

# *Italian financial expansion to National Bank of Albania and SVEA (1925-1939)*

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## **Abstract**

*Political and economic interest of Italy towards Albania, displayed since before World War, as an Austrian anti-function, was consolidated when the Conference of Ambassadors of Italy in 1921 acknowledged a special “mandate” on the new Balkan republic<sup>1</sup>. Immediately after the First World War, after the failure of the agreement Venizello-Titoni, Italy was positioned for preserving the independent Albanian state in its political borders set on July 29, 1913 by the Conference of Ambassadors in London. This circumstance, combined with “the Italian protectorate” will bring significant benefits of a political order, since the point of view of control in Balkan –Adriatic areas constituted an obstacle to the French aspirations in the Balkans and broke the continuity of possession of Serbs and Greeks on the east coast of Adriatic and control of the strait of Otranto and it had a great economic importance i accepted as “value of transit” of the Albanian territory<sup>2</sup>. For this reason, it had a strategic importance for Albania’s Adriatic balance and represent the main gate for economic expansion to the Middle East<sup>3</sup>. However, economic relations between Italy and Albania were just started to have a greater importance in 1925, March, when were concluded oil concessions conventions in Italy that compromise the responsibility to create an issuing bank. Agreement on the Establishment of the National Bank of Albania (Banca Nazionale D’Albania) was signed on 03.15.1925 by the Albanian Foreign Minister, Myfit*

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<sup>1</sup> The Conference on the Ambassadors 1921 mandates to Italy Albania

<sup>2</sup> “Aide Memoire for the Conference of Ambassadors (1921)”, in the Central State Archive (Archive Central delo State, hereinafter ACS), Nitti Cards, 22 envelope, folder 69, “Albania”. Italian-Greek agreement of 07.29.1919 (Titoni-Venizello) Italia undertook to support the claims on Greek southern Albania, while Greece knew Italian sovereignty over Vlora. Subsequent international agreements pushed Giolotti government, in August 1920, to order the evacuation of Vlore from the Italian troops stationed thereby the end of the First World War.

<sup>3</sup> KristoDako, Albania a key among East and West, Tirana 2008,

*Bey Libohova, and Mario Alberti<sup>4</sup>, representatives of the Italian financial group – which were part of the banks of this country – that, at the invitation of the League of Nations, had organized the operation<sup>5</sup>. Arrangements were subsequently ratified by the Albanian Parliament, on 23 June and 5 July 1925, and declared the “Organic Law on National Bank of Albania” and the law on the new monetary order. Article 18 of the agreement, in addition, provided that the new bank had to ensure, through a specially created company (Svea), a fund of fifty million gold francs for the Albanian state. The loan, intended for the construction of public works, would be guaranteed by customs revenues and the main Albanian monopolies. The agreements followed two months later, the Proclamation of the Albanian republic headed by Ahmed Zog, who had requested the financial support of the regime to consolidate his power in the country. From a diplomatic point of entry in Albania, Italian capital was supported by the UK and US governments, concerned to win the acceptance of Italy in the Renanine security pact and, more generally, In order to thwart the increase of the French hegemony in Eastern Europe<sup>6</sup>.*

*Key words: financial expansion, political order, svea*

## **1. Establishment of the national bank of Albania (banca nazionale d'albania) and the society for economic development of albania (svea)<sup>7</sup>**

The Bank was founded in Rome on September 2, 1925 and its capital was set at 12.5 million gold francs. The distribution of quotas shareholder and statutory rates of

<sup>4</sup> Mario Alberti (1884-1939), was one of the most prominent representatives of irredentism Trieste and one estimated economist. He dealt with the Italian credit during the war and, became its general director. Covering multiple International tasks (delegate conference of the Peace of Versailles, an expert at the conference of Genoa and Cannes delegate the mission to negotiate the debt of war with the United States in 1925) and was the first president of the National Bank of Albania.

<sup>5</sup> The Financial Committee of the League of Nations, in which Albania had acceded in 1920, was sent instead to delegate his Swiss Alberto Calmes, who in his report concluding on the Albanian economy had foretold the establishment of a bank issuing and an international loan concession (A. Calmes: *La Situation économique et financier de l'Albanie*, Geneva 1922). In June 1924 the League of Nations tasked to implement these objectives an Italian financial group, which were part of *prestanome* government as the country's main banks (COMIT, Credit and Banco di Roma). In this operation participated in a lesser extent the Swiss bank (Banque Commerciale de Bale), Belgium (Belgian Banque pour l'étranger) and Yugoslavia.

