BULGARIA.

A. BUDGETARY SYSTEM.

1. Preparation of the Draft Budget.

The estimates prepared by the Supervisory Financial Services of the different ministerial departments are co-ordinated by the Finance Minister (Ministerstvo na finansiite), who draws up the draft of the general budget. The Finance Minister has the right to reduce proposals of expenditure put forward by the different Ministries. If this should lead to disagreement between him and any Minister, the question is settled by the Council of Ministers.

After being approved by the Council of Ministers, the draft budget is submitted by the Finance Minister to the Chamber of Deputies (Sobranje).

2. Discussion and Voting of the Budget.

(a) The draft budget is voted by the Sobranje. All proposals for increase or decrease of the estimated expenditure must be considered beforehand by the Budget Commission of the Sobranje before being discussed in plenary debate.

The plenary discussions of the Sobranje are public and the debates are published in the reports of Parliamentary sittings.

The budget, after being voted, is submitted for approval to the King, who signs a Uказ on the subject. It comes into force on promulgation in the Official Gazette.

(b) In principle, the budget is voted before the beginning of the budget year, and, in any case, not later than March 20th. If it has not been voted before the beginning of the budget year, the Sobranje is asked to vote provisional twelfths until such time as the budget is voted.

When it is not possible to summon the Sobranje to vote the budget, the duration of the current budget is prolonged until it is superseded by the passing of the new budget.

(c) Expenditure has to be authorised by law.

Application has to be made to Parliament for supplementary credits in the course of the budget year for the purpose of meeting expenditure found necessary for which no provision, or inadequate provision, was made in the budget.

If the Sobranje is not sitting, the Finance Minister is empowered, after scrutinising and approving the reasons put forward by the Ministry concerned, to apply to the Council of Ministers for credits to cover expenditure not provided for in the budget. Such credits may not exceed a total of 1 million leva for the whole year or for all Ministries.

The decrees according credits in the above cases have to be submitted to the Sobranje for its approval at its next session.

3. Publication of the Draft Budget, Budget and Accounts.

The draft budget is not published officially; it is printed for the use of members of the Sobranje. The budget (budjet) is published officially not later than March 25th.

The closed accounts are published (Doklad na Varhovnata Smetna Palata).

4. Conditions governing the Expenditure of Credits.

The vote of the budget limits the amount of payments which may be made during the budget year and the additional period. Any excess of credits over payments at the close of the exercise lapses automatically. It is forbidden to incur commitments after March 31st in respect of the credits for the past budget year.

In exceptional circumstances, when the nature of the undertaking does not permit of the works being executed in a single year, the Council of Ministers may authorise the incurring of commitments for certain purposes (contracts for the construction or acquisition of material), for which payment is to be made in the course of three consecutive exercises; but the annual instalments of such expenditure have to be shown in the successive budgets.

The carry-forward of credits from one year to another is prohibited except in the case of extraordinary expenditure, the credits for which are drawn from extra-budgetary receipts or loans.
5. Division of Expenditure in Budget and Accounts.

(a) Expenditure is shown in chapters (Glava), divided into paragraphs (paragraph) of which there are eighty-five in the 1930-31 budget, these being themselves divided into items. Expenditure is voted paragraph by paragraph. It is grouped and classified in the budget according to its technical character and having regard to the categories of the administrative services concerned. The pay of personnel is shown in separate paragraphs from the expenditure on materials. Expenditure on materials is distributed in paragraphs under which all expenditure of the same kind is grouped. There is a paragraph entitled "Reserve Fund" in the budget of each Ministry for the purpose of increasing credits for material where necessary. The amount set aside under these paragraphs may not exceed 2 per cent of the total budgetary credit for material expenditure. Reserve Funds are drawn on by order of the Finance Minister at the request of the Minister concerned.

(b) The closed accounts are submitted in as great detail as the budget.

(c) Transfers between chapters, paragraphs or items are forbidden.

6. Unity of the Budget.

(a) In principle, all State expenditure is included in the general budget, but the Pernik State Mines (coal mines) and the State Railways have autonomous administrations and budgets which do not form part of the general budget. The expenditure in the case of the railways is, however, subject to the same scrutiny and supervision as other State expenditure. There are no establishments for the manufacture of arms possessing budgetary autonomy.

(b) The expenditure shown in the budgets and accounts is gross expenditure.

7. Supervision during the Execution of the Budget.

Supervision during the execution of the budget is exercised:

(a) By the "Supervisory Service" of each ministerial department, the members of which (though they belong to the Ministry concerned) are appointed by the Finance Minister, may be removed from their post by him, and are directly responsible to him. No commitment may be incurred or payment effected without the consent of these Supervisory Services. In particular, the Supervisory Services are required to examine beforehand all measures involving liabilities to the State. They may not countersign such measures unless they conform with the provisions of the current law. They are called upon to draw attention to any illegal or irregular action, and to make representations with a view to the cancelling of such action, and the imposition of penalties on any official interfering with the exercise of their right of supervision.

The final decision rests with the Finance Minister in the event of differences between the administrative departments and the Supervisory Services other than the differences referred to under paragraph (b) below.

(b) By the Court of Audit (Smetna Palata), which countersigns payment warrants, and has an absolute right of vetoing illegal or irregular measures. If it considers that certain expenditure is illegal or irregular, it declines to countersign the orders for payment concerned, and no administrative authority has any power to disregard its decisions. The Court of Audit is the arbiter of differences arising between the Supervisory Services and administrative departments in connection with contracts and purchase or sale transactions.

8. Final Audit.

The final audit is carried out by the Court of Audit. The Court of Audit is appointed by the Chamber of Deputies and acts on its behalf. It has rights of supervision over all Ministers and officials of the Administration, including the Finance Minister and the authorities under him.

The Court of Audit consists of a President with six councillors appointed by Royal Decree issued on the report of the President of the Council of Ministers (Prime Minister). They have the same rank as councillors of the Cour de Cassation and can only be deprived of office by a vote of the Sobranje acting on a report by the President of the Council of Ministers stating the grounds for such action.

The Court of Audit makes a general audit of expenditure. The report is submitted to the Sobranje. A copy of the report and its annexes must be sent before December 1st in the year following the close of the exercise to the Finance Minister, who transmits it to the other Ministers inviting them to submit any explanations they may have to make on the conclusions of the report. Such explanations are submitted by the Finance Minister to the Sobranje together with the Bill for the closure of the budget exercise.

The law for the closure of the budget exercise constitutes the Final Accounts Act. It is subject to the approval of the King and is promulgated in the Official Gazette.
B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. Budgetary Year.

The budgetary year runs from April 1st to March 31st. There is an additional period of two months. Expenditure for account of the year just elapsed may be liquidated and payment orders issued in respect of it up to May 1st of the new year. The payments may be effected up to May 31st, but must be shown in the accounts for the past year. Credits in respect of expenditure incurred but not paid for on May 31st are cancelled, and continue to be shown only as commitments for previous years (old debts), payment being made in respect of them when the budget contains a special appropriation for the purpose.

2. Budgets and Accounts.

There is only one national defence Ministry (the Ministry of War). Bulgaria has no naval or air forces.

3. The Model Statement.

The Model Statement includes all expenditure in respect of which payment was made during the budget year 1930-31, including the additional period.

The Model Statement could not be based on the accounts of the year in question, as the latter have not yet been closed.

The delegation states that the figures in the Model Statement are based on the accounts of the Supervisory Service attached to the War Ministry, and that these figures are practically final, because they are checked each month with the books of the Court of Audit.

4. Execution of the Budget.

The voting of the budget does not entitle the departments to draw on the credits assigned to them. The authority of the Supervisory Service (i.e., an organ of the Finance Ministry) attached to each Ministry is required for this purpose.

Having obtained the authority of the Supervisory Service, the department concerned is entitled to incur expenditure subject to the provisions of the current law. The documents in support of such expenditure must be sent to the Supervisory Service, which proceeds to check them with a view to issuing the order for payment. Payment orders do not take effect until countersigned by the Court of Audit. Payment is made by the National Bank of Bulgaria on presentation of the payment orders so countersigned.

5. The Accounts.

All national defence expenditure is included in the general accounts of the State.

The accounts show the amounts of the payments effected during the budget year and the additional period.

6. Audit and Publication of Accounts.

Supervision after the execution of the budget is exercised by the organs of the Finance Ministry and by the Court of Audit.

The Court of Audit is required to draw up a report each year on the execution of the budget. The report, which is published, is submitted to Parliament. The accounts are audited by the Court of Audit before the December 1st following the exercise to which they relate. Publication of the accounts follows on the promulgation of the law for the closure of the accounts. The law for the closure of the accounts is voted by Parliament at the first ordinary session following on the conclusion of the budget exercise. It is subject to the approval of the King, and is promulgated in the Official Gazette.

Only the total figures are published in the text of the law for the closure of the accounts, and not the figures for the separate chapters or items.

The last closed account published is that for the year 1928-29, and the law for the closure of this account was passed on December 10th, 1931.

C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.


(a) The relation between the accounts and the Model Statement is shown by reconciliation tables.

(b) The Model Statement contains expenditure relating to the armed forces, the Frontier Guard and the gendarmerie.
2. **Military Departments.**

   (a) The Model Statement includes the whole amount of *pay* and *wages* without deduction of tax or contributions payable by personnel for the purpose of pensions or social insurance.

   The Model Statement includes *retiring pensions* and *compensation payments for loss of employment* in the event of premature dismissal.

   (b) There are no *advances of pay*.

   (c) The *foreign exchange* required by the National Defence Ministry is obtained out of the credits shown in the paragraph of the budget of the National Defence Ministry authorising the relevant purchases from abroad. The assent of the Finance Minister must, however, be secured.

   (d) The Bulgarian Government is of opinion that the *Frontier Guard* and the *gendarmerie*, whose expenditure is included in the same account as the expenditure on the army, should not be regarded as formations organised on a military basis. The expenditure relating to them has, however, been included in the Model Statement pending a decision on the subject by the competent organs of the Disarmament Conference. There are no separate accounts for these two forces, their expenditure being carried on the same account as that of the army proper.

3. **Civil Departments.**

   (a) The National Defence Ministry and all military units and establishments enjoy *postal and telegraphic franchise*.

   (b) The railway administration gives reductions of rates up to 75 per cent for *military transportation*.

   (c) All expenditure of the *supervisory service* of the National Defence Ministry is included in the Model Statement under national defence expenditure.

   (d) There are no *private organisations* concerned with national defence.

   The expenditure of the *Red Cross* is not shown in the Model Statement.

   (e) No *railways* of military interest were constructed in 1930-31.

4. **Special Questions.**

   (a) The *maritime and river police* is not, in the opinion of the Bulgarian delegation, a formation organised on a military basis. The expenditure for these forces in the Railways budget amounted to 37,988,000 leva in 1931. This expenditure cannot be regarded as national defence expenditure.

   (b) There is not, in the opinion of the Bulgarian delegation, any institution for purposes of *physical training* whose expenditure should be included in whole or in part in the Model Statement.

   (c) There are no *free services* rendered to the National Defence Administration by other State, regional or municipal administrations, etc.

   (d) The *Bulgarian Navy Fund* instituted by Royal Decree of October 22nd, 1915, represents at the present time a sum of 30,520 leva.

   (e) There is no establishment in Bulgaria for the *manufacture of arms* having budgetary autonomy.

   (f) All expenditure shown in the Model Statement is *gross expenditure*.

   (g) *Receipts* from the sale of surplus stocks or scrapped materials are paid into the Treasury and may not be used for national defence purposes.

   (h) Expenditure on the *upkeep of military graves* should be excluded from the Model Statement.

**D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.**

1. **Separation of Expenditure on the Three Forces.**

   Bulgaria has no naval or air forces, and the question of the separation of expenditure as between the three forces does not therefore arise.

2. **Optional Columns.**

   The optional columns for formations organised on a military basis have been completed in respect of expenditure on (1) the Frontier Guard, and (2) the gendarmerie. The Bulgarian Government considers, however, that these forces should not be treated as organised on a military basis. The relevant expenditure has nevertheless been included in the Model Statement pending
a decision on the subject by the competent organs of the Disarmament Conference. There are no separate accounts for these two forces, the expenditure thereon being included, together with that for the army proper, in one account.

3. Division of Expenditure between the Sub-heads of the Model Statement.

The form of the accounts enables a fairly considerable proportion of the items appearing therein to be transferred bodily to the sub-heads of the Model Statement. Where expenditure recorded under one paragraph of the account has had to be divided amongst two or more sub-heads of the Model Statement, the division has been made by estimation.

