee, and the new system came into operation on July 1st, 1933.

“ (5)”

“ (6) To establish without delay, under the immediate authority of the Finance Minister, a higher control organisation in connection with the assessment and collection of taxes, consisting of a small number of officials chosen with special care, with the duty of proposing all requisite improvements in the organisation of the above service and, at the same time, exercising permanent higher control of the operation of these services.”

The necessary credits appear in the budget, and the required staff has recently been appointed, with the exception of the head of the service, who will be of high rank with wide powers. No one possessing the requisite qualifications has, however, been found as yet.

2. *Autonomous Budget of the Railways and Harbours.*

The gross results for the financial year 1932-33 are as follows:

	Millions of leva
Revenue	1,120.7
Expenditure:	
Paid	1,138.6
In suspense	79.6
	1,218.2
Deficit	97.5

The estimates for 1933-34 are:

Revenue	1,550.5
Expenditure	1,373.1

The explanation of this increase lies in the fact that, out of the seven funds which were distinct from the Railways budget up to and including the financial year 1932-33, three are now incorporated absolutely, while two are incorporated but accounted for separately, the sixth has been transferred to the Ministry of Finance and the seventh remains as it was. In order to permit of comparison, the results for 1932-33 must therefore be submitted inclusive of the funds now incorporated; the figures are thus:

	Millions of leva	Difference (in 1933-34)
Revenue	1,356	+ 14 %
Expenditure	1,422	— 16 %

It will be seen that the estimates for this Administration are also very optimistic. In point of fact, the receipts for the first four months were 10 per cent below those for the corresponding period of the preceding financial year, despite the incorporation of the above-mentioned funds, and do not amount to 22 per cent of the estimates fixed for the whole financial year. The proportion between the revenue for this period and the actual results of the financial year was 31 per cent in 1931-32 and 32 per cent in 1932-33.

3. *Budget of the Non-incorporated Funds.*

As regards the funds administered by the State, the situation has remained as described in the Financial Committee's report of May 23rd last. The budget of the funds voted for the new financial year shows revenue at 1,953 millions and expenditure at 1,944 millions, as compared with 1,850 millions recovered and 1,797 millions expended in 1932-33. There has been no disappearance or incorporation; there is, on the other hand, the increase referred to above of the fund “ Salaries of Teachers in Secondary Schools ”, the object of which is to transfer to the communes part of the expenditure on education previously defrayed by the State.

(c) TREASURY SITUATION.

(See Appendix I (f).)

The net Treasury deficit, which was 1,712 millions on May 31st last, appears to have fallen to 1,117 millions on July 31st. This figure, in point of fact, does not include the pensions for the

current quarter, due on July 1st and amounting to approximately 300 millions. The improvement which none the less exists is due simply to the delay in regard to commitments or payments of current expenditure since the beginning of the new financial year. The situation is actually very critical. On July 31st, close upon four months' arrears of salaries were due to civil and military officials of the State, while upwards of one quarter's arrears were owing to pensioners. Since that date, however, the system of preferential treatment of salaries has come into operation, after the necessary funds were accumulated in July: one month's salaries and arrears were paid (April for the provinces and May for Sofia). The same applied on August 1st for the month following (May-June). The system, once enforced, thus made it possible to prevent any aggravation of the delays in question. This progress, however, has simply meant shifting the problem, as there will in future be longer delays in the settlement of the sums due to Government contractors.

During the three months under review, the Government utilised its right to issue supplementary Treasury bonds, the principle having been accepted in the Financial Committee's report to the Council (document C.268.M.138.1933.II.A). The special Committee provided for in that report had declared in favour of the issue of a first instalment limited to 150 millions, as the programme of budgetary reform had only been imperfectly carried out, more particularly as regards the granting of regulations to officials of the Finance Department. It became evident that this limitation was, moreover, strictly justified by the position of the money market. No private body was in a position to subscribe the issue, which had to be taken up in July and August by the Central Agricultural and Co-operative Banks. At the beginning of July, the National Bank had to rediscount these bonds, the whole of which it had taken back for August 23rd following.

(d) CEREALS DIRECTORATE.

This body closed its operations in connection with the 1932 harvest with a loss of 30 millions. Its operations on the 1933 harvest are being continued on the same principle as before—it buys wheat at the basic price of 2.70 per kilogramme and resells, exclusively for export, at rates which are at the moment in the neighbourhood of 1.60. The large amount of capital which would be necessary to cover this considerable difference—on an exportable minimum of 200 million kilogrammes—is entirely lacking, the Agricultural Bank having, for this year, only been able to supply the working capital fund of the Directorate with 20 millions over and above its previous financial support—154 millions—and the 120 millions which it was obliged to immobilise in the repurchase of tax bonds on the 1930 and 1931 harvests. A debt due to the Directorate by the State amounting to 90 millions, for supplies delivered, cannot be either paid or mobilised. The tax on bread still brings in a good revenue, amounting to 138 millions between July 20th, 1932, the date of its entry into force, and July 31st last, but the yield is devoted to compensating the communal budgets, which have been deprived of their *centimes additionnels* in respect of the recoveries effected in the matter of tax bonds. Moreover, this tax, which is collected by the Agricultural Bank regardless of the principle of budgetary unity and has led to the creation of a new fund—all the more regrettable as the available moneys are not kept at the National Bank—might produce considerably better results: an Order of the Food Commissioner published in the *Official Journal* of February 4th, 1933, enumerates no fewer than ten ways in which it is frequently evaded, wholly or in part.

In the circumstances, the Directorate's activities are bound for the moment to be practically at a standstill, to the detriment of the farmer, who, pending the promised rates, can obtain nothing for his crop. Moreover, if those activities were revived with the assistance of a new working capital fund, this would involve a heavy deficit which, added to the fiscal refunds due to the communes, would amount to a total far exceeding the yield of the tax on bread.