<sup>6</sup> PF ASSO: Italy and International Loans (1919-1931), Historical series of the Bank of Italy, Roma-Bari, 1993, p. 219; and HJ BURGËYN: Revisionism fascist. Mussolini's challenge to the grant of power on the Danube in the Balkans, Milan, 1979, Chapter 3..

<sup>7</sup> This article is based primarily on documentation, in large part unpublished, archival funds belonging to the “Banca Nazionale d'Albania” and “Società per lo Sviluppo Economico dell'Albania” (hereinafter Svea), still under inventory near Central State Archives in Rome. This paper was presented at the seminar organized by the seminars II of the studies Cirsfi (Interuniversity Research Centre for Financial History Italian) - “*center and periphery in the financial history of the Italian unification (Italian state) in the EU*”, held on 26-27 September in Cassino 2003 - and contains the first results of a wider research on the topic of financial relations between Italy and the Balkans in the period between the two world wars included.

Italy provided an almost complete control over the management of the institution. Nistor project stipulated that 49% of bank capital would be reserved for Albanian private citizens, 26% of the Italian group, and group quotas that remain Swiss, Belgian and Yugoslav; In fact, despite it modified the distribution that came after shares belonging to Albanians were assigned to Italy and, by some agreements that took place between Albert and Commercial Bank of Basel, Italian participation amounted to around 80% of the capital<sup>8</sup>. In addition, the independence of the institution from the Albanian government was taken, which set legal headquarters in Rome and was appointed an Italian presidency<sup>9</sup>. The Bank's overall policy will be directed at Italy, the Italian wholesale social bodies; the institution's management was entrusted to Amadeo Gambino, who would act in contact with the directors of subsidiaries in Albania<sup>10</sup>. The Agreement envisaged the introduction of a new monetary system and the creation of the Albanian franc, which was converted to gold by the old parity Latin monetary union (0.290322 grams per franc). National Bank of Albania, the holding by statute to match the gold exchange standard, acted from the beginning to the gold standard regime, providing full gold convertibility of its money<sup>11</sup>.

The possibility to keep gold coupons<sup>12</sup>, despite the continuous trade deficit of the country was based significantly on the flow of striking Italian capital in Albania and the limited extent of Albanian (monetary) circulation. The Albanian banking and monetary alignment represented an important plan for "finance engineering",

<sup>8</sup> *Koehlin Hoffman*, president of Banque Commerciale de Bale, was a member of the council of administration of the Italian credit, in which Alberti was director general. Based on the agreement of 03/10/1928, Italian Credit annually received dividends paid on 50,000 shares nominally permanent, signed on its behalf by the Swiss bank. The relevant documents and correspondence agreement between Stringer, and Kehl Albert Hoffman found in UNICREDITO ITALIANO ARCHIVIO STORICO, 2051 dossier, "Banca Nazionale d'Albania", folder 1, "Convenzione estatuto". Besides the Italian group belonged to the founder shares worth 100,000 lower (1.25 francs) versus intermittent (25 francs) but with the same voting rights.

<sup>9</sup> First Bank President Mario Alberti; Council of Administration took part in addition F. Bruner (vice president), A. Gambino, P. Fenoljo, G. Bianchini U. Viali, E. De Eouters d'Oplinter, Lale N. Zuber and S. Curani (councilors).

<sup>10</sup> Amadeo Gambino, professor of economics at Rome and corporate personality financial environments assessed in Italian covered councilor delegate the task to liquidate the bank, which occurred in 1957. Gambino assisted in Rome by Guido Córdoba (inspector) and Umberto Pikardi (accounting chief). Albania at the end of 1926 despite bank staff consisted of 58 people. ACS, Banca Nazionale d'Albania, Archivio di Presidenza, the envelope 10, "Personal".

<sup>11</sup> The conversion of banknotes into gold was suspended in 1932, but was not impaired coins ever. President Alberti spoke about the "small issuing of the bank but very stable". - *Discorso know Mario Alberti, president della banca, sull'esercizio 1927* in ACS, Banca Nazionale d'Albania, *Book Sociali, verbal del Consiglio di Amministrazione - allegati*. Albanian francs would be up to 1939 - in the context of greater volatility of foreign exchange at the international level - one of the strongest currencies in the world level and a "refuge currency" for the Balkan markets; it is much more significant when considering the heavy depreciation suffered after the 1929 crisis by the currencies of Eastern Europe.

