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### 'Persian Government Loans'

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#### About this record

This memorandum is a continuation of a previous memorandum dated 27 November 1912 (see IOR/L/PS/18/C120b).

The memorandum provides a summary of two significant loans made to Persia in 1913: a joint Anglo-Russian Advance of £400,000, and an Anglo-Indian advance of £100,000 for the purpose of setting up a force of gendarmerie in Fars. Details of the securities pledged by the Persian Government to both Britain and Russia for these loans are also included, along with two summaries outlining Persian liabilities to Britain at the end of 1912 and 1913 respectively.

'Persian Government Loans' [57r] (1/8)

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C. 120c.

*This document is the property of the Secretary of State for India in Council.*

Secret.

(In continuation of the Memorandum dated 27th November 1912.)

PERSIAN GOVERNMENT LOANS.

Scope of the Memorandum.

1. The following Memorandum is intended as a short supplement to previous Departmental memoranda on Persian Government loans, which contain the history of this subject as far as the latter part of November 1912. Its special object is to give an account of the two advances (amounting to 300,000*L.*) made by His Majesty's Government to Persia during 1913.

State of Persia's debts to His Majesty's Government at the close of 1912.

2. At the end of Mr. Ferard's Memorandum of 27th November 1912, the debts of the Persian Government to His Majesty's Government were summarised as—

|   | £       | s. | d. |
|---|---------|----|----|
| (1.) Anglo-Indian loan of 1903 and 1904 (5 per cent.) consolidated                                  | 314,281 | 16 | 4  |
| (2.) Anglo-Indian advance of February 1912 (7 per cent.); half share of joint Anglo-Russian advance | 100,000 | 0  | 0  |
| (3.) Anglo-Indian advance of August 1912 (7 per cent.) for Fars                                     | 25,000  | 0  | 0  |
| (4.) Anglo-Indian advance of November 1912 (7 per cent.) for Fars                                   | 15,000  | 0  | 0  |
| Total   | 454,281 | 16 | 4  |

3. As regards No. 1, interest only was to be paid till 20th March 1913, after which date the redemption of capital was to begin. A special agreement had been entered into with the Imperial Bank of Persia (*see* para. 3 of C. 120*b*) regarding their repayment in respect of "capitalised arrears of interest." The Persian Government have now paid off 6,260*L.* 3*s.* 1*d.* of this item, as to 8th May 1913, and their liability has been reduced by this amount. 5,008*L.* 2*s.* 7*d.* (representing this sum less the commission retained by the Bank) has been credited to His Majesty's Government.

As regards the gradual repayment of the whole of this consolidated loan it was observed that the original agreement provided for a monthly basis of amortisation. The table of amortisation drawn up in 1910 (Appendix I. to C. 120*b*) was on an annual basis. Accordingly a revised scheme of amortisation was drawn up and forwarded to the Foreign Office for acceptance by the Persian Government and the Imperial Bank. The Bank have accepted it; the Persian Government have

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P. 2644/13.

P. 1436/13.

India Office to Foreign Office, 16th May 1913.

P. 2644/13.

Imperial Bank to Foreign Office, 2nd June 1913.

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\*  
not yet done so, but are being pressed upon the point.

Sir W. Townley's telegram, 23rd July 1913.

4. As regards the fourth liability above mentioned, the advance of 15,000*l.* made in November 1912, this sum was not actually paid over to the Government of Persia till 9th December 1912, when it was credited to the account of the Treasurer-General at the Bank under the head "Trésorier-Général—Fars." It was arranged that this fund (which was intended to meet three monthly budgets for the province none exceeding 30,000 tomans, about 5,000*l.*), could not be drawn upon save with the approval of the British Minister at Tehran, after the British Consul at Shiraz had been satisfied by the Governor-General of Fars that funds were required for the province.

\* They have now accepted it.  
Sir W. Townley's ltr. 30<sup>th</sup> Aug. - P. 3614/13

P. 450/13.

5. The second, third, and fourth of the Persian liabilities cited above, comprise the advances made by His Majesty's Government in 1912. For the sake of convenience they are referred to in official correspondence and in the paragraphs below as "the 140,000*l.* advances."