The Bulgarian Government states that no special difficulties have been encountered in fulfilling the instructions of the budgetary experts for the classification of the several items of expenditure between the heads and sub-heads of the Model Statement.

4. Head IV: Separation from Other Heads.

The expenditure shown under head IV includes the wages of workmen. It does not, however, include the pay, salaries, etc., of military and civil salaried personnel employed in head IV establishments, which have been included in head I, sub-heads A, B and C. The Bulgarian Government states that it is almost impossible to separate the pay, salaries, etc., of such personnel from that of similar personnel employed elsewhere, but that the amounts involved are not large.

It is noted, however, that certain expenditure in the nature of overhead charges—e.g., rents, fuel and light—has been included in head I for all establishments, and the Bulgarian Government states that it is impossible to split this expenditure according to the nature of the establishment. Other expenditure of a head IV nature—e.g., motor transport—has similarly been shown under other heads.

The total expenditure included in head IV is only 4.3 per cent of the total expenditure shown in the Model Statement. For the army proper—i.e., excluding expenditure on the Frontier Guard and gendarmerie—the corresponding percentage is 6.2. Even the latter percentage is small compared with the average percentage returned by other States.

5. Head IV: Division between Sub-heads.

The Bulgarian Government states that the expenditure proper to each of the three sub-heads M, M(a) and N of the Model Statement can be transferred bodily from the accounts. It appears, however, that certain expenditure proper to these sub-heads is contained in other chapters of the accounts together with expenditure proper to other sub-heads of the Model Statement (see paragraph 4).

The expenditure shown under sub-head N was 78.7 per cent of the total expenditure shown under head IV for the army proper and 73.9 per cent for all forces. This high proportion is ascribed to the fact that heavy expenditure was being incurred in 1930-31 in the erection of a State factory and that such expenditure has been included in sub-head N.


Civil and Military Personnel.—With the exception of workmen employed on a daily wage basis in head IV establishments, all expenditure on personnel has been included in sub-heads A, B and C or E.

Allowances.—Cash allowances have, for the most part, been charged to the pay sub-heads, but travelling expenses and allowances have been charged to sub-head E.

Heating, Lighting, Hire of Buildings.—All expenditure has been included in sub-head E.

Veterinary Services.—Expenditure has been included in sub-head E.

E. TABLES ANNEXED TO THE MODEL STATEMENT.

Tables A and B.

As these tables have been omitted from the draft “Instruments for the Application of the System of Publicity of National Defence Expenditure” (document Conf.D./C.G.160), no comment is called for under this heading.

Table C.

No observations in regard to the entry “Nil”. Credits may not be carried forward. There are no global credits.
Table D.

No observations in regard to the entry “Nil”. There were no purchases on credit in 1930-31.

Table E.

No observations in regard to the entry “Nil”.

Table F.

This table includes the amount of long-service pensions paid to military personnel, together with the relief grants to war orphans, widows and disabled ex-service men. The pensions are paid out of the special Pensions Fund, which covers all personnel, civil and military, in such a manner that it is not possible to distinguish the amounts received by officers, non-commissioned officers and civilian officials of the national defence services respectively.

List of Documents.

Budgetary system: replies of the Bulgarian delegation to the questionnaire of the Technical Committee (document Conf.D./C.D./C.T.23; French text only).


Details of expenditure (document Conf.D./C.D./C.T.94; French text only).

Budget for 1930-31 (Buzhet za prihodite i razhodite na Tsarstvo za Bulgaria za 1930-31 finansova godina).

Report of the Court of Audit on the close of accounts of the 1930-31 budget (Doklad na Vartovnata Smetna Palata do Narodnoto Sobranie).

Law for the closure of the accounts for 1928-29, promulgated in the Official Gazette (Darjaven Vestnik) No. 223/1931, Uzak No. 44.

Finance Ministry, Bulletin of Information on the Public Finances, July 1931; Supplement to the Official Gazette for August 27th, 1931.


Additional observations of the Technical Committee and replies by the Bulgarian delegation (document Conf.D./C.D./C.T.240).
A. BUDGETARY SYSTEM.

1. Preparation of the Draft Budget.

The draft budget (estimates) is prepared by the Minister for Finance, based on estimates from the various Government Departments. It is then considered by the Treasury Board and the Government. The draft budget (estimates), as finally decided upon, is submitted to the House of Commons with a message of approval from the Governor-General.

2. Discussion and Voting of the Budget.

(a) Parliament consists of two Houses (the House of Commons and the Senate). Before being passed by the House of Commons, the estimates are discussed and considered by a Committee of the whole House, called the Committee of Supply. The discussions in plenary session are published.

After approval by the House of Commons and the Senate, and the assent of the Governor-General, the budget (Appropriation Act) comes into force.

(b) All revenues go into an account known as the Consolidated Revenue, but no payments may be made without the authority of Parliament. Such authority may be secured in two ways: 1st, by statute; 2nd, by annual appropriations. Examples of the first are: Interest on Public Debt, and Service and Disability Pensions; while an example of the second is the expenditure for ordinary administration of the activities of the Government. About 45 per cent of the annual disbursements is made under continuing statutory authority and 55 per cent under annual appropriations.

Should the budget not be voted before the opening of the budgetary year, interim supply is granted by Parliament under special acts until final funds are voted.

3. Publication of the Draft Budget, Budget and Accounts.

The statement of the Minister for Finance introducing the draft budget is published in the official reports of the House of Commons debates.

The estimates and appropriation acts are published.

The closed accounts are published.

4. Conditions governing the Expenditure of Credits.

The voting of an appropriation by Parliament limits the amount of payments which may be made during the fiscal year.

Credits cannot be carried forward from one year to another.

Balances of appropriations which remain unexpended at the end of the fiscal year lapse.

If, when Parliament is not in session, expenditure not foreseen or insufficiently covered by the budget becomes necessary, the Governor-General may issue decrees granting special credits in order to meet such expenditure. Such credits are subject to the same laws as other appropriations.

5. Division of Expenditure in Budget and Accounts.

(a) In the budget statement of the Minister for Finance, expenditure is usually divided into ordinary capital and special expenditure and non-interest-bearing loans and advances.

The estimates for the public services of the State are drawn up under a few main heads, subdivided in their turn into sub-heads corresponding to the several credits.

The estimates for National Defence Expenditure (with certain exceptions discussed in C.3 (a) below) comprise four heads and sixteen sub-heads.

(b) The published accounts are drawn up in a similar manner.

In the annual report of the Auditor-General on the accounts of each financial year, the expenditure is recorded in great detail.

(c) The credits cannot be allocated to expenditure other than that for which they have been voted. There is no provision permitting of transfers between votes.
6. Unity of the Budget.

(a) In general, all State expenditure is included in the general budget. There are no special funds or accounts. There are no public or private bodies, apart from State departments, entitled to finance national defence expenditure. There are no establishments for the manufacture of armaments having budgetary autonomy. No extra-budgetary resources are used for national defence purposes.

(b) Expenditure is shown in budgets and accounts on a gross basis.

7. Supervision during the Execution of the Budget.

Supervision is exercised:

(a) By accounting officers designated by the Minister for Finance and attached to each department of the public service. Such officers are under the direction and control of the Comptroller of the Treasury;

(b) By the Auditor-General, who, if he deems it expedient, may station one or more of his officers in any department or branch of the public service.

8. Final Audit.

Final audit is carried out by the Auditor-General, who reports annually to the House of Commons the result of his examination and audit of the accounts in such manner as will exhibit the true state of each account at the termination of the financial exercise. The reports of the Auditor-General are laid before the House of Commons by the Minister for Finance.

B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. Budgetary Year.

The budgetary year covers the period from April 1st to March 31st. There is an additional period of thirty days, during which commitments entered into during the budgetary year may be paid and charged to the accounts of that year.

2. Budgets and Accounts.

There is one Ministry of National Defence for the three forces. The budget and accounts show expenditure pertaining to each force separately. The figures in the accounts represent actual expenditure.

3. The Model Statement.

The Model Statement is based on the closed accounts for the year 1930-31. The figures represent gross expenditure.

4. Execution of the Budget.

In general, all supply is released to the various Ministries by Order in Council and expenditure is supervised by the Treasury Board, which is a sub-committee of the Cabinet. The payment and the accounting of national defence expenditure are carried out under the direction of the Finance Department.

5. The Accounts.

The accounts contain the payments made during the budgetary year and the additional period. The accounts show the expenditure for the year as compared with that for the previous year.

6. Audit and Publication of the Accounts.

The closed accounts of the National Defence Ministry are submitted to the Auditor-General and the Minister for Finance about May 15th following the close of the financial year. The closed accounts audited by the Auditor-General, together with his annual report, are submitted to the House of Commons by the Minister for Finance on or before October 31st following the financial year to which they relate, if Parliament is then sitting, or, if it is not sitting, within one week after Parliament has next assembled. The accounts and the report are published. The closed accounts do not receive Parliamentary sanction in the form of law, though they are subject to the scrutiny of Parliament.
C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.


(a) The relation between the accounts and the Model Statement has been established by the aid of reconciliation tables.

(b) No difficulties have been caused by the budgetary system in including all national defence expenditure in the Model Statement.

(c) Losses on exchange are entered in the accounts of the Treasury. The expenditure which this involves for the National Defence Ministry has not been included in the Model Statement.

2. Military Departments.

(a) The Model Statement includes the total amount of pay, salaries and wages without deduction of taxes or contributions made by the personnel for pensions or social insurance purposes.

(b) The following items of expenditure which appear in the accounts of the National Defence Department have been excluded from the Model Statement:

(1) Battlefield Memorials, $44,000.
(2) Imperial War Graves, $573,756.12.
(3) Quebec Gates and Walls, $49,855.42.

(c) An amount of $452,164.36, representing expenditure on Cadet Services, has been entered in the Model Statement. The Canadian delegation subsequently stated that this item should not be included in the Model Statement since the cadets do not receive military training.

Expenditure on military rifle clubs has been included in the Model Statement under Head I, sub-head D.

3. Civil Departments.

(a) Certain expenditure, which is civilian in character, is voted directly to the Department of National Defence and controlled by the Minister of that Department, namely:

(1) Pay and other allowances to the officers and men allotted to the N.W.T. Wireless Services, $78,599.61;
(2) Payments to the civil staff of the National Defence Departments, $815,002.08;
(3) Pay and other allowances to the military personnel employed in the Civil Aviation Service, $875,348.00.

(b) Certain expenditure concerning national defence appears in other budgets than that of the National Defence Ministry for 1930-31, namely:

(1) Expenditure relating to the construction of buildings undertaken by the Ministry of Public Works, $124,708.01.
(2) Rent of buildings paid by the Ministry of Public Works, $379,185.12;

(c) The pay and allowances of national defence personnel employed on civil aviation have been included in the table of the Model Statement relating to the Air Force. No other expenditure connected with civil aviation has been included in this table.

(d) The Model Statement does not include any expenditure in respect of the Royal Canadian Mounted Police, which is under the administration of the Department of Justice.

D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE AMONG THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

1. Separation of Expenditure on the Three Forces.

Under the system of Canadian accounting, it is, in general, possible to separate the expenditure on land, air and naval forces. The tables relating to the three forces have been completed. In some cases, estimates have had to be made. For instance, the portion of the salaries and other expenditure of the civil administration relating to national defence has been divided between the three forces in the following proportion:

62 per cent for the land forces,
20 per cent for the naval forces,
18 per cent for the air forces.
2. Optional Columns.

No entry has been made in these columns.

3. Division of Expenditure between the Sub-heads of the Model Statement.

Certain difficulties have been encountered in distributing the expenditure between the various sub-heads of the Model Statement. These difficulties are due to the fact that the classification of expenditure under the Canadian system of accounting necessarily conforms to departmental requirements and is quite different from the classification laid down in the Model Statement.

The division of expenditure between the several sub-heads of the Model Statement has been effected by means of internal accounts on the basis of actual expenditure.

The Canadian delegation has stated that a sum of $1,723,423.75, representing expenditure on “non-permanent active militia”, allocated to sub-head D of the Model Statement, includes the maintenance charges of the whole of this militia.

Certain expenditure in the nature of maintenance allowances has been included under sub-heads A to D, such as allowances in lieu of rations, horse allowance and wagon, baggage and marching allowance.

4. Head IV.

The general remark under 3 above applies to Head IV.

The Canadian delegation has explained that the sum of $586,814.29 entered in the Model Statement of the land forces under sub-head N of Head IV represents expenditure in connection with the Dominion Arsenal, Quebec. This sum represents the total cost of the labour and material expended, together with all items of overhead cost specified in paragraph 27 of the draft annex to the Budgetary Experts’ report.