<sup>12</sup> Monetary system based on gold, unlike gold standard (note. Trans.).

designed by Alberti, who arrived to follow important objectives: to expand the use of money and cheque in a country that had never had in the past any experience in banking and in which were not implemented even the main forms of trade and binding legislation<sup>13</sup>; to save in the same time the new currency stability while avoiding inflationary trends. More restrictive monetary policy of the National Bank of Albania was subject - it will further documented - policy objectives of the regime and the protection of the lira in foreign markets. Moreover, such a policy was justified by the fact that banks, being meanwhile credit institution and permanent emissions, must reduce to its minimum the risks of taking scarce investment possibilities assessment provided by the Albanian poor economy. A further target that was managed towards the Albanian National bank standing in collecting sweeping coins (gold and silver) used in the past in the country, either to make payments, either as a form of savings of treasure by incorporating in the institution reserves covering the new banknote circulation.

## 2. Loan of 1925 for public works

The Economic Development of the Society in Albania, according to the conventions of 1925, the issuing bank has pledged to raise, should give to the Albanian state a loan intended for the realization of public works and guarantee from customs revenues and monopolies country<sup>14</sup>. It was really set in Rome earlier than the National Bank of Albania (04/23/1925) and around a month later (05/29/1925) the agreements were signed between the Albanian government and the Italian financial group and Svea to regulate aspects of other funding.<sup>15</sup>

Foreign original intentions of the Italian organizers would have to issue bonds that benefit SVEA interest of 7.5%, to be sold in the Italian market and major foreign markets. The operation will thus gain an international connotation and, meanwhile, will ease the burden borne by dividing Treasury securities (bonds)

<sup>13</sup> "The first attempts to spread the use of the bill was met with hostility, almost as if they were an insult that was done to teach people to respect their word." F.JACOMONI DI SAN SOVINO: *La politica dell'Italia in Albania*, Bologna 1967 p.27.

<sup>14</sup> Repayment of the loan was guaranteed by the proceeds of the state monopoly on salt, papers cigarettes and matches, for an annuity provided to 8.5 million francs (when earnings will not reach such a figure, the Albanian state was obliged to fill the deficit in income from taxes or other activities. (Article 25 of the Convention of 4/29/1925). in connection with this Mario Alberti, president of first National Bank of Albania, specified that "formula was conceived in terms not too clear in order to give more freedom to Italy in any case of scarcity". To see: *Note riservate di Alberti sugli accordi esecutivi del prestito, 17/3/1926*, në ACS, SVEA: *Libri Sociali, Verballi del Comitato di Amministrazione - allegati*.

<sup>15</sup> The capital of the company being set free in 1 million, then increased to 15 million. First president of the society that Valvasori Angelo Peroni. The administration council took part Mario Alberti (vice president), Amedeo Gambino Giuseppe Ugo Bianchini and Viali (councilors), except some Albanian personalities. ASBI, Carte Stringher cart. 23, fash. 2, *prestito for the lavori Pubblici dell'Albani a*.

between Italian and foreign depositors<sup>16</sup>. Meanwhile, the efforts to sell the loan completely failed even Mussolini's insistence on negotiations seriously risked them at the time by US finance loan granting Morgan destined to stabilize the lira. Some venture strategy for financial expansion in Albania was reprimanded for more money from the main Italian authorities (Stringer and De Stefani), the focused to avoid the fall of lira in the exchange market in mid1925<sup>17</sup>. It was reached nonetheless to postpone the releasing of the loan on November 12, 1925, predicting a "temporary investment" near Istcambi, which eventually took over the total burden of the operation, equal to 242 794 000 lira<sup>18</sup>. The loan credited in Rome at the headquarters of the Bank of Albania will gradually be distributed in conjunction with the progressive development of provided public works. The operation, desired personally by Mussolini, had a prominent political character, fully aware of the insufficient capacity of Albania to pay, the Italian representatives aimed to profit of the guarantees of debt that could achieve control before the trade, and then the whole administration of the country. Therefore the eventuality of Albanian default (contracting) of payment not only was kept into account, but was considered since the beginning of negotiation an indispensable premise for the realization of the advantages of political type<sup>19</sup>.

On the other hand the Albanian government by knowing the purposes Italian and aware of the political implications of non-fulfillment of obligations (contractual obligations), refused to pay the installments of the loan, filed absurd claims favorable to the conditions and was positioned in a filibuster stand that was not possible for the guidance of the program of building public works.