Repayment of the principal of these advances was, according to the original arrangement, to begin in March 1913, from the surplus of the Southern Customs receipts. Two further advances (*see infra*) amounting to 300,000*l.* were, however, made in April and May 1913, and as they, too, could only be secured on the Southern Customs receipts, the commencement of repayment of the 140,000*l.* was ultimately deferred for two years (*see para. 16, below*).

P. 747/13.

India Office to Foreign Office, 14th March 1913.

P. 1156/13.

Foreign Office to India Office, 25th March 1913 agreeing.

6. The advances of 1912, were of course, insufficient to set Persia's finances on a sound footing, for which purpose the Persian Government have suggested a loan of 6,000,000*l.*

7. The Government of India when consulted on the question of a public loan, expressed their willingness to guarantee with Russia a loan not exceeding one million, on the security (properly tested) of the Crown jewels. For a larger loan, further security would be required, and they suggested that in the event of the issue of such a loan advantage might be taken of the opportunity to press for the reformation of the control of Persian finance by Belgian administrators, to limit their interference with British interests which had already called forth repeated protests from His Majesty's Consul-General at Bushire.

It was recognised that no large loan could be issued till order was generally restored in Persia. This, however, must depend on the immediate possession of funds by the Persian Government.

Possibility of a large loan.  
Viceroy's telegram of 5th December 1912.

Secretary of State to Viceroy, 18th December 1912.

Requirements of the Persian Government for (i) general purposes.

P. 363/13.

8. The Persian Government stated their immediate needs to be 600,000*l.*, representing an advance of half the first annual instalment (1,200,000*l.*) of the contemplated loan of 6,000,000*l.* This was an impracticable suggestion; but His Majesty's Government was prepared to consider an

'Persian Government Loans' [58r] (3/8)

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3

am, 23rd July

د. ا.  
: - P 3614/13

P. 281/13.

advance of five or six hundred thousand pounds jointly with Russia, the actual sum to be dependent on Russia's decision as to what she was prepared to contribute. The idea of an advance of this nature was put before the Russian Government in December 1912.

(ii) for South Persia.

9. Meanwhile, the continual disorder in South Persia, culminating in the attack on Captain Eckford, made action necessary, and it was decided to advance money for the satisfactory establishment of a force of gendarmerie in Fars, under Swedish officers.

There were thus two separate advances under consideration at the same time, one for general administrative purposes for the Central Government of Persia, the other for the Fars gendarmerie. So far as is possible they will be treated separately.

The Anglo-Russian advance (£400,000) for general purposes.

10. The Russian Government had been approached towards the end of 1912 with regard to the question of a joint advance.

P. 541/13.

P. 568/13.

P. 568/13.

Foreign Office to India Office, 14th February 1913.

On 8th February 1913, Sir G. Buchanan telegraphed from St. Petersburg that they were willing to advance 200,000L., but no more. It was accordingly decided that 200,000L. should be advanced by His Majesty's Government, and on 14th February the Foreign Office wrote requesting the Secretary of State for India to hold 100,000L. (one-half the British share) in readiness for immediate payment when required.

gn Office, 14th

ia Office, 25th

India Office to Foreign Office, 18th February 1913.

This was agreed to on 18th February, by the Secretary of State in Council, and it was understood that the advance, like those made in 1912, should bear interest at 7 per cent.

Sums ear-marked out of the joint advance for special purposes.

11. 30,000L. out of the British share of the joint advance was earmarked for the administrative needs of Fars.

(1.) £30,000 for Fars administration.

P. 662/13.

Sir E. Grey to Sir W. Townley, 19th February 1913.

A further suggestion to set aside 10,000L. for Kerman was ultimately dropped, but a like amount (10,000L.) was in the end ear-marked out of the British 200,000L. for the provision of a new Customs House at Bushire.

ge loan.

5th December

(2.) £10,000 for new Customs House at Bushire.

P. 2193/13.

Vossuk-ed-Dowleh to Sir W. Townley, 16th April 1913.

Similarly, from the Russian share of the joint advance a sum of 40,000L. or rather more, was ear-marked for arrears of pay, &c., for the Cossack brigade at Tehran.