In the case of establishments constituting combined depots and workshops for war material, no difficulty was experienced in computing the expenditure to be charged to sub-head K and Head IV respectively.

A sum of $27,284.77, representing expenditure on miniature rifles for cadet services, has been shown under sub-head D of Head I, these arms not being regarded as war material.

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E. TABLES ANNEXED TO THE MODEL STATEMENT.

Tables A and B.

As these tables have been omitted from the “Draft Instruments necessary for the Application of a System of Publicity of National Defence Expenditure” (document Conf.D./C.G.I6o), no comment is called for under this heading.

Table C.

The system of carrying forward credits does not exist (see A. 4).

Tables D and E.

There are no entries in these tables.

Table F.

The following expenditure in respect of pensions for the year 1930-31 has been shown under this head:

(i) Military personnel:
   (a) Service pensions
   (b) Invalidity pensions
   (c) Mixed pensions

(ii) War pensions

A sum of $3,065.42 shown in the public accounts under the heading of civil pensions of the National Defence Department has not been included in the statement. The Canadian delegation has stated that this amount represents special compensation granted to individuals for various reasons, such as death of husband, accident, loss of limb, etc. The compensation in each case and for each individual is separately voted by Parliament.

The Canadian delegation considered that the following amounts should not be entered in Table F:

(a) War veterans’ allowance
(b) Soldiers’ land settlement expenses
(c) Care of patients

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List of Documents.


Estimates for the fiscal year ending March 31st, 1931.

Supplementary Estimates for the fiscal year ending March 31st, 1931.

Public Accounts for the fiscal year ended March 31st, 1931.


20/21 George V (Various Appropriation Acts for the financial year ending March 31st, 1931).

21/22 George V (An Act to amend the Consolidated Revenue and Audit Act, 1931).


A. BUDGETARY SYSTEM.

1. Preparation of the Draft Budget.

The draft budget is prepared by the several Ministries and submitted to the budget department (Oficina del Presupuesto) of the Ministry of Finance, by which the draft general budget of the State is drawn up. This department prescribes to the Ministries beforehand the limits within which their individual draft budgets must be framed in the light of the total figure of national revenue, which it also compiles.

2. Discussion and Voting of the Budget.

(a) The draft budget is presented to Congress (Congreso), which consists of two Houses: the Chamber of Deputies and the Senate. The sessions of the Chamber of Deputies and Senate are public and a record of the parliamentary debates is published in the Boletín de Sesiones of each House.

The provision for fixed expenditure, which chiefly relates to rates of remuneration and emoluments, is permanently laid down by statute, while that for variable expenditure is subject to discussion and modification by Congress. Any increase in expenditure, however, must first be approved by the President of the Republic.

The budget is presented by Congress to the President, who may veto the draft adopted by Congress and refuse to enact it. Congress may, however, disregard the President’s veto if it decides to do so by a two-thirds majority.

(b) The budget must be voted annually within four months from the date when the draft budget is tabled in Congress.

If the budget is not voted within the above period, the draft budget is put into effect.

If the budget has not been voted before the financial year opens, the Government may, so far as national defence expenditure is concerned, make payments in advance up to 6 million pesos, to meet essential requirements for food supplies, forage and clothing.

3. Publication of the Draft Budget, Budget and Accounts.

The draft budget is published.

The budget is published in separate parts relating respectively to the several Ministries, and also in a general form, for the use of the administrative authorities. The budget is summarised in the law whereby it is enacted, which is promulgated through the medium of the Official Gazette, normally three days after it has been passed by the two Chambers of the Legislature.

The closed accounts are published.

4. Conditions governing the Expenditure of Credits.

(a) The credits voted indicate, in the case of fixed expenditure, the amounts to be paid during the financial year, and, in the case of variable expenditure, the maximum commitments which may be incurred and paid in pursuance of such credit.

(b) The rule of “annality” is observed. Neither in the case of fixed expenditure nor in that of variable expenditure may the difference between the budgetary credits and the payments up to December 31st be carried forward to the following year, and these amounts are paid automatically into general receipts.

In the following cases such amounts are credited, not to general receipts, but to a special deposit account known as “Liabilities Outstanding”:

(1) Fixed Expenditure.—When the Treasury accountants or authorised officials and the administrative officers of the military services make a request to this effect in writing to the treasuries before December 25th in the case of pay or salaries which they are unable for any reason to draw from the treasuries before December 31st. No applications can be made for leaving lump sums in the “Liabilities Outstanding” account, and the names of personnel not paid, the month in respect of which pay was due, the amount of such pay and the budget credit to which it is chargeable must be specified.

1 See below under A, 5.
(2) Variable Expenditure.—(a) Payment vouchers drawn on the Treasury (giros a Tesorería), on account of lump-sum credits given by supreme decree, where the treasuries have received and hold in their possession such payment vouchers and where they have for any reason been unable to pay them to those concerned by December 31st; (b) the total amount or the outstanding balances of payment warrants mentioning by name the person to whom payment is due (personal warrants) and reaching the Treasury by December 31st.

The period of validity of the deposit account “Liabilities Outstanding” is one year—i.e., until December 31st of the following year. Balances in this account not expended by December 31st of the following year are finally and irrevocably paid into the general receipts of the country.

Should the appropriation for a particular article prove to be inadequate, a “supplement” may be resorted to. Due provision must be made for this supplement either from special resources or by transferring the surplus from other articles of the budget.

5. Division of Expenditure in Budget and Accounts.

(a) The budget is divided into sections (partidas) corresponding to the requirements of Congress, of the several Ministries and of the independent services. Each section is divided into chapters (capítulos), which, in their turn, comprise several articles numbered serially by the section and divided into paragraphs (ítems) and items (letras). The articles are grouped according as they relate to administrative or general expenditure, the former being subdivided further into fixed expenditure (relating to the pay and allowances of military and civil personnel on fixed rates of remuneration) and variable expenditure (covering the emoluments of certain civilian personnel, together with expenditure on material and services).

The expenditure on the three forces is presented separately in the budgets and accounts. The documentary material supplied shows that, in the 1932 budget, there were 63 subdivisions of national defence expenditure for the Ministry of War, 22 for the Ministry of Marine, and 32 for the Air Forces.

The Finance Act has a special article for unforeseen expenditure, headed “Unforeseen”.

(b) The closed accounts are divided and subdivided in the same way as the budgets, apart from the subdivisions of each “letra”.

(c) Transfers from one “item” to another require the sanction of Congress. The transfer of funds between “letras” of “item” 4 (variable expenditure), provided they take place within the same chapter, may be effected direct by the President of the Republic by ordinary decree, without the approval or sanction of the Legislature being necessary.

6. Unity of the Budget.

(a) National defence expenditure is provided for either by the ordinary budget, the extraordinary budget or by special laws.

The extraordinary budgets and the special laws are intended to meet expenditure not included in the ordinary budgets, either because of its nature or the inadequacy of ordinary resources.

Apart from Government departments, there are no public or private bodies which contribute towards national defence expenditure. There are no extra-budgetary sources from which national defence expenditure can be met.

(b) The expenditure entered in the budget is gross expenditure.

7. Supervision during the Execution of the Budget.

Supervision during the execution of the budget is exercised by the Controller-General of the Republic (Contralor General de la República), who is appointed by the President of the Republic, in whose name he acts, but who is independent of the executive power. The Controller-General enjoys the same immunity as members of the High Courts of Justice with regard to dismissal. The Deputy Controller (Sub-Contralor) enjoys the same immunity.

The treasuries are obliged to account to the “Contraloría General”, with vouchers in support, of the use of their funds in the case both of fixed and of variable expenditure (see also under B, 4).

Only in exceptional cases do the public departments draw from the Treasury sums in virtue of warrants ordering the grant of lump-sum credits without specifying the persons to whom payment is due or the amounts due to them. In such cases the public departments which have drawn funds in this way must account to the Contraloría General direct as to the use made of these funds, with vouchers in support.

Disbursement accounts are submitted monthly to the Contraloría General within the first five days of the succeeding month. The Contraloría examines and pronounces on these accounts monthly, as and when received.

Officials administering public funds are in every case required to produce a surety or guarantee for their integrity in the performance of their duties, and are held personally and pecuniarily
responsible for their administration. They are only relieved of their responsibility when they have accounted for their administration and produced the necessary supporting vouchers.

In reviewing the accounts, on the basis of the examination of the disbursement accounts submitted to the Contraloria General by the public departments, the Deputy Controller takes a decision in the first instance, and the Controller-General pronounces the final judgment.

The Controller-General is informed daily by the Treasurer-General of all movements of funds, whether expenditure or receipts.

Within twenty days from the receipt of a decree, the Controller-General may object to such decree on the ground that it is unconstitutional or illegal, and make representations on the subject to the President of the Republic. He must, however, accept the decree and enforce it if the President of the Republic, with the support of all the Ministers, insists on its execution, the Controller being thereby discharged from his responsibility.

In the annual report which the Contraloria submits to the President of the Republic and to the National Congress, the Controller-General must mention all the decrees on the execution of which the President has thus insisted.

Independently of the functions performed by the Contraloria General, and without prejudice to those functions, the army supervises military expenditure through the medium of supervisors attached to each divisional command, and other supervisors attached to the military establishments not incorporated in the army divisions.

The same applies to the navy and air force, which possess similar institutions.

8. Final Audit.

Final audit, as well as supervision during the execution of the budget, is effected by the Controller-General of the Republic responsible for auditing the national accounts. The various audit sections examine the accounts on the Controller's behalf and report any irregularities.

Appeals against the proceedings of the audit sections are dealt with by the Controller, whose decision is final. His audit covers the accounts of departments of State, semi-public administrations such as the railways, the accounts of municipalities and public funds devoted to charity.

His decisions within the ambit of his functions may not be challenged by any other authority in the State.

The Controller-General does not approve specifically the closed accounts of each year. He pronounces each month on the disbursement accounts submitted to him by each of the officials responsible for handling public funds.

Within the first fifteen days of each month, the Controller-General submits to the President of the Republic a report on the audit operations of the past month; this report contains the returns, schedules and other data stipulated in the regulations. A copy of this report is sent to the Finance Minister.

Not later than April 30th of each year, the Controller-General submits to the President of the Republic and to the National Congress a report on the financial administration of the past year, and on the other transactions of the Contraloria during the same period. This report is published in the form of a volume entitled "Memoria de la Contraloria General y Balance de la Hacienda Pública" (Memorandum of the Contraloria-General and Balance-Sheet of the Public Finances).

At the same time, the Contraloria publishes the closed accounts of the national budget ("Inversión del Presupuesto ordinario de la Nación"), which is submitted to the President of the Republic, to the National Congress, to the various Ministries and to the central public departments.

The National Congress does not vote a law approving the closed accounts each year; it tacitly approves them by not rejecting them.

B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. Budgetary Year.

The budgetary year runs from January 1st to December 31st.

2. Budgets and Accounts.

There were two separate budgets for the army and the navy up to the end of 1932. In 1932, the air force budget was included in that of the Ministry of the Interior, where it was shown under separate heads.

3. The Model Statement.

The Chilian delegation observes that the Model Statement has been drawn up on the basis of the final accounts for the budgetary year 1932 ("Inversión del Presupuesto ordinario de la Nación en 1932"). The figures in the case of the army and air force expressed in thousands of pesos appear to have been rounded off upwards.
The expenditure figures in the Model Statement show, in the case of fixed expenditure, the amounts due for payment in 1932 and, in the case of other expenditure, the payment orders issued up to December 31st, 1932.

The tables for the three forces have been filled in.

4. Execution of the Budget.

For the disposal of the sums voted in the budget in respect of fixed expenditure, the Government does not promulgate a decree authorising their expenditure. It is sufficient for the Treasury accountants or authorised officials (habilitados) of the civil departments of State and the administrative officers of the army, navy and air force to submit to the treasuries a payment order accompanied by a "liquidation" return or sheet indicating by name the persons whose pay and salaries are due to be paid, the month in respect of which such pay and salaries are due, and the credit to which they are chargeable in the budget. The treasuries, after checking and verifying the said "liquidation" sheets or schedules, issue a cheque on a bank for the total amount of the "liquidation" sheet or schedule, and the Treasury accountants, in turn, pay individually the personnel for the payment of whose salaries they are responsible.

For the disbursement of the sums voted in the budget in respect of variable expenditure, a warrant is required, signed by the President of the Republic and countersigned by the Minister concerned, authorising the total or partial expenditure of a credit contained in the variable expenditure chapter of the budget; such warrant must be previously endorsed by the representatives of the Controller-General.