Embedded Obstacles by the Albanian government were numerous: failure to observe formalities necessary for assigning enterprises (depositions and appearance of the bank guarantees), the accomplished works without prior technical controls,

<sup>16</sup> "One such sale, except for financial reasons, it seems well worth politically after surgery fails to give an international character and the eventual intervention of Italy in Albania, more pronounced in case of failure (contractor) Albanian, it might seem like an act implemented tutelage of interest not only in Italian but also foreign." ACS, Svea, *Book Sociali*, verbal del Comitato di amministrazione, 10.7.1926, p. 143. See furthermore Archivio Storico Banca d'Italia (hereinafter ASBI), rapporti con l'Estero, cart. 17, fasc. 8, "emissione know obbligazioni for LL. PP. in Albania".

<sup>17</sup> PF ASSOItaly and Credit International (1919-1931), in the historical series of the Bank of Italy, Roma-Bari, 1993, p. 219-220.

<sup>18</sup> The loan was issued on 12/11/1925 for a nominal total of 70.5 million gold francs, which the 81% rate provided a net profit of 50 million gold francs. After the revaluation of the lira, Italy awarded Albanian government that decided to guarantee the exchange of 62,217,086 francs. IstcambiSvea bonds held in balance by 1935; 08/25/1935 RDL 1614 with the formal transfer went into effect in Treasury securities, which gave in exchange bills with expiration in 1944. Against the Albanian government still listed as Svea lending entity. See ARCHIVIO STORICO PAOLO THAON DI REVEL: *Albania*, folder 7, *Direzione Generale del Tesoro - prestito for the lavori Pubblici in Albania*.

<sup>19</sup> The Italian Government, moreover, issued a guarantee for repayment of the loan reinforcement in case of default (contracting) by Albania.

delays in submitting the final plan for revenue sharing of the loan between various public acts and administrative irregularities<sup>20</sup>.

Given the confusion during two year, 1926-1927, were allocated according to the Italian government guidelines (represented in Albania by the ambassador in Durres, Baron Pompeo Aloisi) many favorable conditions and extensive exchange, so as Amedeo Gambino underlined how “such concessions would do as much, the Albanian government by not paying any of the installments for the repayment of the loan, the delay of payment situation did not appear soon after in practice binding installments were balanced by the concessions by SVEAS”<sup>21</sup>. It was added to such a paradoxical situation in which the loan beneficiario slowed di proposito the works guidance and the creditor conferred broad relieves to perform.

On the other side, the lines of conduct (conciliatory “desired by the regime was motivated by the fact that the application material of public works was considered” an essential condition to empower the eventual tightening Italian rights “and” moral foundation and political rights on the mortgages loan “<sup>22</sup>and by the fact that precisely in those months were underway negotiations for the conclusion of” the treaty of defensive alliance “of 22 November 1927 that would introduce eventually the new republic in Balkans in Italian politicalorbit, anti-Slavic and anti-French function<sup>23</sup>.

The strategy was dictated by the regime and some leaders of the National Bank of Albania and Svea were against it, firstly Mario Alberti that (auspicava) preached the conservation of closely private criteria in the management of the company and the unlocking of the situation was made more difficult (oneroso) for the Italian Treasury<sup>24</sup>. The conclusion was only with the signing of a moratorium 28/02/1928: Albania was engaged to give “prompt implementation of works” and

<sup>20</sup> See on this ACS, Svea, Book Social verbal of the Board Committee, 11/09/1927.

<sup>21</sup> “*English memory for the Gambino sull'inadempienza loan repayment for LL.PP, 01/25/1932*”, p. 28, at ACS, Svea, Archivio di administrative office, the envelope 49, *ServizioLL.PP prestito*. The main mitigating conditions allocated belonged: attribution active in Albania interest rate of 7% on the deposit of the loan, the interest on debit compensation; cedolarebonifizo tax on securities (benefits of about 10 million francs); recognition of about 12 million francs in loan ammontare drank over the attribution of new guarantee on the exchange of lira. S seen about this, except the committee society Historical Archive THAON PAOLO DI REVEL, “Directorate General of the Treasury - loan for the Public works in Albania”, cit. and ASBI, Carte Stringher, 23 folder, folder 2, “loan for the Albanian Public works”.

<sup>22</sup> ACS, Svea, Book Social verbal of the Board Committee, 10.7.1926, p. 70.