P. 729/13.

Sir W. Townley to Sir E. Grey, telegram, 22nd February 1913.

P. 935/13.

Sir W. Townley to Sir E. Grey, 7th March 1913.

12. Considerable delay occurred before the money was actually handed over, mainly owing to Russia's severe proposals in respect of security; but eventually the British share (200,000L.) was paid into the account of the Treasurer-General on 30th April 1913.

P. 1719/13.

Sir W. Townley to Sir E. Grey, telegram, 30th April 1913.

Viceroy, 18th

Persian Govern-  
rposes.

The £100,000 advance (Anglo-Indian) for Fars Gendarmerie.

13. His Majesty's Government decided in January 1913 to advance a sum of 100,000L. divided equally between the Imperial and Indian Governments, for the purpose of creating an effective force of gendarmerie in Fars, with a view to the restoration of order on the roads in that province.

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It was not intended that this sum should be drawn upon till the 15,000*l.* advanced in November 1912 for similar purposes, had been exhausted. The 100,000*l.* was to meet one year's expenditure only, and to be allotted in monthly instalments of about 8,000*l.*<sup>9</sup> each, leaving a balance of 4,000*l.* for contingencies.

P. 363/13.

Sir E. Grey to Sir W. Townley, telegram, 30th January 1913.

P. 568/13.

Foreign Office to India Office, 14th February 1913.

14. Before the advance was made to the Persian Government, certain assurances were to be obtained as to the control of its expenditure, and as to certain matters of dispute between the two Governments.

Assurances required.

As regards control of the expenditure of the advance, Sir W. Townley was instructed to arrange (1) that the method applied to the 15,000*l.* advance of November 1912, should be repeated in this case, *i.e.*, that His Majesty's Consul at Shiraz should be satisfied as to the necessity of each expenditure, and that His Majesty's Minister's prior approval should be obtained for each payment; (2) that the gendarmerie monthly budget should be drawn up by the Swedish Commanding Officer and agreed to by His Majesty's Consul at Shiraz and the financial agent of the province in consultation, all actual payments to be made by the Swedish Commanding Officer; and (3) that all purchases for the gendarmerie should be put up to open tender.

(As regards the question of the security and interest of the advance, *see* below, para. 15.)

The assurances on political matters which were to be obtained from the Persian Government as prior conditions to the advance were:—

- (1.) Concessions for the purchase or lease of places on which to erect lighthouses, and for a documentary recognition of British right to control the lighting, buoying, and policing of the Gulf.
- (2.) Recognition of British consular protection in Persia for Bahreini and Trucial Coast subjects.
- (3.) An extension of British navigation rights on the Karun river.

To the arrangements for control of the expenditure of the advance the Persian Government raised no objection; they were more difficult about the political assurances required, especially in respect of our rights in the Gulf.

It was finally decided to withdraw our demands in respect of lighting, &c., at the same time adding that His Majesty's Government regarded itself as possessing such a prescriptive right which it would not hesitate to enforce.

P. 935/13.

Sir W. Townley to Sir E. Grey, telegram, 11th March 1913.

P. 1348/13.

Sir E. Grey to Sir W. Townley, telegram, 7th April 1913.

\* *Note.*—This restriction of payment to a limit of 8,000*l.* per month was subsequently relaxed, as it was pointed out that larger purchases have to be made at certain seasons of the year than at others, *e.g.*, when forage, &c., are low in price. The control of the money being adequate, and the British Consul undertaking that the total sum should be made to last a full year, the relaxation of the monthly limit was approved.

*Vide* Sir W. Townley's telegram of 13th July. P. 2831/13, and Sir E. Grey's reply of 15th July. P. 2869/13.

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P. 935/13.  
Sir E. Grey to Sir W. Townley, 8th  
March 1913.

P. 1828/13.  
Sir W. Townley's telegram, 6th May  
1913.

P. 568/13.  
India Office to Foreign Office, 18th  
February 1913.

P. 1383/13.  
India Office to Foreign Office, 12th  
April 1913.

**Security for the £300,000 advanced  
by His Majesty's Government.**

P. 628/13.  
Sir W. Townley to Sir E. Grey, 15th  
February 1913.

P. 729/13.  
Sir W. Townley to Sir E. Grey, 22nd  
February 1913.

P. 747/13.  
India Office to Foreign Office, 25th  
February.

Sir E. Grey to Sir W. Townley, tele-  
gram, 6th March 1913.