II. PUBLIC DEBT.

As announced in our last report, the Government has omitted from the credits allocated to this Directorate the portion of the foreign debt service which is not being transferred—namely, 75 per cent of the interest and 100 per cent of the amortisation of the 1926 7% and 1928 7½% loans. Those credits, however, had to be calculated sufficiently accurately to regularise the 100 per cent payments effected on account of the said service before the opening of the financial year and until the cessation of the payment of the untransferred sums to the Commissioner's special account (April 1st and May 15th; see our last report). It appears from this fact and various other adjustments that these credits amount to 380.4 millions, as compared with 716.2 millions expended in 1932-33.

This decision did not meet with the approval of the creditors concerned, and placed the Government in a difficult situation, as became very clear on the resumption of the negotiations relating to the service of the foreign debt. An agreement was concluded with regard to the 1926 and 1928 loans, whereby the Government is exempted from effecting, up to April 15th, 1934, inclusive, the transfers relating to 75 per cent of the interest and 100 per cent of the amortisation, but the question of the budgetary inclusion of the sums not transferred is expressly held over; no solution has been reached as yet in regard to the other loans.

In the circumstances, the paragraphs of the special account concerning the State debt have not been credited since May 15th, 1933, save in respect of instalments due previous to that date. As a corollary, the investment in Treasury bonds of the assets of that account has applied only to a balance of 11 millions.

The whole of the bonds thus subscribed since the outset were renewed on May 15th, 1933, for three months, on deposit of interest at the rate of 6 per cent. The new agreements concluded or under discussion provide for the reduction of this rate to 2 per cent as from January 1st, 1933.

III. CURRENCY, CREDIT AND ECONOMIC SITUATION.

(a) NATIONAL BANK OF BULGARIA.

The Bank's Commercial bill portfolio shows, during the quarter under review, a drop of 36 million leva, and amounts to only one-half of what it was two years ago. Advances to the Treasury under various heads have risen by 85 millions and amount at present to 587 millions (1932 = 282, 1931 = 244). While the total bill holdings thus increased between May and August by 49 million leva and amounted to 891 millions, as compared with 787 at the same period of last year, the note circulation rose from 2,725 to 2,602 millions (2,651 in August 1932). This reduction is due mainly to a large increase in deposits (150 millions), which is explained in its turn by the accumulation of public revenues blocked pending the conclusion of agreements on the service of the foreign debt. Bank Deposits fell, and are about 200 millions below the corresponding figure for the previous year (see Appendix III (a)).

The total circulation (3,454 millions) has fallen by 132 millions and is nearing the level for the corresponding period in 1932 (3,466 millions).

The net foreign currency assets of the Bank continued to fluctuate a little over nil, the net reduction for the quarter being 7 millions, compared with an increase of 17 millions during the preceding quarter. The percentage of cover has dropped by one point but is still maintained at the average level for 1931 and 1932.

The movement of foreign currency improved, purchases exceeding sales in May, June and July; in August, however, the situation was reversed (preliminary deficit = 38 millions). These results presuppose very strict control by the Bank over imports; on the other hand, the improvement recorded in the tobacco market was the decisive factor in the increase in the volume of exports as compared with last year. The Bank also extended the system of "compensations" and gave a fresh impetus to exports. By an Order of June 8th, a number of native products (fruits, vegetables, meat, live-stock, coal, attar of roses, silk, tobacco from old crops, wines, brandy, dairy produce, kaolin, sugar and timber) were declared free for 100 per cent "compensations" as against specific commodities. On August 15th, additional import quotas were granted to exporters of dairy produce. One must, however, expect such a recrudescence of imports, since goods exported on a compensation basis imply subsequent imports.

Attention should be directed to the unprecedented decrease in the volume of commercial bills drawn by foreign customers and renewed for want of means of payment: the volume dropped from 1,096 millions, the figure for the first quarter of the year, to 873 millions during the three months May to July. In other words, for the first time since the strengthening of exchange control by the National Bank, one finds a diminution in the commercial indebtedness towards foreign countries. The fall of the dollar is not sufficient to explain this circumstance, the "compensation" agreements also constituting an important factor.

The amendment to Article 35, paragraph 10, of the Statutes of the Bank referred to in the Financial Committee's report to the Council of May 23rd, 1933, under the terms of which the limit for the rediscounting of Treasury bonds could be increased from 200 to 500 million leva, was passed by Parliament and promulgated on July 4th, 1933.

(b) FOREIGN TRADE.

Apart from the clearing agreements mentioned in our last report, a private clearing agreement was concluded in July with the Polish company for "compensation" trading under the terms of which Bulgaria can export on a 100 per cent compensation basis fruits, seeds, plum brandy, lamb-skins, pigs' bristles and attar of roses in return for Polish goods not specifically enumerated, on licences to be obtained from the National Bank.

The levelling produced by the clearing agreements on foreign trade will be clearly seen from the table (Appendix III (d)) giving in detail, by foreign countries, the estimated value of the foreign trade. One country, Germany, has been able in this way to increase her exports to Bulgaria while, at the same time, practically doubling her imports. Exports from France were reduced under the clearing agreement to the level of the imports accepted by that country—*i.e.*, by about two-thirds. The same thing has occurred with Czechoslovakia. The countries most hard hit are those which impose the minimum of restrictions on foreign trade, such as England and the Netherlands.

As regards exports, apart from the increase in Bulgarian exports to Germany, mention may be made of the new market which Bulgaria has won in Spain (wood charcoal, eggs, cereals).

Appendix III (e) shows an increase in the volume of practically all the goods exported, with the exception of cereals, eggs, live-stock and dead poultry. It must not be forgotten that all these articles, with the exception of tobacco from new crops, are affected by compensation transactions.

Table c (Appendix III) shows that the four months April to July all register a favourable trade balance, the balance for the first seven months of the year giving a surplus of 175 millions as against a deficit of 243 millions for the same period in 1932.

(c) PRIVATE BANKS.