<sup>23</sup> The Treaty was signed by the Ambassador of Italy in Albania, Ugo Sola, and the Minister of Foreign Affairs, VRIONI. In November of 1926 it was already signed a pact of friendship and security between the two countries. On Italo-Albanian Treaty of 1927 be seen P. PASTORELLI, *Italy and Albania. diplomaticorigins of the Treaty of Tirana 22.11.1927, Florence 1967 E. NOLFO: Mussolini elItalianforeignpolicyfrom 1919 to 1943, Padova in 1960 and G. CAROCCI: Foreignpolicydell'Italiafascist a 1925-1928, Bari 1969.*

<sup>24</sup> “*The memorandum di Mario Alberti for SE il capo del governo, 15.12.1927*”, in ACS, Svea, Book Sociali, *verbal Administration Committee - attachments.*

Italy (exonerate) the Albanian government from paying the amounts due until 1929, reducing furthermore payments for the years 1930-1932<sup>25</sup>. The effects of the agreement were not made to wait, with the commessa appalto important for the construction of the port of Durres, a trusted Italian ditta "F.lli Mazorana" Trieste was shown erogazione according to regular loan funds. In submitting proventi loan (Table 1) was given special importance (preminente) to building infrastructures, in addition to the port of Durres, which absorbed more than 32 million lira, funds were designed for road construction (about 54% of the total) and multiple bridges (25% of total). A great importance took also the construction of public buildings, some of which constituted the offense with exclusive public interest, as they could "and only with their visibility and brightness to bring documentation to the Italian implementing action in Albania"<sup>26</sup>.

From an economic standpoint, it was a whole therefore investment in (redditivita fort differita) in time or up and nothing on which however was based on extensive program and organic development and valorization of the Albanian economic resources after 1939.<sup>27</sup>

Deals of 29/05/1925 determined by the Albanian Government, for (APPALTI) procurement of works financed from the loan shall be the National Bank of Albania that was designed to initiate and receive bids (Article 1). Commission panel, composed of a representative of the Albanian Ministry of Foreign Affairs and a representative of the bank, should give preference for the attribution of works, to Svea's and related companies (Article 26)<sup>28</sup>.

Svea provided support to enterprises in making works, studies and applied practices, earning in return a commission that ranged between 10 to 15% of (imprto of commessa). Besides this, Italian Ditte operating in Albania were assisted by Svea and the National Bank of Albania even financially, through advances on payment mandates and work on<sup>29</sup>, but also through the practically exercised loans.

<sup>25</sup> moratorio agreement was signed by A. Gambino and Albanian Finance Minister Starova; it recognized the Albanian debt on 02/01/1928 at CHF 1,326,264.90 and to restart regular payments will only happen starting in 1933. It is important that the premise of the agreement stated that "a substantial reduction of Oneroseguenti operation could be provided on all the Albanian nation following the effective enforcement of the works "in" English memory for the Gambino default on repayment of the loan LL.PP. 25/01/1932", cit.

<sup>26</sup> ACS, Svea, Book youth services, *protocol del Comitato di amministrazione*, 16.11.1927, p. 81.

<sup>27</sup> Source: A. GAMBINO «The Relazione economica tra l'Italia e l'Albania», in *Rivista internazionale di Scienze Sociali*, 1940. In total ammontare funds (216.9 million) should be added to the quota of 25 million liras intended, according to the agreements, the payment of the first two six-month loan. Table 1: use of loan Svea (data in millions of Italian lira) Years public buildings Street Bridge Durres port work and other total studies

<sup>28</sup> Among the affittata Ditte, this Commes entrepreneurs were "F.lli Ragazzi" of Milan (59 million free), "F.lli Mazorana" Trieste (35 million) and "VENANZETTI & Co." (14.3 million). "Connessione" by Svea was not essential for l'aggiudicazione requisito works (27.7% il works actually implemented by Ditte not connesse), while 70% of the works that aggiudicato by Ditte Italian nationality. See Società per lo Sviluppo Economico dell'Albania, "A decade of life Svea", Roma, Libreria dello Stato, 1936, p. 34.

<sup>29</sup> Advance payment on mandates tended to cover financing needs in Ditte between the works and

For loans granted by Bancalba enterprises, Svea should give a full and unconditional guarantee on good intentions operations. Public works dite (conferire) in addition to bank term loans yet levied against the Government (GoA)<sup>30</sup>.

This system lead to different guarantees, thanks to the lucrative provisions of the assistance ventures, Svea could cover its overheads and win a limited (utile); expand the onere of the balance of Italian-Albanian payments thanks to the remittances (Rimese) of Italian companies operating in Albania posing as compensatory element against the reimbursement (esborsi) loan; provide to many Italian companies asafe working source and (reddizio) out, according to the aspirations of Italian economists aiming (auspicare) the concession by the State to lend to favor the involved emigration or to expand the influence in the countries of Near East<sup>31</sup>. With r.d.l. 1699 09/19/1935 the social reason of Svea changed and the Financing Social Affairs Society (Società Finanziamenti Esther - SOFINES), in line with the new tasks set by the Ministry of Finance for the company, which belonged to more broadly financial support to initiatives Italy's foreign policy in the Balkans Danube basin. Since then, over all visitors after the Italian invasion of Albania, it specialized in medium-term and long loans and assumed different participation abroad<sup>32</sup>. Albanian Government would not resist but the handful of