P. 1596/13.  
Sir W. Townley, 18th April.

P. 1695/13.

P. 729/13.  
Sir W. Townley to Sir E. Grey, 22nd  
February 1913.

P. 747/13.  
Sir E. Grey to Sir W. Townley, 6th  
March 1913.

It was also decided to withdraw the stipulation as to the Karun river; and the stipulation regarding consular protection of Bahreinis was not pressed, on the understanding that while our claim was not accepted by Persia on paper, it would not be disputed in practice.

Accordingly, this somewhat unsatisfactory solution having been reached, the 100,000*l.* was paid over by His Majesty's Minister to the Treasurer-General on 6th May.

The payment of India's share (50,000*l.*) had been sanctioned by the Secretary of State in Council on 18th February, and this amount was handed to the Imperial Bank of Persia in readiness for disbursement on 11th April.

15. As regards security for the British share of the joint advance Sir W. Townley suggested that the interest should be secured on the portion of the Southern Customs receipts not already hypothecated, and that the repayment of capital should be from the same source, but should be delayed pending the issue of a public loan.

The conditions proposed by the Persian Government and accepted by His Majesty's Government were that the advance should bear interest at 7 per cent, secured on the Northern and Southern Customs receipts, out of which it should also be repaid by half-yearly instalments of 50,000*l.*, if no loan were issued by 1st January 1915. Similar conditions were applied also to the 100,000*l.* advanced separately for gendarmerie in Fars. Subsequently, it was explained by the Persian Government that the repayment by instalments of 50,000*l.* would not begin till 1st July 1915, and that 1st January of that year would be the date from which, if no loan were issued, they would begin to put aside funds. This delay of six months was also accepted by His Majesty's Government.

The Southern Customs receipts on which the advances were to be secured amounted on the average to about 14,000*l.* per mensem. Prior charges for (1) the service of the Anglo-Indian loan—about 2,500*l.* per month and (2) for interest on the Bank's loan—about 5,200*l.* per month, left a surplus of only about 6,000*l.* per month. Sir W. Townley pointed out that if the whole of this surplus were detained from March 1913 onwards for repayment of the 140,000*l.* advances it would take practically two years to pay off the sum, and that there would be nothing left during that period on which to secure the new advances of 300,000*l.*

Conversely, interest at 7 per cent, on the 140,000*l.* (=817*l.* per month) plus interest on the 300,000*l.* (=1,750*l.* per month) reduced the surplus from 6,000*l.* to 3,430*l.* per mensem; and this would be all that would be available for repayment of the 140,000*l.*, unless the payment of interest were waived; while from 1915 50,000*l.* was to be paid half-yearly in amortisation of the joint loan of 400,000*l.*, and also a sum in payment of the 100,000*l.* for Fars. It was clear that the Southern

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Customs receipts could not bear the whole of these burdens, unless there were a very considerable increase in trade.

His Majesty's Government accordingly decided to postpone the repayment of the 140,000*l.* till 21st March 1915, thus reducing the burden on the Customs receipts to 2,565*l.* per month, in respect of the 1912 and 1913 advances. But the Treasury urged that as repayment of the 300,000*l.* was to begin only three months later in the same year, it was essential to obtain further security for this latter sum.

M. Mornard, the Persian Treasurer-General, offered the opium receipts of South Persia as an additional guarantee, and also the excise on spirits. The former were estimated at a value of 50,000*l.* to 60,000*l.* per annum in the provinces of Kerman, Fars, and Arabistan; the value of the excise on spirits was not stated.

Subsequently, Sir W. Townley estimated that it was not safe to rely on the Customs producing more than 100,000*l.* per annum; and as, failing a loan, the combined 440,000*l.* is from 1915 to be paid off by half-yearly instalments of 100,000*l.* per annum, security amounting to 100,000*l.* per annum was required; Customs receipts would provide about 50,000*l.*

His Majesty's Government, therefore, decided to accept both of the additional securities suggested by M. Mornard, as the opium receipts alone, with the available surplus from the Customs, would only barely amount to the requisite 100,000*l.*, even if they kept up to their estimated value.