In continuation of the data furnished in our previous report, Table g (Appendix III) gives the figures for the position of the private banks at the end of June.

There has been a weakening of the cash balance, though this is, relatively speaking, still satisfactory in the big Sofia banks. Although the withdrawal of deposits to which this reduction is due seems to be the repetition of a seasonal phenomenon already noted last year, there is practically no corresponding contraction in loans and advances—a sign of an increasing lack of liquidity.

For the first time, the deposits of the Agricultural Bank dropped from 5,374 millions (end of 1932) to 5,106 millions at June 30th, 1933; the Bank met these withdrawals by means of its cash reserve and assets at the National Bank, which fell during the same period from 553 to 419 millions. Its bill holdings at the end of June were 5,067 millions, only exceeding by 3 millions the figures recorded at the beginning of the year. The Bank has continued to increase its advances to the co-operative societies (1,721 millions, compared with 1,642 millions at the end of 1932), while still proceeding with the repayment of its other loans. In view of the large sums which it has already immobilised or promised to immobilise in various agricultural spheres, the question arises how it will meet these demands in the autumn.

The Central Co-operative Bank is the only exception. Its cash balance rose from 21 millions at the end of December to 93 millions at the end of June, while deposits increased during that period from 659 millions to 764 millions.

(d) INDUSTRY.

Since the introduction at the beginning of the year of strict control by the National Bank over imports, industrial circles have not ceased to complain of the shortage of raw materials caused by the refusal of licences. There has undoubtedly been a falling-off in activity in several branches and, lately, a number of textile factories have had to close down. Other symptoms of decline in industry appear in the drop in the production of coal and goods traffic by rail. Building, however, continues to prosper for the third consecutive season without any sign of falling off.

(e) LEGISLATION.

Emergency Legislation. — Under the terms of the declaration made by it at the last session of the Financial Committee, the Government was to bring before Parliament, before the end of the year, a single law or a number of simultaneous laws to take the place of the various recent laws with regard to debts, arrangements with creditors, rates of interest and banking activities. Unfortunately, this promise could not be kept and various laws governing these questions were rushed through towards the end of last session in order to meet what were regarded as urgent necessities until a general law could be framed.

An amendment to the usury law was voted on June 28th, fixing the legal rate of interest at 8 per cent and limiting the contractual rate of interest to the discount rate of the National Bank, plus three points. The mortgage rate of interest was fixed at 8 per cent, except for the Mortgage Bank of Bulgaria, which works under a special contractual regime and with which the Government has instituted negotiations.

The law adjourning public sales as a measure of distraint against debtors dealt a heavy blow at the banks, whose assets are thus entirely immobilised until December 1st next, or depend at all events on the goodwill of the debtors. The pernicious moral effect of this law has been stressed, particularly in co-operative circles.

A law voted on June 28th granted, as regards reconstruction loans, relief to debtors inhabiting the area affected by the 1928 earthquake. It provides simply that the payment of 5 per cent interest and amortisation, calculated over a period of 20 years, shall begin on July 1st, 1933, and that any sums paid before that date shall be deducted from the total capital due. It takes no account whatever of the financial situation of the debtor.

The disastrous effects of these last two enactments on the morale of debtors are obvious. The opinion is beginning to gain ground that such liberal preparatory measures justify the hope that the general relief law will go much further.

A provisional law governing rents was voted after lengthy debates. It provides for a reduction of 30 per cent, as compared with 1929, on all commercial, industrial or artisan rents and on rents paid by the State or the communes. Existing leases will be prolonged during the period of application of the law and cannot be cancelled except in six specific cases. A new fiscal duty has been instituted, equal to 10 per cent of the reduction obtained by the lessee.

So far the whole of the "emergency legislation" has simply been a mass of inconsistent, incoherent and even contradictory measures, which have undoubtedly resulted in more harm to the country than relief to the persons concerned. This is the case, for example, with the alleviations granted to peasant debtors—hardly 30,000 peasants out of upwards of 600,000 have claimed the benefit of this law, which, operating thus for the sake of 5 per cent of the rural population, deprives 95 per cent of that population of all credits and plunges into inextricable difficulties private creditors, co-operative societies and banks.

This legislation calls for radical and immediate reform, if the destruction of the present economic structure is to be avoided.

We deeply regret that the Government should not have fulfilled in this sphere the undertakings entered into at Geneva.

Other Laws. — Among the other legislative measures which have some influence on the economic and financial situation may be mentioned the law abolishing the departmental councils and transferring the powers of those elective assemblies to the central administration. This reform constitutes a considerable saving and puts an end to centres concerned with local politics. It may perhaps lead to a more efficient administrative service.

Mention should also be made of a law concerning artisans, which regulates on modern lines the relations between employers, journeymen and apprentices and provides for an organisation of employers to protect their interests and supervise conditions of work.

IV. AGRICULTURE.

This year's harvest seems excellent; the preliminary figures are as follows:

	Area sown			Production		
	(Thousands of hectares)			(Thousands of quintals)		
	Average 1927-1931	1932	1933	Average 1927-1931	1932	1933
Wheat	1,150	1,245	1,185	13,369	13,759	15,525
Rye	222	220	199	2,318	2,575	2,660
Mixed	99	90	84	1,129	951	1,233
Barley	243	230	194	3,204	3,070	3,163

The problem to be settled is how to market this harvest while avoiding premature sales by farmers.

The banks, paralysed by legislation which immobilises their assets, cannot and will not undertake any new commitments, while the Government, through its Cereals Directorate (see above), is creating artificial prices and making it impossible to market the harvest through the usual private channels and with the help of foreign short-term credits.

The export quota allowed to Bulgaria by the London Agreement is only 218,000 tons for this season (exports in 1932 = 173,000 tons and in 1931 = 243,000). This seems to portend further difficulties for the Government. Only the areas under wheat have increased since 1927-1931, owing to the artificially high prices paid of late years. As the volume of exports is limited by international agreement, and local consumption is restricted by the exorbitant price of bread, due to excessive taxation, if the Cereals Office pays the high prices it says it will, it will accumulate stocks of grain which it will be unable to sell either at home or abroad.

