



Treaty Series No. 5 (1933)

AGREEMENT  
FOR GUARANTEEING A FURTHER  
LOAN TO AUSTRIA

Geneva, July 15, 1932

[Ratification of His Majesty's Government in the United Kingdom deposited  
at Geneva, December 29, 1932]

*Presented by the Secretary of State for Foreign Affairs  
to Parliament by Command of His Majesty*

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# AGREEMENT FOR GUARANTEEING A FURTHER LOAN TO AUSTRIA.

*Geneva, July 15, 1932.*

## PREAMBLE.

### CONSIDERING

That the Government of the Austrian Federal Republic has addressed to the League of Nations a request to be assisted in maintaining the work of economic and financial reconstruction undertaken in consequence of the decision of the Council of the League of Nations of the 4th October, 1922, and of the signature of the three Protocols of the same date;<sup>(1)</sup>

That the Austrian Government reaffirms its intention of meeting punctually all its foreign obligations;

That the Governments of Belgium, the United Kingdom of Great Britain and Northern Ireland, France, Italy,

are ready to grant further assistance to Austria for this purpose;

That the above Governments, including the Austrian Government, declare that such assistance is given on the basis of Protocol No. 1 signed at Geneva on the 4th October, 1922, and of all the undertakings resulting therefrom; the provisions of which Protocol are to be considered as here reproduced;

The Governments of Belgium, the United Kingdom of Great Britain and Northern Ireland, France, Italy, the Netherlands,

on the one hand, and the Government of the Austrian Federal Republic on the other,

Have by common consent drawn up the following provisions:—

## ARTICLE 1.

In order to assist the Austrian Government to borrow a sum in foreign currencies, freely and immediately available, the net amount of which shall be equivalent to a maximum of approximately three hundred million Austrian schillings, at the present legal gold parity, the Governments of Belgium, the United Kingdom of Great Britain and Northern Ireland, France, Italy, the Netherlands,

undertake to apply without delay for such authority as may be required under their municipal law to enable them either to guarantee, as hereinafter provided, the principal and interest of part of such loan or to furnish the amount to the Austrian Government in another manner. In case of an issue on their markets, they will grant facilities for the issue of the amount which they have guaranteed.

(1) See "Austria No. 1 (1922)," Cmd. 1765.

## ARTICLE 2.

(i) There will be no joint guarantee as between the Governments. Each Government shall be responsible solely for the share in the total operation which it is to guarantee or to provide. No guarantor Government will be liable for the service or the repayment of a bond of the loan not included in the portion guaranteed by it.

As regards the public issues, the Austrian Government will prepare separate bonds for the portions of the loan issued in each country, specifically stating which Government is the guarantor.

The various national issues shall, however, form parts of one single loan. No discrimination may be made by the Austrian Government in carrying out its obligations as regards these different issues of the loan. The service and the repayment of the whole of the loan shall be carried out on conditions to be laid down in the General Bond, under the control of one or more trustees appointed by the Council of the League of Nations, acting jointly.

(ii) The participating Governments shall, at the moment of signing, state the amounts which they undertake to guarantee or to provide.

(iii) The expenses of issue, negotiation and delivery of each issue shall be added to the capital of the issue.

(iv) The loan shall be for a term of twenty years. The Austrian Government reserves the right to repay the loan before the expiration of that period, after ten years, on conditions which will be fixed by the Committee of Guarantor States at the time the operation is concluded. Subject to the priorities attached to the Loan of 1923-43, the Relief Credits and the 1930 Loan, the system of pledged assets by which the 1923-43 Loan is secured shall be made to apply to the present loan. The manner in which this shall be done shall be settled in detail in the General Bond. The service of the interest and the repayment of the present loan shall be free of all taxes, dues or charges, present or future, for the benefit of the Austrian State or of any other Austrian authority.

(v) The terms of issue (rates of interest, expenses, issue prices, the form of guarantee, &c.), shall be submitted for approval to the Committee of Guarantor States created by the Austrian Protocol No. II of the 4th October, 1922, or to persons appointed by that Committee; and any reference to the League of Nations in the prospectus of issue shall similarly be approved by the Chairman of the Financial Committee. Those Governments which have signed the present Protocol without being parties to the Austrian Protocol No. II of the 4th October, 1922, shall be invited to send representatives to the Committee of the Guarantor States.

## ARTICLE 3.

The proceeds of the operation shall be utilised by the Austrian Government for the objects set out in Annex I, in agreement, as the

case may be, with the representative of the League of Nations or the Adviser to the National Bank referred to in Article 7.

#### ARTICLE 4.

The Austrian Government undertakes to take the necessary steps to restore without delay and to maintain complete equilibrium between the revenue and expenditure of the State; it similarly undertakes to take all steps necessary to re-establish without delay the financial equilibrium of the Austrian State Railways and, in particular, to carry out the programme of budgetary and financial reforms set out in Annex II.

#### ARTICLE 5.

Austrian monetary policy will aim at the abolition as soon as possible, subject to the necessary safeguards, of the difference between the internal and external value of the schilling, and, in consequence, at the progressive removal of the existing control over exchange transactions and the resulting obstructions to international trade.