Personal warrants are cashed at the Treasury direct by those concerned, while warrants authorising the payment of lump credits to be charged to an item of variable expenditure voted in the budget are issued to the account of the public departments concerned. Subsequently, the accountants or competent officials in the civil departments of State or the administrative officers of the military services, as the case may be, issue to the persons to whom payment is due a payment voucher on the Treasury for the exact amount due to each of them individually. The creditors concerned remit to the Treasury the payment vouchers accompanied by the receipted invoices. Payments are made either in cash or by cheques drawn on the Caisse d'Epargne nationale or on one of the banks.

5. The Accounts.

The way in which the accounts are presented makes it possible to identify the payments made in a particular year, either on the basis of the ordinary and extraordinary budgetary accounts or on that of the "outstanding liabilities" account, since both the payment warrants and the payment vouchers drawn on the treasuries indicate the exact purpose of the expenditure.

C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.


1. As the closed accounts on which the Model Statement has been based were not received in due time by the Committee, it is impossible to say whether all national defence expenditure is included. The Chilian delegation stated that the national defence expenditure authorised under extraordinary credits and special laws and effected during 1932 (buildings, constructions, etc.) had been included in the Model Statement.

2. Military Departments.

(a) No expenditure on the construction of fortifications has been shown in the Model Statement.

(b) No expenditure on the provision of arms, ammunition and war material (sub-head M) has been shown in the Model Statement for land forces.

(c) That part of the expenditure on pensions which is provided for in the army budget has been included in Table B of the Model Statement.

(d) Expenditure on harbour-masters' staffs, naval dockyards, lighthouses and buoyage, hydrography, the Meteorological Office and the Mercantile Marine, which is provided for in the naval budget, has been included in Table C of the Model Statement.

3. Civil Departments.

(a) The Model Statement does not include any expenditure on the Carabineers, who are under the Ministry of the Interior.

(b) Certain expenditure on behalf of the air force borne on the budget of the Ministry of Public Works has been included in Table D of the Model Statement.

(c) Apart from the expenditure borne on the budget of the Ministry of Public Works, the Chilian delegation stated that no other national defence expenditure is included in the budgets of civil departments.

1 For audit and publication of the accounts, see above under A. 8.
2 Since the above was written, the Chilian delegation has sent a copy of the closed accounts for 1932 ("Inversión del Presupuesto ordinario de la Nación").
4. Special Questions.

There are no establishments for the manufacture of armaments possessing budgetary autonomy. It should be mentioned that the financial balance-sheet gives a table showing the all-in cost of running a military railway. This is a small narrow-gauge railway used for the field training of the railway regiment.

D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

1. Separation of Expenditure on the Three Forces.

As stated at B, 2 above, there were separate departments and budgets in 1932 for the land and naval forces. Air force expenditure, however, was shown in separate paragraphs in the budget of the Ministry of the Interior. Since the end of 1932, the War and Navy Departments and that of the Under-Secretary of State for Air have been merged in a National Defence Ministry with a separate Under-Secretary for each force.

Separate tables of the Model Statement have been submitted for each force. The Chilian delegation stated that the only service common to the three national defence forces is that for the supply of small-arms ammunition, the expense of which is met out of the army funds specially appropriated to this purpose. In addition the small-arms used by the air force and police are supplied from army stores.

2. Coast Defence.

It is impossible, on the information supplied to the Committee, to say to which table of the Model Statement expenditure on coast defence, if any, has been charged.

3. Optional Columns.

The optional columns have not been filled in.

4. Division of Expenditure between the Sub-heads of the Model Statement.

Judging from the reconciliation table and in view of the fact that the distribution of expenditure was based on the closed accounts, the form of the latter would appear to admit of a large proportion of the figures relating to variable expenditure being transferred en bloc to the Model Statement.

In the case of fixed expenditure, it has been necessary to divide the total figures between sub-heads A, B and C of the Model Statement. This division has been made where necessary by means of estimates based on the more detailed particulars supplied by the budget and on administrative experience.

In certain cases, lump-sum grants for maintenance services have been posted to sub-head E, though including elements of expenditure attributable to other sub-heads.

In the case of the navy, certain expenditure on the movement and transport of personnel and material has been merged with payments to personnel and charged to sub-heads A, B and C. There is no indication of expenditure on the construction of fortifications or defence works (sub-head H of the Model Statement).

5. Head IV: Separation from Other Heads of the Model Statement.

Separate heads for war material appear in the budgets of the army, navy and air force. It is not possible to state, on the information before the Committee, the nature of the material comprised under these heads. Part of the overhead charges on manufacture of war material has been posted to sub-head E. The pay of certain personnel employed in military arsenals seems to have been entered in sub-head C. Expenditure on the upkeep of motor vehicles seems to have been charged in its entirety to sub-head G.

6. Head IV: Division between the Sub-heads of this Head.

Sub-head M of the Model Statement for the land forces has not been filled in. In the case of the navy, the total for Head IV—viz., 1,277,000 pesos—has been distributed between the sub-heads as follows: sub-head M, nil; sub-head M (a), 30,000; sub-head N, 1,247,000.

Whereas the specimen Model Statement for the air force has only one sub-head, the Chilian delegation has returned this kind of expenditure under two sub-heads—viz.:

M (arms, ammunition and fighting material), 730,000 pesos;
N (pay of workshop personnel), 1,181,000 pesos.
E. TABLES ANNEXED TO THE MODEL STATEMENT.

Tables A and B.

As these tables have been omitted from the draft "Instruments necessary for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

Table C.

The Chilian delegation made a "nil" return for annexed Table C.

Table D.

The following are the figures given for credit purchases and deferred payments:

<table>
<thead>
<tr>
<th></th>
<th>£</th>
<th>$</th>
<th>Pesos</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land forces</td>
<td>78,334</td>
<td>15,487</td>
<td>393,786</td>
</tr>
<tr>
<td>Naval forces</td>
<td></td>
<td></td>
<td>2,000,000</td>
</tr>
</tbody>
</table>

Table F.

The total estimated expenditure on service and disability pensions for the military and civil personnel of the three national defence forces in the budget of the Finance Ministry for 1932 was 29,318,202 pesos. The same budget had an appropriation for war pensions amounting to 11,600,000 pesos.

The budget of the War Ministry also contains certain expenditure on pensions; this has been included in Table B of the Model Statement.

List of Documents.


Ministerio de Guerra: Ley de Presupuestos, 1928-1931.

Memoria de la Contraloría General y Balance General de la Hacienda Publica (1932).

Armaments Year-Book., 1932 (published by the League of Nations).

Encyclopaedia Britannica (1929 edition): Article on Chile.

Documents communicated after the above summary was written:

Closed accounts for 1932 ("Inversión del Presupuesto ordinario de la Nación").

Budget voted for 1934 ("Ley de Presupuesto de Entrados y Gastos ordinarios de la Administración Pública de Chile").
CHINA.

A. BUDGETARY SYSTEM.

1. Preparation of the Draft Budget.

Each State service, whether national or local, draws up its own expenditure estimates (estimates of the first échelon). Each ministerial department of the Central Government of Nanking and each provincial or municipal auditor asks the subordinate service to submit these estimates of the first échelon before November 30th. Each of these higher services collects the estimates of the first échelon and draws up the estimates of the second échelon, which are based thereon. The latter are submitted before January 15th to the financial control service of the Government (Chen-Ki-Pou), which is an accountancy department of the organ (yuan) of Control (Kieh tch'a yuan). This service draws up the general estimates for the whole country and submits them to the Central Political Council of the Kuomintang before March 15th.

The Central Political Council examines the general estimates, modifies or approves them and sends them back to the financial control service.

The expenditure estimates of the military organisations are examined and finally drawn up by the Military Department as the higher authority.

The financial supervisory service submits the draft general budget of the exercise to the National Government before May 15th.

2. Discussion and Voting of the Budget.

(a) The draft budget is sent by the National Government (State Council, consisting of the President of the National Government and the Government’s counsellors appointed by the Central Committee of the Kuomintang with the approval of the Central Political Council) to the legislative authority (Legislative Yuan).

The Legislative Yuan (Li fa yuan) comprises from 50 to 100 members, half of whom are appointed, on the proposal of its President, by the President of the National Government. The other half of the Legislative Yuan is elected by the legally constituted organisations of the people. After being examined by a special commission, the budget is voted by the Legislative Yuan before June 15th. The Committee has been unable to ascertain the dates of the meetings of the Legislative Yuan or the length of its sessions.

The meetings of the Legislative Yuan at which the budget is discussed are public, but the Committee does not know if the Minutes of these discussions are published.

During the discussion, the Legislative Yuan may ask other authorities and all Ministers for any useful information.

(b) The national defence expenditure of the Central Government is voted each year.

No additional credits are ever granted during the year, but, should the budgetary credits prove inadequate, recourse is had to the extra-budgetary procedure for meeting expenditure (Article 34 of the Regulations, November 1st, 1931). In urgent cases an extraordinary budget is adopted, providing for the expenditure from Treasury reserves. If the general budget is not finally drawn up before May 31st, a provisional budget is submitted to the National Government. This provisional budget is based on previous budgets and passed by the National Government. It is valid until the end of the month during which the general budget is voted.

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1 Up to April 1933, the principle of the many monetary units current in China were the Shanghai tael and the Yuan dollar. In April 1933, the Chinese national dollar was introduced (1 national dollar = 0.699 Shanghai tael and 0.983 Yuan dollar).
2 “The method of election of the said members shall be determined by a special law.” (Article 30 of the Constitution of the Chinese Republic of June 1st, 1931.) The Committee does not know whether this law has come into force and is not in possession of the necessary particulars regarding the method of electing the members of the Legislative Yuan and their financial powers.
3 The Committee has not been able to ascertain the precise procedure regarding extrabudgetary expenditure and budgets for extraordinary expenditure charged against the Treasury reserves.

NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of China.
3. **Publication of the Draft Budget, Budget and Accounts.**

The budget is published. The Committee was unable to examine any draft budget or account and does not know whether these documents are published. The Minister for Finance publishes a report for each financial year showing for each service of the National Government the aggregate amounts of payments effected. Only one aggregate figure is given in this report for national defence expenditure.

4. **Conditions governing the Expenditure of Credits.**

The Committee did not possess the information necessary to enable it to ascertain the conditions governing the expenditure of credits. Certain credits which are declared valid for a period of years may be carried forward.

5. **Division of Expenditure in Budget and Accounts.**

(a) There is a special division (chapter) of the budget for ordinary military expenditure. In the 1931-32 budget, this was subdivided as follows:

Article I.—National Military Council;

2.—Ministry of Foreign Affairs, War;

3.—Ministry of Marine;

4.—General Staff;

5.—General Directorate of Military Training;

6.—Military Advisory Commission;

7.—Explosives Office;

8.—Ordinary military expenditure;

9.—Reserve Fund.

Some of these articles are subdivided into paragraphs in a table annexed to the budget. The number of these paragraphs varies considerably according to the articles; while Articles I, 4, 5, 6 and 9 are not subdivided at all, Article 2 comprises 9 paragraphs; Article 3, 4 paragraphs; Article 7, 8 paragraphs; and Article 8, 525 paragraphs.

The main feature of the Chinese budget as regards military expenditure is that the expenditure under Article 8 is classified by services, establishments, units and formations, rather than by the actual nature of the expenditure.

There is also extraordinary military expenditure.

In the 1931-32 budget, this expenditure, the amount of which was comparatively small, was subdivided as follows:

Organisations under the Ministry of War;

Increase in the air forces;

Organisations under the Ministry of Marine;

General Staff; and

Subordinate organisations.

(b) As the Committee had no accounts at its disposal, it was unable to ascertain whether the latter are or are not rendered in the same form as the budget.

(c) Transfers between the chapters of the budget are prohibited except in the cases provided for by law. The Committee does not possess fuller particulars regarding the transfer procedure.

6. **Unity of the Budget.**

The general budget of the State does not include all national defence expenditure; for instance, the 1931-32 budget did not include the army expenditure in certain provinces. In those provinces the military authorities have been allowed, on behalf of the Central Government, to use the national revenue for the payment and maintenance of the troops under their command.1

The 1930-31 budget did not include under ordinary expenditure any expenditure in respect of the naval air force, which is in process of formation.

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1 In the *Statistical Monthly*, 1933, issued by the Chinese Government, particulars are given of the military expenditure of certain provinces (expenditure incurred during the first half of 1930-31):

<table>
<thead>
<tr>
<th>Province</th>
<th>Chinese dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hupéh</td>
<td>2,642,577.10</td>
</tr>
<tr>
<td>Honan</td>
<td>392,712.30</td>
</tr>
<tr>
<td>Shantung</td>
<td>733,340.02</td>
</tr>
<tr>
<td>Ninghsia</td>
<td>944,943.26</td>
</tr>
<tr>
<td>Shensi</td>
<td>4,680,949.59</td>
</tr>
</tbody>
</table>

No figures are given for the military expenditure of the other provinces.