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payment term by apaltante station. Paying the mandate was therefore subject to technical compatibility with the appearance of the work implemented, released by Svea technical representative, engineer. Louis Sotili, an inspector of the State Railway. Advances on the works were provided by the Bank despite comprising only fidi indeed real, that certainly cannot be overcome 75% import labor. Advances and loans of the National Bank covered about 50% of the overall imports of the works implemented. ACS, Svea, *Book Sociali*, "Minutes of the Committee Administration- attachments", letter to the Ministry of Svea Esther, 23.09.1927".

<sup>30</sup> Bank held until the completion of work to guarantee the 10% of import erogato on the specific mandates of payment. Above all financial and contractual relations arising under the provisions of the Loan to be seen ACS 1925, Svea, Archivio di administrative office, the envelope 16, "Forges Davanzati", "Proposte finanziamenti on the work to companies for outside Pubblico prestito, 17/6 / 1932", but the book Social "verbal of the Board Committee - attachments", "lettera della Svea al Ministero Esther, 23.09.1927".

<sup>31</sup> B. GRIZIOTTI: *The policy of Italy of Prestitall'estero in Rivista Bancaria 1923 f.142. Besides «Proceedings of the National Congress for economic commercial expansion of Trieste on all'estero tenuto at 4-8 / 11/1923», in Trieste in 1924.*

<sup>32</sup> Among these should remind those in societies following: "Prima Società di Navigazione sul Danubio" (ceduta after the Anschluss with Hermann Goering Verka), "Latorça - Société Economique et industrielle - Munkács" (Assunta in September 1940 to 8, free 9 million to support forest development activities in Ruteni society, was lost after the Rutenisë annexation by Russia); "Compagnia Italiana per l'Oriente Mediterraneo (CIOM)" (born in 1941 by a million capital initiated by IRI acted upon jgitha in Greece in the field of commerce); EIAA "Ente Albania's agriculture Industrie" (born in 1926 for reclamation and agricultural improvements and Albanian zoteknisë); ETA "Ente Turismo Albania" (born in April 1940 with a capital of 1.5 million francs); ITALBA "Imprese per Trasformazioni The farming of Lavori di Bonifica in Albania" (born in 1940 with capital of five million francs). On 12.31.1941 the shares of Sofines go to about 24 million Italian liras. ACS, Svea, *Book Sociali*, verbal del Comitato di Amministrazione, 03/01/1941.



loan payments for 1925; following in 1932 in the cooling of relations between the regime and Zog, who to the second world war only figure of 2 million gold francs<sup>33</sup>.

### 3. Balance of the Italy-Albanian pagers (1925-1938)

Bank of Albania, the only credit institution operating in the country, concentrated to itself all the movement of funds between Albania and externally synthesized - for years preceding the 1939 Italian invasion - in TablAlbanian balance of payments for the period 1925-1938 is dominated by Italian financial payments (loan erogazioneSvea, funding for institutions and society in Albania, Italian Treasury contributions for government) whose performance in the evolution of relations responds political relations between Italy and Albania.

After the progressive development of public works related to the loan Svea and concession "Loan few decades" in 1931,<sup>34</sup> the financial resources will be reduced severely after the missed renovation of the Italo-Albanian pact of friendship and security by Zog, who expressed in early Thirties, his willingness to free themselves from Italian economic hegemony appealing international ordinances. Only later, after improving relations with Italy and the new economic arrangements achievements of the two countries in March 1936, it was recorded resumption of a significant affluso Italian funding, intended in particular to finance the new Agricultural Bank, for the renovation of the port of Durres and the disavanzo Risanamento state<sup>35</sup>

<sup>33</sup> More precisely installment was paid in 1930 (1 million francs), more than four installments of CHF 250 thousand between 1939 and 1942. On 15.04.1938 was signed in Tirana an agreement on the basis of which was given to Albania delivery in 1965- / 66 of capital quotas expired on that date (5.8 million francs); bonifico half the interest expired on that date, in addition to other amenities. Despite this, Albanian loan debt of 1925 up to September 1943, between the capital quota, quota and interest took interest in 95,661,000 francs (equal to more than 590 million liras). "Opera Defense dell'Italia Albania" - "reserved Letter (by A. Gambino) for Dr. Malvezzi on sostenutidall'Italia disbursements in Albania in September 1943 01.11.1946". Svea, Archives Bureau, the envelope 57, "Expose sign, the interest in Albania rights for Svea let companies run" - "Promemoria11 / 12/1950".