Recent legislation has given the Agricultural Bank and the co-operative societies a virtual monopoly of the supply of petrol to the peasants for their tractors and other machinery. The result has been that, during the threshing period, the supply has been unequal to the demand. It has also been asserted that the prices charged were higher, and the deliveries less conveniently arranged, than on the open market.

A further amendment to the Agricultural Property Act of August 1st, 1924, which itself amended Stambolyski's Land Act of May 12th, 1921, was published on July 1st, 1933. Its object is to increase the amount of Government land available for internal colonisation. Land is thus recovered at the expense of the schools, stock-breeding stations, etc., whose properties are now reduced to maximum areas (0.2 hectare per school, 0.15 per stockbreeding station, etc.). For this reason, the Act is commonly called the "School Lands Expropriation Act".

It also provides for a reassessment of the value of private properties expropriated in the past, the price not to exceed the 1932 rate. All arrangements made with landowners who were expropriated prior to the promulgation of this Act are void, and will be reviewed. The sums due for the expropriated properties are to be paid in twenty years, at the rate of one-twentieth per annum. No interest will be paid.

There are two main obstacles to the agricultural development of Bulgaria—the dispersion of arable land over the communal territory, which is so pronounced that, in many cases, the fields are fifteen kilometres or more away from the village; and the continual parcelling-out of individual estates on the death of their owners.

The question of the reconstitution of landed properties has been under discussion for a considerable time. Having already been raised in the Stambolyski Act, it was also dealt with in the Act of 1924, while the present amendment goes much further still, providing, *inter alia*, that the expenses entailed will be borne by the Government. In practice, the work of reconstitution has had no effect so far, and little can be anticipated so long as it depends on the decision of the majority of the peasants in a village. In any case, it is a matter of experience in other countries that no results are possible in this direction, except under coercion.

V. SETTLEMENT OF BULGARIAN REFUGEES.

(a) POSITION OF 1926 7% LOAN ACCOUNT.

(See Appendix IV.)

Balance at July 31st, 1933: 15,471,847 leva.

(b) YIELD OF THE ASSIGNED REVENUES.

(Millions of leva)

Chapter of the budget	Receipts			One-twelfth of the budget estimates
	May	June	July	
15. Excise duty on alcohol, etc.	7.3	6.1	6.9	5.0
16. Excise duty on salt, etc.	35.9	39.5	33.9	30.0
21. Sale of matches	6.8	6.1	6.7	7.9
Total	50.0	51.7	47.5	42.9

These receipts, amounting to 149.2 millions, represent an appreciable advance over those for the previous quarter (124.6 millions).

Payments by refugees for refund of the cost of settlement amounted (in leva) to:

	May	June	July	Previous payments	Total payments up to July 31st, 1933
Interest	41,499	40,461	34,349	3,319,668	3,435,977
Amortisation and land tax	31,340	28,121	31,629	16,344,066	15,435,156
Total	72,839	68,582	65,978	19,663,734	19,871,133

These repayments (207,399 leva) are considerably below those for the previous quarter (364,604) and for earlier quarters. The trustees of the loan have recently amended in the manner asked by the Government the first of the conditions they had laid down (see our previous report, VI(b)) for the introduction of a new system in connection with repayments by refugees holding 1923 6% Bonds. The proceeds of the redemption of those bonds, when drawn for payment, will be transferred only up to the same proportion as the service of the 1926 7% and 1928 7½% Loans, the untransferred balance remaining blocked in the "Repayment of Expenditure" account administered by the Commissioner. This being so, the legislation entailed can be discussed at the next parliamentary session, and the aforesaid system of repayments will operate more rapidly as soon as it comes into effect.

VI. 1928 7½% STABILISATION LOAN.

(a) POSITION OF THE LOAN ACCOUNT.

(See Appendix V.)

Balance at July 31st, 1933: 9,638,524 leva.

(b) YIELD OF ASSIGNED REVENUE (CUSTOMS).

(In millions of leva.)

May	June	July	One-twelfth of the budget estimates
54.2	53.6	41.9	74.5

The total of these receipts therefore amounted for the quarter to 149.7 million leva, as compared with 157.5 for the previous quarter and 239.3 for the corresponding quarter of 1932.

(c) EMPLOYMENT OF THE LOAN.

	Leva	Leva
<i>1. Railways and Harbours.</i>		
The total assigned to this heading amounted to		672,300,000
Expenditure incurred up to July 31st, 1933		671,914,881
		<hr/>
Amount still available		385,119
Balance to be paid on commitments		9,354,957
		<hr/>
Outstanding commitments and expenditure		9,740,076
Funds held by the Administration	7,133,283	
Balance to be obtained from the proceeds of the loan	2,606,793	
	<hr/>	9,740,076
<i>2. Roads and Bridges.</i>		
The total assigned to this heading amounted to		182,031,732
Expenditure incurred up to July 31st, 1933		180,500,000
		<hr/>
Amount still available		1,531,732
Balance to be paid on commitments		6,982,086
		<hr/>
Outstanding commitments and expenditure		8,513,818
Funds held by the Administration	1,482,086	
Balance to be obtained from the proceeds of the loan	7,031,732	
	<hr/>	8,513,818

Appendix I.

(a) ANALYSIS OF THE ANNUAL BUDGETARY ACCOUNTS.

(In millions of leva.)