The Persian Government agreed towards the end of June to grant this additional security.

17. It may be of interest to state the conditions on which the Persian Government agreed to accept the Russian share (200,000*l.*) of the joint Anglo-Russian advance. These were:—

- (1.) Interest at 7 per cent. per annum, payable half yearly on 30th June and 31st December.
- (2.) Repayment to be made in six equal half-yearly instalments to be spread over *three years* beginning on 1st July 1914 (not, as in the British case, in four instalments spread over two years from 1st July 1915).
- (3.) Repayments to be made out of the surplus of the Northern Customs receipts.
- (4.) Should the above resources not suffice, the deficit to be made good out of other sources of revenue.

(5.) In the event of a loan being negotiated, such portion of the advance as has not been refunded by that date to be repaid out of the first instalment of the loan.

The Northern Customs receipts on which the Russian advance is secured had been so satisfactory in 1912, that after meeting all fixed prior charges, they had sufficed to pay off the advances made by Russia in that year to the Government of Persia. There would, therefore, appear to be little doubt as to the satisfactory nature of Russia's security for her 200,000*l.*

P. 747/13.

India Office to Foreign Office, 14th March.

\*Viz.:—Interest at 7 per cent. on

|                | £ | £              |
|----------------|---|----------------|
| 1912 140,000   | - | 816 per month. |
| 1913 { 200,000 | - | 1,166 "        |
| { 100,000      | - | 583 "          |
|                |   | 2,565          |

P. 1899/13.

Sir W. Townley, 12th May 1913.

P. 1596/13.

Sir W. Townley, 21st April 1913.

P. 2513/13.

P. 2026/13.

P. 2615/13.

Sir W. Townley, 29th June 1913.

Russian conditions and security.

P. 935/13.

Sir W. Townley to Sir E. Grey, 7th March 1913.

P. 281/13.

Sir W. Townley, 21st January 1913.

'Persian Government Loans' [60r] (7/8)

Present state of Persia's debts to His Majesty's Government.

\* This is subject to adjustment on acceptance by the Persian Government of the revised (monthly) scheme of amortisation.

18. The present debts of the Persian Government to His Majesty's Government, therefore, now amount to :—

|   | £       | s. | d. |
|---|---------|----|----|
| (1.) Anglo-Indian loan of 1903 and 1904, 5 per cent. consolidated, viz., 314,281l. 16s. 4d. less 6,260l. 3s. 1d.* paid off up to 8th May 1913 (para. 3 above) - | 308,021 | 13 | 3  |
| (2.) Anglo-Indian advance of February 1912 (7 per cent.) being half share of joint Anglo-Russian advance -  | 100,000 | 0  | 0  |
| (3.) Anglo-Indian advance of August 1912 (7 per cent.), for Fars -  | 25,000  | 0  | 0  |
| (4.) Anglo-Indian advance of November 1912 (7 per cent.) for Fars -   | 15,000  | 0  | 0  |
| (5.) Anglo-Indian share of joint Anglo-Russian advance (7 per cent.) for general purposes, April 1913 -   | 200,000 | 0  | 0  |
| (6.) Anglo-Indian advance, (7 per cent.) for Fars gendarmerie, May 1913 -   | 100,000 | 0  | 0  |
| Total -   | 748,021 | 13 | 3  |

Repayment of the first is in progress (at present only of capitalised arrears of interest).

Repayment of the second, third, and fourth begins from 21st March 1915.

Repayment of the fifth and sixth begins from 1st July 1915, unless a loan is issued before then; in which case they will be repaid out of that.

Political Department, India Office,  
1st September 1913.

13.  
Foreign Office, 14th

£  
816 per month.  
1,166 "  
583 "  
2,565

99/13.  
2th May 1913.

6/13.  
1st April 1913

13/13.  
26/13.

15/13.  
29th June 1913.

ons and security.  
35/13.  
to Sir E. Grey,

81/13.  
1st January 1913.



'Persian Government Loans' [60v] (8/8)