The Committee has been unable to ascertain from what accounts the figures given for the five provinces mentioned above have been taken.

See note on page 96.
The same organisations are responsible for supervision during the execution of the budget and for the final audit. This supervision of the departments is exercised by the Control Yuan (Council), which represents one of the five authorities composing the National Government. The Organic Law of December 26th, 1931, contains the following provisions:

"Article 8.

The National Government consists of five independent Councils (Yuans) exercising severally executive, legislative, judiciary, examining and supervisory powers, viz.:

1. The Executive Yuan;
2. The Legislative Yuan;
3. The Judiciary Yuan;
4. The Examining Yuan;
5. The Control Yuan.

Each of these Yuans may, in accordance with the law, issue decrees."

"Article 10.

The National Government consists of a President and from 24 to 36 members. Each Yuan has a President and Vice-President chosen and appointed by the Central Executive Committee (Kuomintang.)."

The above texts would seem to imply that the President and Vice-President of the Control Yuan are members of the National Government. The Control Yuan consists of 30 to 50 members appointed by the President of the National Government on the proposal of the President of the Control Yuan; one-half of these members are elected by the legally constituted organisations of the people. The method of this election is laid down in a special law of which the Committee was unaware. The members of the Control Yuan other than the President and Vice-President may not legally hold any other public office.

The Control Yuan includes a secretariat and a number of counsellors. They can only be dismissed in certain cases in which their probity in discharging their duties is involved. The Control Yuan establishes local control centres and may appoint inspectors to be distributed among these centres. It may order any investigations it considers necessary to be carried out, and for this purpose may ask the National Government to appoint special control inspectors to visit the various public services and all departments to find out whether the Government's decisions are being carried out. The Control Yuan may also undertake any other form of investigation. The members of the Control Yuan and its agents are protected in the exercise of their duties by law.

The Control Yuan includes an audit department to which the monthly accounts of receipts and expenditure of the administrative authorities under the National Government are submitted.

B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. Budgetary Year.

The budgetary year runs from July 1st to June 30th. There is an additional period of three months during which commitments entered into in the course of the financial year can be "liquidated". Expenditure may be settled during a supplementary period of six months.\(^1\)

2. Budgets and Accounts.

There are separate ministries for the army and navy. The ordinary expenditure of the military air force was included in the 1930-31 budget in the expenditure of the War Ministry. This budget did not include expenditure on the naval air force, which was in process of formation at that time. The Chinese Government also stated that the expenditure involved by the scheme for the organisation of national aviation, which is now being carried out, was not included in the statement. Certain expenditure on aviation was also included among the extraordinary expenditure. As the Committee was unable to examine the accounts, it is impossible for it to make any observation as to their presentation.


It is not possible to ascertain whether the Model Statement of expenditure for the 1930-31 exercise was based on the budget or on the accounts. As pointed out by the Chinese Government itself, the figures shown in the Model Statement do not correspond with the budget estimates.

\(^1\) The report of the Finance Minister on the 1931-32 exercise states that military expenditure amounted to 300 million taels, including 48 millions paid during previous financial periods. The Committee did not possess precise information as to what these payments of 48 million taels consist of.
The amount inserted in the estimates for the armed forces was 450,405,848 Chinese dollars, whereas the total expenditure given in the Model Statement amounts to 389,867,122 dollars. Moreover, in the annual report of the Minister for Finance for 1932, military expenditure for the 1930-31 exercise is shown as 312 million dollars. The tables relating to the three forces have been filled in.

4. Execution of the Budget.

The Committee does not possess sufficient data to enable it to describe the method by which commitments are entered into, liquidated, passed for payment or paid during the exercise, or how these various operations are supervised.

During the execution of the budget, the National Government has the power to reduce the amounts of the credits shown in the budget with the consent of the Central Political Council.

5. The Accounts.

No actual accounts have been submitted to the Committee, which has only received the annual reports of the Minister for Finance, which are published and include a table showing the receipts and payments for the exercise.

This report contains a single aggregate figure of payments for military expenditure. The annual report for the 1928-29 exercise was published in March 1930; the report for the 1929-30 exercise, in June 1930; lastly, owing to special circumstances, the two reports for the 1930-31 and 1931-32 exercises were published, not separately, but together, on December 15th, 1932.

According to Article 13 of the law relating to the organisation of supervision, it would appear that the Audit Department keeps monthly accounts of the receipts and expenditure of the various administrative authorities of the National Government. The Committee does not know whether the monthly accounts are recapitulated in annual accounts and whether both the former and the latter are published.

6. Audit and Publication of the Accounts.

The Control Yuan includes an Audit Department (Chen-Ki-Pu). The Committee has no information as to the actual structure of the accounts or the date on which they must be submitted to the Audit Department or as to their publication.

C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.


In the absence of reconciliation tables, it has not been possible to ascertain the precise basis on which the Statement was drawn up.

2. Military Departments.

As far as can be judged, all expenditure included in the ordinary part of the budget (military expenditure) has been transferred to the Statement.

3. Civil Departments.

It has not been possible to ascertain whether any national defence expenditure is included in the civil budgets.

4. Special Questions.

The Model Statement does not include the proposed expenditure on the naval programme, the expenditure on the naval air force or the expenditure involved by the national aviation scheme.

The total expenditure shown in the Model Statement amounts to 389,867,122 Chinese dollars. This figure is considerably higher than that of the expenditure incurred as shown in the Finance Minister’s annual report for the same year: 312,000,000 Chinese dollars. It is not known whether the Statement includes the military expenditure of certain provinces and whether this explains the difference between these two figures. Nor is it known whether the Model Statement includes expenditure on police and similar formations.

See note on page 96.
D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

1. Separation of Expenditure on the Three Forces.

In the budget, expenditure on the army and navy is shown separately. There are, however, items of expenditure which are common to these two arms.

Expenditure on the land air forces is shown among the expenditure of the War Ministry. It is, however, clearly distinguished under special headings devoted to the offices, establishments, aerodromes, units and formations of the air forces.

For the purposes of the Model Statement, expenditure on the three forces has been separated, but as regards the air forces it is only expenditure on the land air arm which has been isolated. Expenditure on the naval air force and on national aviation has not been included in the Model Statement.

In the absence of reconciliation tables, it is not known whether it was necessary to have recourse to estimates in separating the expenditure of the three forces.

2. Optional Columns.

Only the column in Table C (Naval Forces) relating to formations organised on a military basis has been filled in.

As regards Table D (Air Forces), a column has been added and the expenditure is shown separately for the active forces and the administrative authorities (services, workshops and schools).

3. Division of Expenditure among the Sub-heads of the Model Statement.

In the absence of reconciliation tables, it is not possible to make any useful observation on this point.

E. ANNEXED TABLES.

No figure has been supplied for the Annexed Tables.

List of Documents.


Ministry of Finance: Annual report of the fiscal years July 1928-June 1929; July 1929-June 1930; July 1930-June 1931; July 1931-June 1932.

Budget of the Central Government for 1931-32.

The China Year-Book, 1931-32, 1933.

DARESTE: “Les Constitutions modernes”.

Regulations of November 1st, 1931, concerning the procedure for drawing up the budget.

Law of September 24th, 1932, relating to the principles for drawing up the budget.


See note on page 96.
COLOMBIA.

A. BUDGETARY SYSTEM.

1. Preparation of the Draft Budget.

The draft budget is prepared by the various ministerial departments. The Finance Minister (Ministro de Hacienda y Credito publico) draws up a draft general budget of the State, which is finally approved by the Council of Ministers.

2. Discussion and Voting of the Budget.

(a) The draft budget, when finally approved as described above, together with a memorandum from the Finance Minister on the financial and budgetary situation of the preceding and the current years, is submitted to Congress (Congreso) in the first ten days of the ordinary session, which opens on July 20th and lasts ninety days. The draft budget is first examined by the Parliamentary Commission for Accounts (Comision Legislativa) of the Chamber of Deputies and is then discussed in plenary and public session by the Chamber of Deputies (Camara de Representes) and the Senate (Senado) in turn.

The Ministers, who are appointed by the President of the Republic, may attend the meetings of Congress but are not entitled to vote. The budget is voted in each House. To acquire force of law it must obtain the sanction of the Government, which is bound to promulgate it within ten days or refers it back within the same period to Congress, together with a statement of its objections. In the latter case, if the draft budget on re-examination is adopted by a two-thirds majority of each House, it acquires the force of law.

(b) In principle, expenditure is voted annually before the financial year opens. If the budget is not adopted by December 15th, the budget for the previous year is prorogued.

(c) Expenditure must be authorised by statute. No expenditure may be effected unless budgetary provision has been made for it. To meet unforeseen and urgent expenditure due to war, internal disturbances or public calamities, the Finance Minister may open extraordinary credits on his own responsibility but must subsequently ask Congress to ratify his action.

3. Publication of the Draft Budget, Budget and Accounts.

The draft budget, budget and closed accounts are published as official documents.

4. Conditions governing the Expenditure of Credits.

The vote of a credit limits the commitments which may be incurred during the budgetary year. Credits may not be carried forward. Those credits in respect of which no commitments have been incurred lapse at the end of the budgetary year. Commitments in respect of which no payments have been made by the end of the budgetary year are transferred to a Treasury account called "Payments outstanding", which is debited with the payments subsequently made.

5. Division of Expenditure in Budget and Accounts.

(a) Expenditure is divided in the State budget into chapters and articles (capitulo, articulo) numbered in a single series. Articles are sometimes divided into sections and paragraphs.

There is only one National Defence Ministry (Ministerio de Guerra), the ordinary expenditure of which for 1933 is divided into seven chapters (Nos. 34 to 40) and twenty-seven articles (Nos. 119 to 146).

The budget shows expenditure on pay separately from other expenditure. Most of the expenditure on war material is shown separately.

(b) The closed accounts are rendered in the same form as the budget.

(c) Transfers may be made between chapters if approved by the Council of Ministers and countersigned by the Comptroller-General of the Republic.

NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Colombia.
6. Unity of the Budget.

(a) The general budget includes, in principle, all State expenditure. There are some doubts on the question to know if certain extra-budgetary funds are appropriated to national defence expenditure.

(b) The budgets and accounts show gross expenditure.

7. Supervision of the Execution of the Budget.

This supervision is exercised:

(a) By the responsible administrative authorities.

(b) By the Accountancy Section of the National Defence Ministry.

(c) By the sections responsible for preventive supervision, which are attached to each ministerial department.

The members of these sections (auditores seccionales) are appointed and can be removed from office by the Comptroller-General of the State. They are completely independent of the authorities responsible for the execution of the budget. They are entitled to make inspections and local investigations of all accountancy documents and also the cash in hand. They verify the regularity of the orders for payment issued by the responsible officials to satisfy themselves that the corresponding disbursements have actually been made and that they have been correctly posted in the accounts.

(d) By the Audit Department (Departamento de Contraloria), which is a higher accountancy and supervisory organ independent of the Government.

The Comptroller-General elected by the Chamber of Deputies draws up monthly and annual reports of the State's financial operations. These reports are published. The annual reports in which the several heads and sub-heads of the budget are discussed senatim are issued six months after the end of the budgetary year.

B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. Budgetary Year.

The budgetary year runs from January 1st to December 31st. There is no additional period.

2. Budgets and Accounts.

Expenditure on the land, naval and air forces is not shown in separate sections.

3. The Model Statement.

No Model Statement has been supplied.

4. The Execution of the Budget.

The credits voted for the National Defence Ministry are allocated monthly by the Finance Minister.

The Minister may enter into contractual commitments for the whole amount of the annual credits or even of the credits of several subsequent years, provided that the first ensures that the necessary provision will be made.

The vouchers in support of payments must be sent by the Accountancy Section to the Audit Section for examination and approval.

5. Audit and Publication of the Accounts.

The Comptroller-General draws up the closed accounts of the State and submits them to the Chamber of Deputies six months after the close of the budgetary year.

C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

General Remarks.

No Model Statement of national defence expenditure has been supplied.

The total of the credits entered in the national defence budget for 1933 amounts to 3,764,615 pesos.

There is a special section in the State budget for extraordinary credits for the service of a patriotic loan authorised by a law of 1932 and intended for national defence. These credits amount to 1,110,000 pesos.

The Committee cannot say what expenditure effected out of this loan during the 1932 budgetary year should be shown in the Model Statement.