	1930-31	1931-32	1932-33			1933-34
	Results		Budget voted incl. supplementary credits	Monthly budgets ¹	Results	Estimates
	Final	Pro- visional				
REVENUE.						
A. <i>State budget.</i>						
Direct taxes	602.8	489.5	675	457	392.3	424.1
Indirect taxes	1,322.7	1,253.8	1,531	2,270	1,229.1	1,323
Customs duties	853	959.6	1,035		883	894
Other duties	656	563.2	655.6		508.8	804
Fines and confiscations	69.3	57.8	75		57	51.1	58
Railway annuity	125	103	125	125.3	125.1	118.6
Posts, Telegraphs and Telephones	283.6	293.7	391	329	267.1	276
State domains and capital	388.3	279.6	464.4	424	330.2	346.5
Contributions of communes towards teachers' salaries	435.7	340.4	380	367	294.9	300
Miscellaneous revenue	495.7	654.7	478	450.6	450.6	477
Revenue from closed financial years	365.3	202.5	190	245	203.2	200
Extraordinary and supplementary budgets	838.6	410.7	—	—	—	—
Total	6,436	5,608.5	6,000	5,276.9	4,735.4	5,221.2
B. <i>Railways and Harbours</i>	1,160.3	1,238.5	1,393	1,275	1,120.7	1,550.5
Grand total	7,596.3	6,847	7,393	6,551.9	5,856.1	6,771.7
EXPENDITURE.						
A. <i>State budget.</i>						
Head of State	84	64.5	81.1	63.6	77	63.1
Public Debt	2,215.9	2,155.9	2,180.8	1,368.3	1,919.5	1,440
Audit Office	20.7	22.6	18.3	18.2	17.3	15.6
Foreign Affairs and Public Worship	132.6	134	99.9	90	98.3	94.5
Bulgarian Orthodox Church	47	46.3	44	42.2	43.6	43.9
Interior	271.4	259.8	246.3	216.5	235.2	243.7
Public Health	118.9	114.7	150.4	120.8	108.1	181.9
Education	884.3	852.1	890.7	858.9	867.8	821.5
Finance	175	177.4	191.3	161.9	170.5	174.9
Justice	246.6	205.4	210	187.9	182.3	189.3
War	1,082.6	1,010.1	1,030.8	978	831.9	959.6
Commerce	110.8	96.6	105.5	93.6	88.3	92.8
Agriculture and Domains	327.1	237.4	295.6	228.5	237.4	293.2
Public Works and Compulsory Labour	358.3	274.9	339	283.3	229.9	318.5
General Directorate of Railways and Harbours	51	47.3	51.1	47.8	41.3	50.2
Posts, Telegraphs and Telephones	215.8	206.7	215.1	178.3	192.7	202.7
Aviation	33.4	29.9	36	32.8	29.4	35.8
Extraordinary and supplementary budgets	1,812.4	577.9	—	—	98	—
Total	8,187.8	6,513.5	6,185.9	4,970.6	5,468.5	5,221.2
B. <i>Railways and Harbours</i>	1,255.5	1,264.1	1,300	1,159	1,138.6	1,373.1
Grand total	9,443.3	7,777.6	7,485.9	6,129.6	6,607.1	6,594.3
Budget deficit	1,847	930.6	—	—	751	—

¹ No monthly budgets were prepared for April, May and June 1933 in the 1932-33 financial year.

(b) DETAILED STATEMENT OF THE RECOVERY OF THE DIRECT TAXES,
FINANCIAL YEAR 1932-33.

(In millions of leva.)

	Budget estimates	Amounts recovered	Percentage
TAXES			
Land tax	200	28.6	14.3
Schedular taxes on incomes	210	179.7	85.6
Tax on total income	30	17.5	58.3
Corporation tax	40	27.5	68.7
Tax on buildings	25	13.7	54.8
Tax on war profits	0.08	0.04	50
Tax on sheep and goats	60	55.4	92.3
Tax on exemption from personal service	45	26.2	58.2
Military tax	35	19.4	55.4
Tax on successions	30	24.2	80.5
	675	392.2	58.1
Taxes from closed financial years	1,986 ¹	185.7	9.1

¹ Remains to be collected at the beginning of the financial year.

(c) MONTHLY RESULTS OF THE LAST THREE MONTHS.¹

(In millions of leva.)

	1933-34 One-twelfth of the budget voted	May			June			July			Results
		1932		1933	1932		1933	1933-34			
		On 1932-33	On 1932-33	On 1933-34	On 1932-33	On 1932-33	On 1933-34	On 1932-33	Monthly budget		
REVENUE.											
A. <i>State Budget:</i>											
Direct taxes	35.3	28	4.2	33.1	76.9	11.9	97.7	39.6	35	32.5	
Indirect taxes	110.2	88	—	118.5	116.7	—	117.2	107.2	180	111.1	
Customs duties	74.5	96.6	—	54.2	77.9	—	53.6	64.8	60	41.9	
Other duties	67	41.2	—	48.4	43.6	—	46.4	42.4	60	48.2	
Fines and confiscations	4.8	2.8	—	4.5	6	—	6.2	3.5	5	3.8	
Railway annuity	9.9	—	—	—	—	—	—	—	9.9	—	
Posts, Telegraphs and Telephones	23	17.6	—	18.5	17.4	—	19.3	21.8	25	18.5	
State Domains and capital	28.9	32.9	—	26.4	62	—	34.1	17.5	30	12.5	
Contributions of communes towards teachers' salaries	25	22.8	—	70.1	46	—	12	17.6	25	46	
Miscellaneous revenue	39.8	32.7	—	16.7	83.4	-1.8	24.3	25.6	40.1	17.7	
Revenue from closed financial years	16.7	12.3	—	40.5	27	—	35.3	12.5	20	11.3	
Total	435.1	374.9	4.2	430.9	556.9	10.1	446.1	352.5	430	343.5	
B. <i>Budget of Railways and Harbours</i>	129.2	106	—	85.9	100	—	92.6	78.5	90	63	
Monthly grand total	564.3	480.9	4.2	516.8	656.9	10.1	538.7	431	520	406.5	
EXPENDITURE.											
A. <i>State Budget</i>	435.1	224.2	184.8	145.7	254	414.7	63.5	535	430	248.5	
B. <i>Budget of Railways and Harbours</i>	114.4	—	101.8	—	—	136.1	—	29.4	90	30.4	
Total expenditure paid	549.5	224.2	286.6	145.7	254	550.8	63.5	564.4	520	278.9	
Expenditure in suspense (increase or decrease during the month)	—	+308.9	-261	+476.1	+502.8	-883.9 ²	+330.4	-27.7	—	+194.8	
Monthly grand total	549.5	533.1	25.6	621.8	756.8	-335.1	393.9	536.7	520	473.7	

¹ No preliminary monthly budgets were prepared for April, May and June 1933 in the 1933-34 financial year.