<sup>34</sup> In June of 1931 that extended from Italy to Albania a loan to finance the state disavanzoer Albanian, Albanian CHF 100 million, to erogarsi in 10 annual installments of ten million francs, without interest and without deadlines. Erogazione of the loan was suspended after two years as a result of political tensions income to create between the two countries after the failure of a customs union project. On the loan of 1931 to see "Loan of 1931", in ACS, National Bank of Albania, the Presidential Archive, the envelope 12, "Solders and the Italian Government Loans"; and furthermore A. ROSELLI: "Italy and Albania. Ventennio finanziari nel Relations fascist", Bologna 1986, p. The Following 98, and GP CASELLI, G. TOMA: "The storiaeconomica English from 1912 to 1950" in Journal of Economic History, n. 1-2003..

<sup>35</sup> Economic Arrangements in March 1936 signed by Indeli Plenipotentiary Italian Ambassador and the minister of National Economy of Albania, predicted besides a loan intended for the establishment of a monopoly TOBACCO in Bangladesh (three million francs) and a loan to improve agriculture (10 million francs to erogarsi in five years). See letter Gaudencit for Gambinob, 29/05/1936, at ACS,

Capital invested by Italy in Albania until March 1939 was more than one billion eight hundred million lira<sup>36</sup>; it is aptly to say that a significant share of this amount (40%) gave no reason for a re-evaluation of customs statistics: it had a "strictly military" or "political" spending character, not included in the records of the balance of payments.<sup>37</sup>

Financial payments by Italy were offset primarily by commercial payments for exports from Italy to Albania (column B). However, it notes that the proportion of imports from Italy on total Albanian import - always shown in column B - decreases steadily over the years, precisely in sequence with greater Italian financial strain<sup>38</sup>. This is noteworthy, as outlined by Bank executives, Albania finance purchases from third countries with mature capital of Italy. This negative analysis can be "tempered" however, by some estimates: In the first place, the Italian investment provided work for many ventures headquartered in Italy. Article 26 of the Convention for the loan of 1925 previewed actually a franchise preference for the delivery that should have exercised in favor of most Italian nationality undertakings, defined as "affiliate" or "connected" with the Svea, who previously collaborated with the State Railways<sup>39</sup>.

This led to an influx of capital to Italy by financial payment for a renewal of these enterprises in the relevant social headquarters located in Italy. Secondly, it should consider action developed by the National Bank of Albania on the exchange market, which contributed in large part to compensate for the overall balance of the balance of payments. Designed for the Italian capital of Albania, in fact, transited through the Bank, that took measures to lend to Beneficiaries of immense amounts generally corresponding to the deposited banknotes in francs.

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Banca Nazionale d'Albania, Archivio di presidenza, the envelope 15, "Albanian economic agreements 19/03/1936 Italian" Ministry Historical Archive (hereinafter ASMA) Series Political Affairs from 1931 to 1945, Albania, envelope 81. On this point the Italian-Albanian relations see Pollo S., A. PUTO "Historie del' Albanie des origines to nos jours", Roanne, 1974, p. 246 Following.

<sup>36</sup> In a speech before the Chamber of Deputies held on 04.15.1939, the Minister of Foreign Affairs, Ciano, 1.837 billion calculated accurately in lira. Foreign Minister had commissioned a little hardship month ago a study prof. Amedeo Gambino, delegate advisor of the National Bank of Albania. The study is stored in Asma, *Series Political Affairs 1931-1945, Albania, the envelope 81. The figures shown is highly Laerta Therefore the amount of Italian investments in other Balkan countries at the same time. Historical Archive of Banca Intesa, Foreign Service, executives cart. 12, fasc. 2, "Italy's position in the Balkans at the time of the Anschluss"*.

<sup>37</sup> Historical Archive Paolo Thaon di Revel, Albania (for the years 1925-1936); and over: ACS, BNA, "Studies (1925-1939)", and "Studio A. Gambino Italy of the work in Albania, 09.03.1946" in ACS, National Bank of Albania, Archives Bureau, the envelope 43 "Italy's Defense work in Albania" and BNA, Archives Bureau, the envelope 15, "Italian-Albanian 19/03/1936 agreements" (for the years 1937-38).

<sup>38</sup> Italy was already in the last years, around twenty years Albania's main commercial interlocutor. See about this FRASCA P. Polar "Trade and trade policy in Albania", in *Journal of Political Economy, 1932 and Chamber of Commerce - Eastern*, "The economic Albania", Bari 1927.