#### ARTICLE 6.

(i) It is agreed that the settlement of the question of the Creditanstalt must form part of the programme of financial reforms which are the object of the present Protocol.

(ii) The Austrian Government will take all possible steps without delay to conclude an agreement with the foreign creditors of the Creditanstalt. This agreement will take account of the necessity for avoiding excessive pressure on the schilling.

(iii) The Austrian Government undertakes to effect a settlement of the debt of the Creditanstalt to the National Bank, and to issue as soon as possible one or more internal loans of a total amount of not less than 200 million schillings for the partial reimbursement of the debt due by the State to the National Bank.

#### ARTICLE 7.

The Austrian Government will request the Council of the League of Nations to appoint a representative of the League of Nations, and to nominate an Adviser to the National Bank of Austria, with the object of continuing the collaboration contemplated in the declarations made in September 1931 by the Austrian Federal Chancellor and in the provisions of the present Protocol and its Annexes.

#### ARTICLE 8.

The Committee of Guarantor States shall continue to perform its functions until the loan provided for in the present Protocol has been entirely repaid.

## ARTICLE 9.

(i) All decisions to be taken by the Council of the League of Nations in virtue of the present Protocol shall be taken by a majority vote.

(ii) Any dispute as to the interpretation of the present Protocol shall be settled by the Council by a majority vote.

## ARTICLE 10.

(i) The present Protocol, of which the English and French texts are equally authentic, shall remain open to signature by all Governments which desire to accede thereto. The Protocol shall be ratified, and the ratifications shall be deposited with the Secretariat of the League of Nations.

(ii) The present Protocol shall be approved by the Council of the League of Nations.<sup>(2)</sup> It shall enter into force as regards the Governments which have ratified it as soon as the ratifications of Austria, the United Kingdom, France and Italy have been deposited. In order to enable the Protocol to enter into force, the ratifications of the above-mentioned States must be deposited not later than the 31st December, 1932.<sup>(3)</sup> The Protocol shall enter into force as regards each of the other signatory Governments on the date of deposit of that Government's ratification.

In faith whereof, the undersigned, duly authorised, have signed the present Protocol.

Done at Geneva, the fifteenth day of July, nineteen hundred and thirty-two, in a single copy, which shall be deposited at the Secretariat of the League of Nations.

## AUSTRIA.

For the Austrian Government :

E. PFLÜGL.

## BELGIUM.

For the Belgian Government :

Five million Austrian schillings.

JULES LE JEUNE DE MÜN SBACH.

## UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND.

For the Government of Great Britain and Northern Ireland :

One hundred million (100,000,000) schillings.

JOHN SIMON.

<sup>(2)</sup> The Protocol was approved by the Council of the League of Nations on July 15, 1932.

<sup>(3)</sup> See list of ratifications on page 10.

## FRANCE.

For the Government of the French Republic and in accordance with the declaration which I made before the Council on the 15th July, 1932:

One hundred million (100,000,000) schillings.

R. MASSIGLI.

## ITALY.

For the Italian Government:

Thirty million (30,000,000) schillings.

VITTORIO SCIALOJA.

## THE NETHERLANDS.

For the Netherlands Government:

Three million (3,000,000) Austrian schillings.

W. DOUDE VAN TROOSTWIJK.

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## ANNEX I.

*Utilisation of the Proceeds of the Operation provided for by the Protocol.*

1. The proceeds in foreign exchange shall be credited to a special account or accounts as directed by the Austrian Government in agreement with the representative of the League of Nations.

2. The advance of 100 million schillings made by the Bank of England to the Austrian Government shall be repaid out of the proceeds of the loan.

3. The Austrian Government shall sell the remaining foreign exchange to the Austrian National Bank on conditions to be fixed in agreement with the representative of the League of Nations.

4. The use to be made of the foreign exchange thus sold by the Austrian Government to the Austrian National Bank shall be decided in agreement with the Adviser to the Bank.

5. The amount in schillings resulting from such sales shall be credited to a special account of the Austrian Government at the National Bank; this amount in schillings—with the exception, if necessary, of a sum to be determined in agreement with the representative of the League of Nations—shall be used to repay part of the internal floating debt of the State and of the Railways, on condition that the creditors who thus obtain repayment shall simultaneously reduce their indebtedness to the Austrian National Bank by corresponding amounts. The Government may only draw on the sums standing to the credit of this account in agreement with the representative of the League of Nations.

## ANNEX II.

*Programme of Budgetary and Financial Reforms.*

1. In conformity with the declaration made before the Financial Committee by the Austrian Chancellor in September 1931, the Austrian Government will take every step necessary to restore without delay and to maintain equilibrium between its revenue and expenditure.

In order to ensure the application of this principle from 1932 onwards, further permanent economies sufficient to secure the balancing of the budget for the current financial year, estimated on the basis of present figures at 45 million schillings, must be made during the second half of the current year, in addition to those provided for in the supplementary budget which has been submitted to the Council of Ministers.