² Taking into account payment warrants carried over or cancelled at the end of the financial year—namely, 268.2 millions.

(d) DETAILED AND COMPARATIVE STATEMENT OF THE RECOVERY OF DIRECT TAXES AS AT JULY 31ST, 1933, ON THE FINANCIAL YEAR 1933-34.

(In millions of leva.)

	Budget estimates	Fraction payable	Amounts recovered	Percentage	First 4 months of 1932-33
TAXES					
Land tax	30	10	4.9	49	9.2
Schedular taxes on incomes . . .	200	66.6	63.8	95	52.4
Tax on total income	20	6.6	10.6	160	8.8
Corporation tax	30	10	14	140	9.3
Tax on buildings.	15	5	5.7	114	4.8
Tax on war profits.	0.05	0.017	—	—	0.02
Tax on sheep and goats	55	55	52	94	49.6
Tax on exemption from personal service	28	9.4	10.1	107	10.3
Military tax	21	7	5.2	74	4.8
Tax on successions	25	8.3	7.7	92	7
Taxes from closed financial years .	424 2,073	177.9 2,073	174 67.5	97 3.2	156.2 57.6

(e) COMPARATIVE RESULTS OF THE FIRST FOUR MONTHS OF THE FINANCIAL YEARS 1932-33 AND 1933-34.

(Millions of leva.)

	1932-33	1933-34
REVENUE		
A. <i>State Budget.</i>		
Direct taxes	156.2	174.1
Indirect taxes	411.2	439.9
Customs duties	330.8	198.1
Other duties	170.9	180.2
Fines and confiscations	15.6	19.2
Railway annuity	0.03	—
Posts, Telegraphs and Telephones	107.5	105.2
State domains and capital.	124.5	85.2
Contributions of communes towards teachers' salaries	122.4	128.1
Miscellaneous revenue	177.9	248.2
Revenue from closed financial years	64	100.2
Total	1,681.1	1,678.4
B. <i>Railways and Harbours</i>	365.7	329
Total receipts	2,046.8	2,007.4
EXPENDITURE.		
A. <i>General budget</i>	1,238.7	781.6
B. <i>Railways and Harbours</i>	29.4	39.3
C. <i>Payment orders in suspense</i>	887.3	1,422.9
Total expenditure.	2,155.4	2,243.8
Balance	— 108.6	— 236.4

(f) TREASURY SITUATION.

(In millions of leva.)

	April	May	June	July
Balance at the beginning of the month of the Treasury accounts with the National Bank	91.3	7.7	72.2	59.5
RECEIPTS				
General budget	{ 7.3 ¹	{ 4.2 ¹	{ 10.1 ¹	} 343.5
Railways and Harbours	{ 458 ²	{ 430.9 ²	{ 446.1 ²	
Extra-budgetary receipts	{ 87.6 ²	{ 85.9 ²	{ 92.6 ²	63
Additional issues of Treasury bonds .	{ 12.3 ¹	{ —	{ 2.9 ¹	} —
Additional issues of Treasury bonds ³ .	{ 12.6 ²	{ —	{ 49.9 ²	
	—	—	—	—
Additional issues of Treasury bonds ³ .	55.2	1.1 ⁴	—	131
Total	724.3	529.8	673.8	597
EXPENDITURE				
General budget	{ 331.1 ¹	{ 184.8 ¹	{ 414.7 ¹	} 248.5
Railways and Harbours	{ 332.8 ²	{ 145.7 ²	{ 63.5 ²	
Expenditure from extra-budgetary receipts	{ 52.7 ¹	{ 101.8 ¹	{ 136.1 ¹	30.4
Balance at the end of the month of the Treasury accounts with the National Bank	—	{ 14.7 ¹	{ —	} 12.2
		{ 10.6 ²		
Balance at the end of the month of the Treasury accounts with the National Bank	7.7	72.2	59.5	305.9
Total	724.3	529.8	673.8	597
Balance at the end of the month of payment orders in suspense, approximately	1,521	1,784	1,228	1,422.9
Approximate net deficit	1,513.3	1,711.8	1,168.5	1,117

¹ 1932-33.

² 1933-34.

³ Investment of the untransferred portion of the foreign debt service.

⁴ Regularisation.

Appendix II.

POSITION OF THE PUBLIC DEBT.

A. STATE DEBT.

	At April 30th 1933 (In millions of leva)	At July 31st 1933
<i>Funded debt:</i>		
Internal	5,338.7	5,304.4
External	15,942.2	15,491.2
Charges under the Peace Treaty	4,603.2	4,634
<i>Floating debt:</i>		
Internal (Treasury bonds)	1,000.8	1,169
External	—	—
Total	26,884.9	26,598.6

B. DEBT GUARANTEED BY THE STATE.

Internal	2,045.4	2,081.9
External	1,222	1,211.7
Total	3,267.4	3,293.6

Appendix III.

MONEY, CREDIT, AND ECONOMIC POSITION.

(a) STATEMENTS OF THE NATIONAL BANK OF BULGARIA.

(In millions of leva.)