<sup>39</sup> ACS, Svea, Book Social verbal of the Board Committee, especially 23.09.1927 and 11.09.1927 sessions. In Additions to the letters shown on Sotilin Gambino, "breaks for businesses related", 23/06/1928, at ACS, Svea, Book Social verbal of the Board Committee..

Faced with these many banks, with its statutory obligations, it should provide coverage in gold or in equivalent currency, giving therefore track a sale of lira against foreign currencies precisely in the period when the Bank of Italy carried on the markets foreign international protection insistence parity achieved in 1927. In contrast the Bank of Albania was the only market that part of lire needed to withstand the demands of exchange of Albanians (that they intended to purchase from third countries), keeping the rest that was available to the Bank of Italy and held on deposit in Italy, consistent with “superior foreign exchange needs”<sup>40</sup>.

From the prospectus following is possible to notice how the action of the Bank of Albania have enabled the Italian currency effort attached to the expansion in Albania by 40% by 1936, the year of “alineamento free”: the face of a comprehensive solder emergency by balance the payment of around 72 million francs (equivalent to 450 million lira)<sup>41</sup> capitals trnsferred effectively in Albania in 1936 went up to 42 million francs (equal to slightly more than 260 million lira). The contribution provided by the Bank of Albania to protect the lira was so wide. Between 1931 and 1933, then the world level outlined the transition from the regime of the gold exchange standard in a regime of gold bullion standard with sganciamento from receipt Gold pound and then the dollar, the institute supported apparent invalidation of reserves its currency, which withstood the increase of gold reserves, without abandoning its currency parity.

However, the Bank’s management - following the directives of the Bank of Italy - confined to the necessary minimum purchases of gold, using so for such a purpose foreign currencies already for years belonged to the institution and without giving way, therefore, any conversion of Italian lira.

Consequences of this behavior were that the bank reserves were held in Italy and that the material was composed in large part to the opposite free gold commitments towards Albania. Once the proven reserves were increased, the reduction in the value of currency crosses during the period 1931-1933.

Quota reserve bank held in Italian lira, equivalent to fifty million by the end of 1933, amounted to about 90% of the reserve overall at the end of 1935<sup>42</sup>. But the administration less orthodox reserve by the Bank of Albania, however caused the intervention of Swiss, Belgian and Yugoslav councilorsbut also Albanian

<sup>40</sup> ACS, National Bank of Albania, Archives of administrative office, the envelope 1, Relations with caratteregenerale by the Foundation until March 1939, “confidential notes (Amedeo Gambino) on bilanciatra Italy of payments of Albania, 07/12 / 1937 “” the confidential memorandum on SIGNATURE SIGNATURE in CambiBanca national of Albania “and” Notes (A. Gambino) on the SIGNATURE SIGNATURE in CambiNazionale Bank of Albania - 1931 “.

<sup>41</sup> 36 The cambiodel 12/31/1936 6:22 Albanian Franks Lit..

<sup>42</sup> » *The memorandumriservato for HE the Minister of Finance in free sulleItalianRiservadellaBanca of Albania, 11.29.1935 “, ASBI, Foreign Relations, folder 130, Issue 5. How vedainoltre the” The memorandumriservato (Gambino) in loans D’Augustine dellaBanca of Albania versol’Italia, 09.06.1935 “, in ACS, National Bank of Albania, Archive secretary’s office, “Relations dicaratteregenerale by the Foundation in March 1939 «.*

government protest concerned the growing devaluation of Bank reserve following the abandonment of the defense of the free market exchanges.

In conclusion we can say that, during the German occupation of Albania (September 1943-November 1944), the direction of the National Bank of Albania was held by Italian officers, who, without the ability to communicate with the central bank of Rome, achieved to avoid the German interference in the administration of the institution. Germans actually tried to ensure by all means sufficient means of payment for their expenses in Albania; they managed to keep only 60 million francs under the form of loans authorized by the Albanian government<sup>43</sup>, but due to opposition insistence of leaders of Banca d'Italia was impossible to crush the new banknotes and obtain signatures required to validate some banknotes which were printed in Vienna<sup>44</sup>. So to cope with the urgent financial needs of the Wehrmacht Germans were forced to lead the country and then sold to private Albanian, under the control of National Bank

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<sup>43</sup> The Germans also imported in Albania 100 million francs in banknotes prelevati Banca of Italy from Rome

<sup>44</sup> The clichés for printing banconote in servilieranodaglistati resistessi funzionari Italiani della Banca of Albania.