See note on page 101.
D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

1. Separation of Expenditure on the Three Forces.

The Republic of Colombia possesses land, naval and air forces. The expenditure on these three forces is included in a single budget for national defence and is not shown under separate subdivisions.

In the absence of a Model Statement and reconciliation tables, no definite inferences can be drawn as to the difficulties involved in separating this expenditure.

It would, however, seem that no serious difficulties of this nature are to be apprehended.

2. Division of Expenditure among the Sub-heads of the Model Statement.

The expenditure on pay is separated from other expenditure in the budget.

E. TABLES ANNEXED TO THE MODEL STATEMENT.

These tables have not been supplied.

List of Documents.

Leyes financieras. 1930.
Ley número 64 de 1931 (15 de Mayo "Organica del Presupuesto").
Ley número 911 de 1932 (Mayo 23) — por el cual se reforman las leyes organicas de la Contabilidad oficial de la Nación y del Departamento de Contraloria.
Decree número 1842 de 1931 (Octubre 16) por el cual se Reorganiza el ramo de Guerra.
The budget voted. (Presupuesto Nacional de rentas y Ley de apropiaciones par el año fiscal de 1º de enero a 31 de deciembre de 1933.)
Draft budget for 1934. (Proyecto de Ley de Presupuestos Nacionales de rentas y Gastos para el periodo fiscal de 1º de enero a 31 de deciembre de 1934.)
"Memoria" by the Finance Minister for 1931. ("Memoria" que presenta el Ministro de Hacienda y Credito publico al Congreso nacional en la Sesiones ordinarias de 1931.)
"Memoria" of the War Minister for 1932 and 1933. ("Memoria" que el Ministro de Guerra presenta al Congreso de 1932, 1933.)
"Boletin de la Contraloria General de la Republica" (January, February, March and April 1929).
Informe financiero del Contralor general de la Republica de Colombia 1932.

See note on page 101.
COSTA RICA.

A. BUDGETARY SYSTEM.

1 and 2. Preparation, Discussion and Voting of the Budget.

The draft general budget of the State is submitted by the Finance Minister to Congress, the single-chamber body which exercises legislative power. This draft is discussed and voted by Congress, which, either at the same meeting or in an extraordinary session, votes the necessary appropriations to meet any extraordinary expenses which may be incurred.

3. Publication of the Draft Budget, Budget and Accounts.

The draft budget is published.

The voted budget is published in the supplements to the Official Journal (Alcance a la Gaceta, Diario Oficial).

4. Division of Expenditure in Budgets and Accounts.

(a) National defence expenditure relates to the army only, there being no navy or air force. The army credits are inserted in special sections of the chapter of the budget appropriated to the Department of Public Security and the Maintenance of Order, where they are subdivided into seven articles. Other sections of the same chapter relate to the Military Police and to Military Bands. The expenditure on neither of the latter appears to be regarded as national defence expenditure by the Government of Costa Rica. The articles are divided into items clearly indicating the object of the expenditure in each case.

(b) No copy of the accounts having been furnished, it was impossible to say whether they are submitted in the same form and with the same degree of detail as the budget.

5. Unity of the Budget.

In the absence of the requisite documentation, it is impossible to say whether all national defence expenditure is included in the State budget.

No provision for such military objects as the supply of horses and motor transport, or for the execution of work, is identifiable in the budget of the army. Presumably the expenditure on these purposes is borne by the budgets of civil departments.

The budget appears to show the gross expenditure.


There is an Accountant-General’s Department (Contaduría Mayor), a Paymaster-General’s Department (Pagaduría Nacional) and an Audit Office (Oficina de Control). No information is available regarding the relations between these organs and the Army Department. Apparently the accounts of public expenditure are presented to Congress.

B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. Budgetary Year.

The budgetary year runs from January 1st to December 31st. It is impossible to determine on the evidence available whether there is an additional period.

2. Budgets and Accounts.

There are only land forces, most of the expenditure on which is shown in a separate section of the State budget.

NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Costa Rica.

National defence expenditure has been set out in a table consisting only of sub-heads A, B, C, E and K. The figures are stated to have been taken from the 1931 budget, no copy of which has been supplied to the Committee. In the absence of the latter and of a reconciliation table, it is impossible to say how far the budget in its present form lends itself to the compilation of the Model Statement.

C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.

General Remarks.

(a) The following are the amounts returned by the Government of Costa Rica:

<table>
<thead>
<tr>
<th>Sub-head</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>140,460</td>
</tr>
<tr>
<td>B</td>
<td>159,900</td>
</tr>
<tr>
<td>C</td>
<td>42,360</td>
</tr>
<tr>
<td>E</td>
<td>90,437</td>
</tr>
<tr>
<td>K</td>
<td>37,400</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>470,557</strong></td>
</tr>
</tbody>
</table>

(b) The expenditure on pensions is borne on the budget of the Ministry of Finance.

(c) It is impossible to say on the evidence in the Committee's possession whether any expenditure on national defence is borne on civil budgets or extraordinary credits, or by public or private individuals or associations.

D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

Expenditure has been shown under sub-heads A, B, C, E and K only.

In the absence of reconciliation tables and accounts, it has been impossible to check the correctness of this distribution.

E. TABLES ANNEXED TO THE MODEL STATEMENT.

These tables have not been filled up.

List of Documents.

Estimates:

"Proyecto de Presupuesto, 1925."
"Proyecto de Presupuesto, 1929."

Voted budgets:

"Ley de presupuesto", 1933, published in the supplement to the *Official Journal* of April 9th, 1933 (*Alcance a la Gaceta*, No. 84).


*Armaments Year-Book*, 1932 (published by the League of Nations).


See note on page 104.
CUBA.

A. BUDGETARY SYSTEM.

1. Preparation of the Draft Budget.

The draft budgets are prepared by the various ministries and co-ordinated by the Minister for Finance. The latter, who is responsible for ensuring the equilibrium of expenditure and revenue, may request the other Ministers to reduce their estimates.

The Council of Ministers, with the President of the Republic presiding, settles the final form of the draft budget.

2. Discussion and Voting of the Budget.

(a) The draft budget, finally drawn up in the manner described under point 1, is submitted by October 15th to the Budgetary Commission of Congress, which is composed of two Chambers (Chamber of Deputies—"Camara de representantes" and Senate—"Senado").

The budget is then discussed in both the Chamber of Deputies and the Senate. Usually, the initial debate takes place in the Chamber of Deputies and Senate in alternate years. The procedure for discussion is the same in both the Chamber and Senate.

The meetings of the Chambers of Congress are public and the debates are published in the parliamentary records.

Members of Parliament enjoy the right of initiative in matters of expenditure.

The budget is voted by Congress and forwarded to the President of the Republic, who is empowered, under certain conditions, to veto the adoption of the budget and to refer it back to Congress for further examination.

(b) National defence expenditure is voted annually.

The Congress may, however, pass a law authorising the expenditure of a credit to be spread over several annual budgets. The Executive is empowered to enter into commitments up to the total amount voted, but that part of the expenditure which is to be effected each year must be included in the annual budget.

In the event of the budget's not being adopted before the beginning of the financial year, the President of the Republic enacts, without special authority from Parliament, the budget of the previous year, less all credits relating to services already rendered and work already carried out, as also all credits of a provisional character.

(c) Expenditure is authorised by law.

3. Publication of the Draft Budget, the Budget and Accounts.

The budget as voted is published as an official document.

The last voted budget available, that of the year 1933-34, was published on June 30th, 1933.

The Committee has not had an opportunity of examining either a draft budget or a closed account; it is not known whether these documents are published.

Article 462 of the Organic Law of the Executive provides that the "Interventor General" must submit a memorandum on the execution of the budget to the Minister for Finance and that the latter must publish this memorandum.

4. Conditions governing the Expenditure of Credits.

(a) Under the law the credits voted determine the limit within which commitments may be entered into in the course of a budgetary year—i.e., within which public liabilities may be incurred.

Should the total commitments entered into in the course of a year fall short of the amount of the credits voted, the difference between the commitments and the credits is cancelled at the end of the year. The amounts of the commitments liquidated remain available until payment.

(b) The rule of annulité (automatic cancellation of unexpended credits) is strictly observed.

Credits may not be carried forward from one year to another nor commitments entered into in anticipation of a credit to be voted in the course of a subsequent year.

There is no additional period during which payments may be made.

NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Cuba.
5. Division of Expenditure in Budgets and Accounts.

(a) The budget of the Ministry of National Defence (Secretaría de Guerra y Marina) presents the expenditure in three chapters (Capítulos) (General Administration, War Department, Naval Department), subdivided into articles (Artículos).

The expenditure is voted for each article of the national defence budget separately; there are fifteen articles, subdivided into items clearly specifying the object of the expenditure. The fixed expenditure relating to the pay of the personnel is analysed in greater detail than that of the variable expenditure relating to maintenance and material.

(b) It is not known whether the accounts are rendered in the same form as the budget.

(c) It is not known whether and under what conditions transfers are authorised between the various budgetary items.

6. Unity of the Budget.

According to the replies given by the Cuban Government to the questionnaire on the budgetary system:

(a) National defence expenditure is shown in the State budget only.
There are no special accounts or funds relating to national defence.

(b) The budgets and the accounts show gross expenditure.

7. Supervision during the Execution of the Budget.

Supervision is ensured:

(a) By the responsible administrative authorities.

(b) By an accountancy bureau attached to each Ministry and responsible to the Minister concerned for the supervision which it exercises over the expenditure.

(c) By the Minister for Finance, who issues the payment vouchers, and to whom statements of revenue and expenditure effected are forwarded monthly and quarterly by the other ministries and services.

The Minister for Finance is empowered to order local audit of any account.

(d) By the Auditor-General of the State. The Committee has not been able to obtain (Interventor General) information relating to the attributes of the Auditor-General.

8. Final Audit.

Final audit is carried out by:

(a) The Auditor-General of the State. He acts under powers delegated to him by the President of the Republic, to whom he is directly responsible.

The closed accounts of all the ministries are forwarded to the Minister for Finance.

The latter, after verifying them, sends them to the Auditor-General of the State, who is required to examine whether the account has been drawn up in accordance with the regulations and whether it tallies with his own records.

The Auditor draws up a report on the results of the audit. The report is published.

(b) On the basis of the report of the Auditor-General, by Congress, which discharges the Ministers and higher administrative authorities of their responsibility.

B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. Budgetary Year.

The budgetary year extends from July 1st to June 30th. There is no additional period. It is not known whether payments made after June 30th and entered in the account of the floating debt are included in the budgetary accounts.

2. Budget and Accounts.

There is only one National Defence Ministry and only one national defence budget, which, however, comprises separate parts for the army and for the navy. As aviation forms part of the army, expenditure in respect of the air forces is included in the army budget.

3. The Model Statement.

The Model Statement relates to the 1930-31 budgetary year. The tables completed are those relative to the land and naval forces only.

See note on page 106.
In the absence of the closed accounts, the Committee has not been able to ascertain the basis of the figures in the Model Statement—\textit{i.e.}, whether they represent solely payments relating to the year to which the Statement refers or if they include also arrear payments relating to preceding years.

4. Execution of the Budget.

All payments are made by officials in the various Departments specially empowered for the purpose, from credits allocated to them by the Finance Department in accordance with the provisions of the budget as voted.

5. The Accounts.

As the Committee has had no opportunity of examining the closed accounts of Cuba, it has been unable to ascertain whether the figures shown therein represent commitments or payments.

6. Audit and Publication of the Accounts.

The accounts are drawn up and certified by the Minister for Finance, who submits them for audit to the Auditor-General through the intermediary of the Treasury-General of the Republic. The date on which they are thus submitted is not fixed by law.

The date for the examination of the closed accounts by Congress and their publication are not laid down by law.

C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.


\textit{(a)} The Model Statement shows the expenditure effected in the course of the 1930-31 financial exercise by the Minister of National Defence and the expenditure on the gendarmerie and rural police.

\textit{(b)} As no accounts or reconciliation tables have been furnished, the relationship between the Model Statement and the accounts cannot be established.

\textit{(c)} In view of the absence of documents, it has been impossible to ascertain whether the nature of the budgetary system raises any obstacle in the way of the inclusion of all national defence expenditure in the Model Statement.

A civil aviation section is attached to the Staff (see \textit{Armaments Year-Book}, Special Edition, 1932, page 70). It has been impossible to ascertain whether the expenditure on this section has been included in the Statement.

2. Military Departments.

The Model Statement includes the total amount (gross) of pay and wages without deductions of any kind.

It appears probable that the expenditure on the mercantile marine is included in the military budget.