	Aug. 15th, 1931	Aug. 15th, 1932	May 5th, 1933	Aug. 15th, 1933
<i>Assets.</i>				
Gold, coined or uncoined	1,507	1,517	1,521	1,521
Gold foreign exchange	307	108	59	57
Other foreign exchange	157	161	37	48
Divisional coins	328	456	370	389
Bill-holdings and commercial advances	606	405	349	313
Treasury bonds	244	282	493	578
State Debt	3,064	2,965	2,873	2,873
<i>Liabilities.</i>				
Capital paid up and reserve	1,684	1,693	1,693	1,693
Bank-notes in circulation	3,349	2,651	2,725	2,602
Current and deposit accounts	1,335	1,632	1,442	1,611
including bank deposits	(954)	(1,088)	(903)	(891)
Foreign exchange commitments	169	105	56	72
Cover percentage	35.12	35.47	36.59	35.76
Discount rate percentage	9½	8	8	8

(b) FOREIGN EXCHANGE: PURCHASES AND SALES BY THE NATIONAL BANK OF BULGARIA.

(In millions of leva.)

	Fourth quarter 1932	First quarter 1933	Second quarter 1933	July
<i>Purchases.</i>				
Exports	630	332	443	160
Services and tourists	33	31	30	18
Receipts from investments abroad	7	5	4	1/3
Other receipts from private persons	44	10	10	3
State revenue from abroad	11	—	—	—
Return to the country of capital invested on long term abroad	—	—	1	—
Imports of foreign capital for long- term investment	27	21	7	2
Short-term foreign credits	9	8	4	13
Differences resulting from the re- valuation of assets abroad	12	10	19	6
Miscellaneous	22	30	116	18
Deposits withdrawn from the Bul- garian National Bank	13	2	1	5
Total	808	459	635	225
<i>Sales.</i>				
Imports	515	384	453	119
Services and tourists	43	9	10	7
Other expenditure of private persons	28	22	26	7
Interest and other payments on foreign investments in Bulgaria	21	2	7	3
Payments by the State to foreign countries	151	82	78	16
Exports of capital	—	—	—	—
Reimbursement of short-term credits	26	1	5	6
Reimbursement of long-term credits and foreign capital	35	12	39	3
Differences resulting from the re- valuation of assets abroad	5	5	6	3
Miscellaneous	12	16	34	26
Deposits made with the Bulgarian National Bank	3	1	1	12
Total	839	537	659	202

(c) FOREIGN TRADE.

(In millions of leva.)

	Imports			Exports			Balance		
	1931	1932	1933	1931	1932	1933	1931	1932	1933
January . . .	297	247	239	390	307	135	+ 93	+ 60	— 104
February . . .	309	258	206	347	284	192	+ 38	+ 26	— 14
March	374	345	253	582	271	189	+ 208	— 74	— 64
April	451	337	211	684	322	363	+ 233	— 15	+ 152
May	507	373	180	746	292	277	+ 239	— 81	+ 97
June	483	274	150	359	208	231	— 124	— 66	+ 81
July	441	237	149	335	144	176	— 106	— 93	+ 27
August	396	275		376	192		— 20	— 83	
September . .	359	259		503	247		+ 144	— 12	
October	380	283		532	360		+ 152	+ 77	
November . . .	352	295		692	336		+ 340	+ 41	
December . . .	311	288		388	420		+ 77	+ 132	
Total for the year . . .	4,660	3,471		5,934	3,383		+ 1,274	— 88	
January–July . .	2,862	2,071	1,388	3,443	1,828	1,563	+ 581	— 243	+ 175

(d) FOREIGN TRADE OF BULGARIA WITH THE PRINCIPAL FOREIGN COUNTRIES DURING THE FIRST SEVEN MONTHS OF 1932 AND 1933.

(In millions of leva.)

Countries	Imports		Exports	
	1932	1933	1932	1933
Germany	443.3	530.2	323.4	600.3
Italy	370.0	202.9	261.9	107.6
Austria	117.8	74.1	281.8	179.1
United Kingdom	273.0	110.1	49.7	29.9
France	169.7	62.2	47.3	60.2
Belgium	64.7	36.7	226.5	101.0
Switzerland	98.0	98.8	117.4	74.7
Czechoslovakia	185.5	62.6	60.9	62.6
Netherlands	56.6	20.1	70.8	53.5
Poland	12.6	6.5	125.1	28.5
United States of America . .	27.3	26.3	7.8	24.1
Egypt	7.2	3.5	49.3	40.9
Roumania	64.7	47.7	5.2	9.7
Spain	7.2	1.8	4.0	68.6
Turkey	41.7	18.6	29.5	8.5

(e) MOVEMENT OF THE PRINCIPAL EXPORT COMMODITIES DURING THE FIRST SEVEN MONTHS OF 1932 AND 1933.

	Weight (thousands of tons)		Value (millions of leva)	
	1932	1933	1932	1933
Wheat and flour	144.2	34.0	392.3	79.2
Maize	97.2	88.6	180.4	133.1
Beans	9.4	6.2	28.4	14.7
Sunflower seeds	17.9	1.2	52.7	3.9
Vetch	7.2	7.7	29.0	21.5
Oil-seed waste	8.7	8.8	16.7	17.6
Tobacco	7.9	15.7	510.9	820.3
Charcoal	4.6	5.5	7.4	7.5
Attar of roses . . . . .	.463	.932	19.4	36.6
Cocoons . . . . .	.090	.230	8.7	14.8
Cattle (number)	4,575	3,523	6.7	11.2
Poultry (number)	921,151	982,137	40.1	31.1
Dead poultry	1.53	1.14	60.4	33.9
Cheese . . . . .	.28	.43	10.7	13.6
Eggs	11.1	8.2	321.0	185.8
Raw hides and skins . . . .	.39	.61	29.2	53.5



(f) FOREIGN TRADE AND MOVEMENT OF FOREIGN EXCHANGE.

(In million of leva.)