In view of the special circumstances and having regard to the arrangements contemplated in Annex I for reducing the short-term debt of the State, the 100-million-schilling surplus provided in the

present budget for the repayment of short-term obligations may be applied to current needs such as the deficit on the Railways.

2. The Austrian Government undertakes to carry out without delay the general programme of economies and re-organisation contained in the report of Dr. Herold, the railway expert who was entrusted with the enquiry into the administration and policy of the Railway system, in conformity with the declaration made by the Chancellor last September.

An expert appointed by the Council of the League of Nations shall be invited by the Austrian Government to decide to what extent the capital outlays ("Investitionen") of the Railways are really indispensable and to what extent they could, in view of the present financial difficulties, be postponed.

3. All borrowing operations of the Austrian State, whether external or internal (other than those under the standing authority to issue Treasury Bills up to 75 million schillings), remain subject to the approval of the Committee of Guarantor States. The Austrian State Railways shall for this purpose be regarded as a part of the Austrian State and shall not be authorised to contract any loan unless the Minister of Finance certifies that the approval of the Committee of Guarantor States has been duly obtained.

As regards contracts on a credit basis for supplies or works which involve a substantial charge on future budgets, including the budget of the Railways, the representative of the League of Nations shall determine whether these operations present an exceptional character warranting recourse to the procedure provided for in the preceding paragraph.

Having regard to the provisions of Annex I, no issue of Treasury Bills or other similar short-term operation shall be carried out by the Austrian Government on the home market unless the prior consent of the representative of the League has been given.

4. In conformity with the declaration of the Chancellor made last September, the Austrian Government will use its existing powers in order to secure that the budgets of the "Länder" and of the Communes are balanced. It will come to an agreement with these local authorities with a view to obtaining such extension of its powers of control as may be necessary, particularly as regards borrowing; all such borrowing operations must in future be approved by the Austrian Government, which will give its consent on the motion of the Minister of Finance after previous consultation with the National Bank and the representative of the League of Nations.

5. Every proposed credit operation, either by a private individual or by a public or private corporation, which involves foreign indebtedness of more than one million schillings, must be brought to the knowledge of the Austrian National Bank before being carried out.

6. The Austrian Government will revise the general legislation on banks in conformity with the September declaration,



7. In conformity with the declaration made in September, and in view of the responsibility assumed by the Austrian Government in regard to the Creditanstalt, the Government will take the necessary steps to secure a reduction in the administrative expenses of that bank and of the other banks operating in Austria.

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ANNEX III.

*League of Nations Representative and Bank Adviser.*

1. The representative of the League of Nations and the Adviser to the Austrian National Bank appointed under Article 7 of the Protocol shall carry out the functions assigned to them in the present Protocol and its Annexes. They shall be responsible to the Council and removable by it.

2. The Austrian Government undertakes to collaborate with the representative of the League of Nations with regard to the execution of the programme of reforms contained in the declaration of September 1931 and in the present Protocol, and further to furnish him with all the information which he may require for the execution of his mission.

3. The representative of the League of Nations will report to the League of Nations every three months on the execution of the programme of reforms. He will further address supplementary reports to the League of Nations whenever he thinks it desirable to bring any fact as a matter of urgency to the knowledge of the League.

4. The provisions concerning the functions of the Adviser, which formerly constituted Articles 124 to 129 of the Statutes of the Austrian National Bank as enacted by the Federal Law of the 14th November, 1922 ("Bundesgesetzblatt" No. 823), shall be re-incorporated in the Statutes, except that the words "Commissioner-General of the League of Nations" shall be replaced by the words "Council of the League of Nations."

5. The representative of the League of Nations shall provide himself with the necessary staff. His expenses and those of his office shall be approved by the Council and defrayed by Austria. The representative of the League of Nations shall enjoy diplomatic privileges; he and his staff shall enjoy fiscal immunities.

6. The Adviser to the Austrian National Bank shall enjoy fiscal immunities.

7. If the Austrian Government considers that the representative of the League of Nations, or the Adviser to the National Bank, has abused his authority, it may appeal to the Council of the League of Nations.

8. The Council shall terminate the appointment of the representative of the League of Nations and of the Adviser to the Bank when it decides that their services are no longer required.

9. The Council shall have the right, if it considers it necessary having regard to the financial situation, to reappoint the representative of the League of Nations or the Bank Adviser, or both; but such a measure may only be taken if the funds borrowed either in virtue of the present Protocol or through the Guaranteed Loan of 1923-43 have not been entirely repaid.

10. After the termination of the appointment of the representative of the League of Nations, contact shall be maintained between the Austrian Government and the Financial Organisation of the League of Nations by the preparation and publication of periodical statements on Austrian public finances by the Financial Organisation of the League of Nations. The Austrian Government agrees to send a Treasury representative to discuss the statements so prepared with the Financial Organisation.

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*List of Ratifications.*

					Date of deposit.
United Kingdom	...	...	...	...	December 29, 1932.
Austria	...	...	...	...	November 14, 1932.
France	...	...	...	...	December 31, 1932.
Italy	...	...	...	...	December 27, 1932.

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