3. Civil Departments.

Lack of adequate documents has made it impossible to ascertain whether the civil budgets include specifically military expenditure or whether any facilities are provided therein for the military authorities.

Nevertheless, Article X of Chapter V in the budget of the “Secretaría de Obras Públicas” is headed: “Construcciones civiles y militares”.

4. Special Questions.

\textit{(a)} The Model Statement shows expenditure in respect of the armed forces. There are no formations organised on a military basis, as this term is interpreted by the Government of Cuba.

\textit{(b)} There are no special budgets or funds administered by the National Defence Ministry. Apart from the State administration, there are no public or private bodies for financing national defence expenditure.

D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

1. Separation of Expenditure on the Three Forces.

Though there is only one single Ministry of National Defence, it draws up separate accounts for the army and navy expenditure respectively.

See note on page 106.
The air forces are considered as forming part of the land forces, and the expenditure relating thereto is included in Table B of the Model Statement. In Table A of the Model Statement (Summary), however, the total expenditure in respect of each of the three forces has been separated.

2. Coast Defence.

The total cost of coast defence is included in the Model Statement for the navy, with the exception of coast defence artillery, which appears to have been included in the accounts of the land forces.

3. Optional Columns.

These columns have not been filled in.

4. Division of Expenditure between Sub-heads of the Model Statement.

No remarks, in view of the absence of the necessary documents.

5. Head IV.

Sub-head L has been entered as “nil”, although there are two warships and the budget includes a credit relating to the same objects as sub-head L of the Model Statement.

E. TABLES ANNEXED TO THE MODEL STATEMENT.

1. Tables A and B.

As these tables have been omitted from the draft “Instruments necessary for the Application of a System of Publicity of National Defence Expenditure” (document Conf.D./C.G.160), no comment is called for under this heading.

2. Tables C, D, E, and F.

It has been impossible to reach any conclusion regarding the tables annexed to the Model Statement on account of the lack of the necessary documents.

List of Documents.

Budgetary system: Replies of the Cuban delegation to the questionnaire drawn up by the Technical Committee (document Conf.D./C.D./C.T.49).


Communication, with annexes, from the Cuban delegation, dated July 31st, 1933.

Estimates (Leyes de presupuestos) for 1928-29, 1929-30, 1930-31, 1931-32, 1932-33, 1933-34.

Constitution of the Republic of Cuba, of February 21st, 1901. (DARESTE: Les constitutions modernes; Volume IV, Amerique latine, 1932.)


The Bulletin of International News (published by the Royal Institute of International Affairs, London).

Armaments Year-Book, 1932 and 1933 (published by the League of Nations).
DOMINICAN REPUBLIC.

A. BUDGETARY SYSTEM.

1. Preparation of the Draft Budget.

The draft budget is prepared by the Executive, which consists of the President of the Republic and eight Ministers (Secretarios de Estado).

2. Discussion and Voting of the Budget.

The Constitution requires that the budget shall be voted by Congress, which consists of two Houses—the Senate and Chamber of Deputies. The draft budget is submitted to Congress during the session commencing on August 16th. Both Chambers have the right to propose amendments to the draft budget as submitted by the Executive, but a majority of two-thirds of the members of each House is required for their adoption. The President, on behalf of the Executive, may refer the amendments back for further consideration to the House originating them. If, however, they are revoted by Congress with the same two-thirds majority, they must be accepted. The reports of debates in Congress are published.

Expenditure, including national defence expenditure, is granted for one year and is normally voted before the year begins. In the event of the budget not being voted before the beginning of the year, the budget for the preceding year continues in force.

The budget, when voted by Congress and approved by the Executive, is enacted by law.


It is not known whether the draft budget is published.

The budget as voted is promulgated by presidential decree and is published.

No accounts have been received and it is not known to what extent they may be considered as public.

4. Conditions governing the Expenditure of Credits.

It is not known whether the voting of a credit limits the payments which can be made against that credit.

5. Division of Expenditure in Budget and Accounts.

(a) Expenditure on the armed forces is for the most part included in the chapter (capítulo) entitled "Secretary of State for the Interior, Police, Army and Navy". Expenditure other than that on civil administration is shown in a special section (Ejército) of that chapter. This section contains numerous subdivisions and items which show fairly clearly the purpose for which the expenditure is intended.

(b) No accounts have been received. It is not known whether they are rendered in the same form and with the same details as in the budget.

(c) Transfers are not permitted.

6. Unity of the Budget.

(a) In the absence of the necessary particulars, it is not known whether all national defence expenditure is included in the State budget.

The budget includes a special chapter devoted to special expenditure (fondo especial), which is apparently supervised by the Ministry of Finance and accounts for approximately one-third of the total State expenditure. This special chapter is shown in considerably less detail than the other chapters of the budget and may contain expenditure proper to the armed forces. It is observed that in the 1933 budget this chapter includes credits for petrol and lubricants for the motor-vehicles of the public services.

NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of the Dominican Republic.
In the light of the available information, it is not possible to say whether there are any special funds or resources outside the ordinary budget from which national defence expenditure can be met.

(b) It would appear that the figures for expenditure indicated in the accounts are gross.

7. Supervision of the Execution of the Budget.

Supervision during the execution of the budget is carried out by officials belonging to the Comptroller and Auditor-General's Department, which is under the authority of the Minister of Finance.

The expenditure for the year requires to be approved by Congress on the advice of the Court of Audit, the five members of which are nominated by Congress. The Committee was unable to ascertain the character of the duties of the Court of Audit or the extent to which it is independent of the Executive. According to the Constitution, the President is required to address to Congress, in the course of the session beginning February 27th, a message—accompanied by reports from the Secretaries of State—in which he renders an account of his administration during the preceding year.

B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. Budgetary Year.

The budgetary year extends from January 1st to December 31st. It is not known whether there is an additional period.

2. Budgets and Accounts.

There is only one defence force—viz., the land forces. Expenditure on these forces is, for the most part, shown in a separate section of the budget.

An account is prepared shortly after the close of the financial year and submitted to Congress for approval. The Committee does not know on what dates the accounts are closed, are approved by the Court of Audit and by Parliament, and are published. The Committee furthermore does not know whether there exists a loi de règlement.


The Government of the Dominican Republic has not submitted a Model Statement.

C. EXPENDITURE TO BE INCLUDED IN THE MODEL STATEMENT.


The Dominican Republic has no naval or air forces. The provision for the land armed forces as shown in the relevant section of the budget for 1933 was $1,123,261.50.

The land armed forces are also the police forces of the Republic.

2. Military Departments.

Certain expenditure in the nature of pensions appears to be included in the Army chapter of the budget.

3. Civil Departments.

Certain expenditure in respect of the national defence forces—e.g., expenditure on buildings, veterinary and survey services, postal and telegraphic communications—appears to be included in those chapters of the budget which relate to the civil departments.

1 This statement requires confirmation, as the department is described as the "Secretaría de Estado del Interior, Policía, Guerra y Marina ".

2 It has not been possible to confirm this statement, which is taken from the Armaments Year-Book of the League of Nations and other publications. Article (Titre) XIII of the Revised Constitution provides that all citizens have the right to vote, save, amongst others, "those belonging to the armed forces or to the police corps". If the police force is distinct from the land armed forces, the Committee would need information as to whether the police force should be regarded as a formation organised on a military basis and where the relevant expenditure is provided for in the budget.

See note on page 110.
D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

No Model Statement has been supplied.
If the accounts of actual expenditure show the same degree of detail as the expenditure chapters of the budget, there should be no great difficulty in dividing the expenditure on the armed forces between the various sub-heads of the Model Statement.

E. TABLES ANNEXED TO THE MODEL STATEMENT.

No such tables have been supplied.

List of Documents.

Communication from the Dominican Republic, dated November 24th, 1931, regarding the composition of the armed forces (document C.306.M.107.1932.IX [Conf.D.71]).

Budgets (Presupuestos) of the Dominican Republic, as voted, for the years 1928, 1930, 1931, 1932, 1933.


American Constitutions, by J. I. RODRIGUEZ (1905).

Encyclopaedia Britannica, 1929.


Statesman's Year-Book, 1933.

See note on page 110.
EGYPT.

A. BUDGETARY SYSTEM.

1. Preparation of the Draft Budget.

The draft budget is prepared by the several ministries and is sent to the Ministry of Finance where the various estimates of requirements are co-ordinated and submitted, together with the estimate of revenue, to the Finance Committee, which is presided over by the Minister of Finance. After examination and discussion of the proposals made by the various departments, the Committee submits the draft general budget to the Council of Ministers, who, after further discussion and making any amendment considered necessary, submit it to Parliament.

2. Discussion and Voting of the Budget.

(a) The draft budget is discussed and voted by Parliament. Parliament consists of two Houses—viz., a Senate and a Chamber of Deputies. The Civil List and the Grants to the Royal Family, being fixed by the Constitution, are not made the subject of a vote. The sittings of Parliament are normally public, and the proceedings are published.

(b) The budget is normally voted before the beginning of the financial year.

(c) The budget is authorised by law. If the budget has not been passed by the beginning of the year, the budget for the exercise then expiring is extended by ministerial decree. This decree, which determines the conditions of the extension, emanates from the Ministry of Finance: it remains in force until the law authorising the new budget is promulgated.

3. Publication of the Draft Budget, Budget and Accounts.

The draft budget is printed for parliamentary use. The budget as voted, together with the law authorising it, is published in the Official Journal: it is also published separately. The closed account for the exercise is published.

4. Conditions governing the Expenditure of Credits.

The credits voted represent sums for which cheques or Treasury warrants can be issued during the financial year. Authority to enter into commitments for future years is given by the Ministry of Finance: capital expenditure is distinguished in the budget into (a) expenditure affecting the current year only, (b) expenditure spread over several years. In the latter case, the estimated total cost is shown in a special column of the budget. Any proposal to exceed the total provision made by Parliament involves the presentation of a Supplementary Estimate. The rule of annality is observed.

5. Division of Expenditure in Budget and Accounts.

(a) Expenditure is divided in the budget into divisions, subdivisions, titles and articles. It is voted under titles. Each division represents a single Ministry and commonly includes:

| Title I : Pay and allowances. |
| Title II : Material and other general expenses of an ordinary character. |
| Title III : Extraordinary expenditure (new services, etc). |

The budget of the Ministry of War and Marine is voted in two subdivisions and thirty-six articles classified under the various titles of the budget. The articles give very detailed information as to the precise object for which the expenditure is intended, except in the case of the global sum of £E750,000 for the army in the Sudan (see C, r).

NOTE.—Up to the time when the Committee concluded its work, the text of this summary had not been confirmed by the Government of Egypt.
(b) The accounts follow the same form as the budget but omit sub-headings of individual articles.

(c) Transfers between articles of the same title have to be submitted for approval beforehand to the Ministry of Finance or the Council of Ministers according to the sum involved.

6. Unity of the Budget.

(a) All national defence expenditure is shown in the State budget. One division of the budget is devoted wholly to national defence expenditure; but certain expenditure relating to national defence (stationery, Government Press, police, head office buildings and postal services) is provided for in civil divisions of the budget. The percentage of such expenditure to the total of the defence expenditure (excluding the expenses of the army in the Sudan, the Frontiers Administration and pensions to military personnel) is normally about one per cent.

Pensions to military and civil personnel of the national defence services and their dependants are provided for in the division of the budget relating to pensions to State personnel generally. The provision for pensions covers the gratifications paid to conscripts at the end of their obligatory service.

There are no special budgets or accounts relating to national defence.

There are no establishments possessing budgetary autonomy.

(b) The budget and accounts show gross expenditure. The Ministry of National Defence cannot increase the expenditure voted by Parliament for national defence by recourse to special funds.

7. Supervision during the Execution of the Budget.

The regularity of the execution of the budget is ensured by the continuous supervision of accounting and finance branches of the Ministry of Finance which are attached to each ministerial department, and also by the Audit Department, which is equally a subordinate department of the Ministry of Finance.

Expenditure may, in general, be incurred by the competent officials of the department concerned; but contracts for furniture and works must receive the prior sanction of the Ministry of Finance.

8. Final Audit.

Final audit is carried out by the Audit Departments.

The Account is prepared by the Ministry of Finance, approved by the Council of Ministers and sanctioned finally by Parliament, which passes a law for this purpose.

There is no independent supreme auditing authority and there is no specific checking of the accounts by Parliament.

B. IDENTIFICATION OF NATIONAL DEFENCE EXPENDITURE.

1. Budgetary Year.

The budgetary year runs from May 1st to April 30th.