Period	Exports according to statistics	Foreign exchange obtained from exports	Percentage	Imports according to statistics	Foreign exchange supplied for imports	Percentage
1931	5,934	4,190	71	4,660	3,590	77
1932	3,383	2,496	74	3,471	2,026	58
First quarter	862	742	86	850	641	75
Second quarter	822	636	77	984	432	44
Third quarter	583	488	84	771	438	57
Fourth quarter	1,116	630	56	866	515	59
1933:						
First quarter	516	332	64	698	384	55
Second quarter	871	443	51	541	453	84
April	176	160	91	149	119	80

(g) POSITION OF THE PRIVATE BANKS IN BULGARIA AS AT DECEMBER 31ST, 1932, AND JUNE 30TH, 1933.

(In millions of leva.)

	4 foreign banks		2 large Bulgarian banks		Small ¹ Bulgarian banks		Total	
	1932	1933	1932	1933	1932	1933	1932	1933
<i>Assets.</i>								
Cash and National Bank	439.6	287.9	213.1	80.8	73.2	40.2	725.8	408.9
Other banks	80.0	93.9	9.3	13.2	115.0	86.3	204.2	193.4
Discounted bills	343.5	243.5	363.8	339.7	686.7	612.1	1,394.0	1,195.3
Advances	1,114.1	1,272.9	458.1	445.4	472.1	501.4	2,044.3	2,219.6
Securities held	249.7	180.7	36.6	31.0	89.5	64.3	375.8	276.0
Investments	75.3	75.5	59.6	57.7	125.2	111.1	260.2	244.3
Premises and furniture	48.6	48.5	77.8	80.8	171.8	162.4	298.2	291.7
Contested accounts and protested bills	58.5	62.8	130.1	128.5	460.9	446.0	649.6	637.4
Miscellaneous	24.5	26.2	293.2	289.6	324.5	189.9	642.2	505.7
Balance	2,433.8	2,291.9	1,641.6	1,466.7	2,518.9	2,213.7	6,594.2	5,972
<i>Liabilities.</i>								
Capital	400.0	404.2	205.8	209.6	754.5	725.6	1,360.2	1,339.4
Savings deposits	566.6	500.2	521.0	477.6	499.4	443.6	1,587.0	1,421.4
Trade deposits	1,042.0	1,047.0	475.1	394.3	358.8	326.6	1,876.0	1,767.8
Other creditors	101.4	88.7	93.3	49.3	212.8	189.6	407.5	327.6
Banks	—	—	4.8	4.5	68.4	56.7	73.2	61.2
Rediscounts	—	—	17.5	12.7	258.8	260.0	276.4	272.7
Securities held	249.7	180.7	36.6	31.0	89.5	64.3	375.8	276.0
Branches	—	—	150.0	168.0	15.1	14.2	165.1	182.3
Miscellaneous	74.1	71.1	137.6	119.7	261.5	133.1	473.2	323.8
Balance	2,433.8	2,291.9	1,641.6	1,466.7	2,518.9	2,213.7	6,594.2	5,972.2
Percentage of reserve against deposits	25.7	17.6	19.8	8.8	6.8	4.2	18.8	11.6

¹ 1932 = 123; 1933 = 116.

(h) MOVEMENT OF WORKMEN IN INDUSTRIAL UNDERTAKINGS.

Kind of industry	July 1931	July 1932	July 1933
Coal mines	8,759	10,227	9,370
Other mines and quarries	811	1,002	607
Textile industry	13,972	17,368	16,854
Leather industry	865	935	941
Wood and furniture industry	2,798	2,471	2,419
Metal industry	3,791	4,554	4,874
Brick-making	4,517	5,157	4,364
Chemical industry	2,194	2,931	2,468
Paper industry	1,184	1,182	1,459
Food and beverages	4,579	4,791	4,456
Cigarette factories and warehouses	30,934	21,665	16,806
Clothing, boots and shoes, toilet articles	817	1,707	1,498
Building trade	5,752	6,094	3,612 ¹
Electrical industry	957	1,397	1,441
Printing	1,019	1,039	1,002
Luxury articles	25	253	137
Total	82,974	82,773	72,308

¹ This figure seems considerably underestimated.

(i) RAILWAYS.

Monthly averages (January—July)	Passengers (thousands)	Goods (thousands of tons)	Total receipts (millions of leva)
1931	630	321	91
1932	602	339	87
1933	520	269	79

(j) WHOLESALE PRICE INDEX NUMBERS.

(1929 = 100)

Years and months	Articles of home consumption	Articles of export	Articles of import	General index number
1930	84.01	72.83	89.43	80.66
1931	72.04	51.77	75.62	63.71
1932	65.97	45.27	72.87	57.78
February 1932	66.15	47.28	68.16	58.25
July 1932	66.53	45.33	76.59	58.44
February 1933	62.43	43.25	75.59	55.60
April 1933	63.96	38.21	76.43	53.79
July 1933	63.44	37.65	73.61	52.89

Appendix IV.

POSITION OF THE SPECIAL ACCOUNT OF THE 1926 7% REFUGEE SETTLEMENT
LOAN AS AT JULY 31ST, 1933.

	£	\$	Leva
Nominal amount	2,400,000	4,500,000	
Net proceeds of amount released.			1,530,444,274
Equivalent in leva of half-year's reserve			83,851,875
			<hr/>
Of which was given to the Directorate for the Settlement of Refugees			1,614,296,149
			1,598,824,302
			<hr/>
Balance available on deposit with the National Bank.			15,471,847

Appendix V.

POSITION OF THE SPECIAL ACCOUNT OF THE 1928 7½% STABILISATION LOAN
AS AT JULY 31ST, 1933.

Net yield of the loan: £1,616,713 13s. od.			
\$11,910,750			
Fr. fr. 116,350,000			
			Leva
Equivalent in leva			3,365,065,553
Interest payments			5,000,000
			<hr/>
Amount utilised up to July 31st, 1933			3,370,065,553
			3,360,427,028
			<hr/>
Surplus available on deposit with the National Bank			9,638,525