There is no additional period; but cheques or orders for payment issued before April 30th may nevertheless be cashed after that date, a suspense account being opened by the Treasury for the purpose with a credit corresponding to the amounts of the unpaid orders. These sums are regarded as forming an effective part of the expenditure of the year just ended.

2. Budgets and Accounts.

There is only one Ministry of National Defence—the Ministry of War and Marine. The Ministry of War and Marine owns no naval forces. There are a few preventive vessels belonging to the Coastguards Department.

The budget and the closed account distinguish between the expenditure on the pay of personnel and the war material of the two military forces (land and air), but not between the expenditure on general administration and maintenance relating thereto.

3. The Model Statement.

The Model Statement submitted by the Egyptian Government is based upon the estimated expenditure on national defence for the year 1931-32.

The tables relating to the land and air forces have been completed.

See note on page 113.
4. Execution of the Budget.

For the incurring of commitments for future years see under A, 7.
Orders for payment are issued by the accounting branch of the Ministry of Finance which is attached to the particular department concerned. Payments are effected by cheques drawn on banks or by Treasury warrants.

5. The Accounts.

The accounts are based on actual incomings and outgoings.

C. EXPENDITURE INCLUDED IN THE MODEL STATEMENT.


(a) The Model Statement has been compiled on the basis of estimated expenditure.

(b) No reconciliation tables have been furnished to show from what sources the expenditure has been transferred to the Model Statement; but there is no reason to suppose that the drawing-up of the Model Statement has presented any special difficulty.

(c) No expenditure is shown in the Model Statement for formations organised on a military basis.

(d) The only special budgets and special accounts are those for:
- The Egyptian University;
- The National Library;
- The Sanitation, Maritime and Quarantine Council;
- The Ministry of Wakfs;
- Mohammedan Establishments for Religious Instruction.
These special budgets and accounts contain no expenditure on national defence.

2. Military Departments.

(a) Expenditure on the Frontiers Administration, which is provided for in the national defence division of the State budget, has not been included in the Model Statement. Frontiers Districts Administration is a civil and semi-military organisation governing the desert parts of Egypt; it maintains car-patrols and a camel corps, whose expenses are not distinguished in the budget from similar expenses on account of the police, education, judiciary and other services, which it also maintains. The budgetary provision for the Frontiers Administration was £E243,774 in 1931-32.

(b) The £E75,000 shown in the Egyptian budget since 1925 for "Expenses of the Army in Sudan" is an annual subvention paid to the Sudan Government as a contribution to the cost of preserving Egypt’s southern boundary. It has not been included in the Model Statement.1

3. Civil Departments.

The division of the budget and accounts which provides for pensions also includes "gratifications to conscripts at the end of their obligatory service". The provision for the latter in 1931-32 was £E61,820; but it is not clear whether the corresponding expenditure has been included in Table B of the Model Statement. It is not included in the amount shown in annexed Table F.

The evidence at the Committee’s disposal is not sufficient to show whether part of the expenditure borne on other civil budgets (posts, State buildings, etc.) should be shown in the Model Statement as relating to national defence.

4. Special Questions.

Civil aviation is administered by a separate department attached to the Ministry of Communications.

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1 Note.—There are also British troops stationed in Egypt or in the Sudan, the expenditure for which is included in the Model Statement of the United Kingdom.

See note on page 113.
D. DISTRIBUTION OF NATIONAL DEFENCE EXPENDITURE BETWEEN THE TABLES, HEADS AND SUB-HEADS OF THE MODEL STATEMENT.

1. Separation of Expenditure.

No expenditure is shown for naval forces (Table C), the Model Statement containing a note to the effect that there are no such forces.

The Air Force is stated in the Model Statement to be a new force in course of formation.

2. Coast Defence.

The coastguard and supervision of fisheries service is provided for in the civil division of the budget and accounts (Ministry of Finance); and expenditure thereon has not been included in the Model Statement.

It is not known whether expenditure in connection with military defences on shore is included in the Model Statement (Table B); it cannot be identified in the budget or accounts.

3. Optional Columns.

These have not been completed.

There are no oversea forces.

4. Division of Expenditure between the Various Sub-Heads of the Model Statement.

No great difficulty appears to have been encountered in making such division as has been made.

In Table B (land forces) one combined figure only is given for sub-heads A and B. No figure is given under sub-head E in Table D. The expenditure on maintenance of personnel of the air forces is presumed to be included in the table for land forces.

Two separate figures are shown for head IV, sub-head M, in Table D (air forces); but the nature of the respective figures is not indicated.

E. TABLES ANNEXED TO THE MODEL STATEMENT.

Tables A and B.

As these tables have been omitted from the draft "Instruments necessary for the Application of a System of Publicity of National Defence Expenditure" (document Conf.D./C.G.160), no comment is called for under this heading.

Tables C, D and E.

No remarks.

Table F.

Pensions are not included in the national defence division of the budget, and they are presumed not to have been included in the Model Statement. The division of the budget and accounts which provides for pensions also provides for "gratifications to conscripts at the end of their obligatory service"; the provision for the latter in 1931-32 was £81,820.

List of Documents.


Budget as voted for 1933-34 ("Ministry of Finance: Budget of the Egyptian State").

Closed account for 1925-26 ("Ministry of Finance: Final Account").

Armaments Year-Book, 1932 (published by the League of Nations).

See note on page 113.
A. BUDGETARY SYSTEM.

1. Preparation of the Draft Budget.

The preliminary draft budgets are prepared by the various ministerial departments in accordance with general instructions from the Ministry of Finance. After being drawn up, they are transmitted to the General Audit of the Administration of the State at the Ministry of Finance (Intervención General de la Administración del Estado), which, after examination, informs the Minister of the department concerned. The preliminary drafts of each of the Ministers, accompanied by the observations of the General Audit of the Administration of the State, are submitted, after acceptation by the Minister of Finance, for the consideration of the Council of Ministers, which draws up the final text of the draft budget to be submitted to the Chamber for approval.

2. Discussion and Voting of the Budget.

The final draft budget, which must be presented before October 5th in each year, is submitted to the Legislative Chamber (Cortes), on whom the duty of approving it devolves.

The Budget Committee of the Chamber examines the entire draft; it appoints for each ministerial department a sub-committee, which draws up a report which is submitted for the approval of the plenary Committee.

Each of these reports, together with the amendments proposed by the members of the Chamber, are first published in the annexes to the Parliamentary Journal (Diario de Sesiones) and then submitted for the consideration and approval of the Chamber in public ordinary session.

A debate first takes place on the entire draft and then on each of the budgets of the departments, and, in the latter case, the discussion may refer both to the draft as a whole and to each chapter or article.

A report of the debates is published in extenso in the Diario de Sesiones.

The deputies cannot submit amendments involving an increase of credits except with the signature of one-tenth of their number, and, in this case, such amendments, in order to be adopted, must obtain an absolute majority of votes in the Congress.

The general budget acquires force of law by the sole vote of the Chamber; it is not necessary for it to have been promulgated by the Head of the State.

The budget remains in force for one year.

If it has not been possible to vote the budget before the beginning of the budgetary year, the last budget is extended by quarterly periods, though such extensions may not exceed four in number.

The Constitution does not stipulate on whom it devolves to grant these extensions; but, on the occasions on which use has hitherto been made of this right, the extensions were enacted by law.

3. Publication of the Draft Budget, Budget and Accounts.

The draft budget is laid before the Chamber by the Minister of Finance and published in the Official Journal (Gaceta de Madrid) with details of the credits corresponding to each section, chapter and article.

As soon as the vote has taken place in the Chamber, the budget is published first as an annex to the Parliamentary Journal (Diario de Sesiones) and afterwards in the Official Journal (Gaceta de Madrid) by order of the President of the Chamber, with details by sections, chapters and articles. Later, the Ministry of Finance in turn publishes the voted budget with all the details of expenditure by items.

4. Conditions governing the Expenditure of Credits.

(a) The credits appearing in the budget of expenditure represent the maximum amount of the commitments which the departments may recognise and liquidate during the current year.

The Government cannot exceed the credits voted and cannot effect expenditure for which there is no corresponding credit, unless the Cortes grants it supplementary or extraordinary credits for this purpose. The Constitution, however, provides for the grant of supplementary or extraordinary credits by decrees of the Council of Ministers when the Cortes is not sitting, in

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1 Some of the information contained in this summary relates to the year 1930. The Spanish Government stated (see document Conf.D.24) that, in consequence of the reorganisation of the army, the budgets for the following years would differ both in amount and in structure from that of the year 1930.
case of war or threat of war, serious disorders or the threat of serious disturbances of the public order, public calamities or international obligations.

The procedure requires the preparation of a file proving the absolute necessity and urgency of this expenditure and the submission of a report by the General Audit of the Administration of the State and the State Council on such cases. In order to acquire force of law, the decrees granting such credits must be first submitted to the Court of Audit of the Republic. At the first sitting of the Cortes, the Government must give an account of the credits which it has granted by decree and communicate the files drawn up for the purpose.

The procedure requires the preparation of a file proving the absolute necessity and urgency of this expenditure and the submission of a report by the General Audit of the Administration of the State and the State Council on such cases. In order to acquire force of law, the decrees granting such credits must be first submitted to the Court of Audit of the Republic. At the first sitting of the Cortes, the Government must give an account of the credits which it has granted by decree and communicate the files drawn up for the purpose.

(b) The credits which have not been used to meet recognised and liquidated obligations during the budgetary year are cancelled. The credits which have not been used to effect payments and which represent expenditure (recognised and liquidated obligations) remaining to be paid at the end of the financial year may be used during subsequent years in order to pay these arrears (Gastos pendientes de pago). These payments are indicated in special chapters of the accounts entitled: “Resultas de ejercicios cerrados”.

The commitments of previous years which for any reason have not been recognised and liquidated during these years must, in order to be paid, be entered in special chapters of the budget entitled “Commitments requiring a legislative credit” (Obligaciones que carecen de credito legislativo).

Credits may not be carried forward.

Before a commitment can be entered into relating to several budgets, a decision of the Council of Ministers is necessary. Previous to such a decision, the Council of State must give an opinion, and the Minister of Finance must be informed of that opinion before the meeting of the Council of Ministers.

The Public Debt and any other transactions involving direct or indirect financial liability on the part of the Treasury always include the credits necessary for payment of capital and interest, and such credits may not even be discussed provided they do not exceed the exact limits within which their issue was authorised.

5. Division of Expenditure in Budget and Accounts.

(a) The budget is divided into two parts—namely, charges of the State (Office of the President of the Republic, Legislative Chamber, Public Debt, Pensions and Annuities, Court of Audit) and charges of the ministerial departments, which are at present divided into eighteen sections (seccion). A distinction is made within these sections according to whether the charges are permanent, temporary or in respect of closed financial years. Each section is subdivided into chapters (capitulos), articles (articulos) and items.

The national defence expenditure for the budgetary year 1930 is comprised:

1. In Section III, Ministry of War (Ministerio del Ejercito), thirty chapters;
2. In Section IV, Ministry of the Marine (Ministerio de Marina), nineteen chapters;
3. In Section XIII, Action in Morocco (Accion en Marruecos), Ministry of War, twelve chapters; Ministry of the Marine, four chapters;
4. In Section XV, Debts to be paid by the ministerial departments, Ministry of War, one chapter; Ministry of the Marine, one chapter.

The chapters are subdivided into numerous articles and items and show clearly the purposes of the expenditure.

(b) The accounts are shown by articles.

(c) Transfers are prohibited.

6. Unity of the Budget.

(a) National defence expenditure is shown only in the budget of the State and is paid entirely out of credits provided in the budget.

There do not exist at present any special funds of any importance, the assets of the principal funds which previously existed having been included in the budget as from the year 1932.

There are no armaments factories enjoying budgetary autonomy.

The budgets of the autonomous administrations (provinces, municipalities) do not include any credit for the purpose of national defence.

There are no extra budgetary resources used for national defence purposes.

(b) The budgets and accounts are drawn up according to the principle of gross accountancy.

7. Supervision during the Execution of the Budget.

Supervision during the execution of the budget is carried out by the “General Audit of the Administration of the State”, by officials under the authority of the said audit possessing an exclusively civilian character even as regards the auditing of military and naval expenditure. In the discharge of their duties, the officials enjoy complete independence of the Ministries under their supervision. The supervision is carried out under the following aspects:

1. Critical supervision of the recognition and liquidation of claims, commitments or expenditure effected by the General Audit and its delegates on the basis of the documents submitted to them;
2. Formal supervision over the issue of payment warrants and material supervision over payments effected by auditors, delegates of the General Audit who are attached to the various bureaux or funds which issue payment warrants;