REPORT OF THE SUPERVISORY COMMISSION FOR THE YEAR 1940

A. INTRODUCTORY REMARKS

1. The membership of the Supervisory Commission at the opening of 1940 was as follows:

   M. C. J. Hambro (Norway),
   His Excellency M. Harri G. Holma (Finland),
   Sir Cecil Kisch, K.C.I.E., C.B. (United Kingdom),
   M. Carlos A. Pardo (Argentine Republic),
   M. Yves Bréart de Boisanger (France),
   His Excellency Count Carton de Wiart (Belgium),
   His Excellency Dr. H. Collins (Netherlands).

At the eighty-seventh session, held at The Hague on February 9th and 10th, 1940, attended by all the members except M. Pardo, who was in the Argentine Republic, the following officers were elected for 1940:

   Chairman: M. C. J. Hambro,
   Vice-Chairman: His Excellency M. Harri G. Holma,
   Rapporteur: Sir Cecil Kisch.

2. The first part of the report deals with the decisions taken by the Commission in February; while, in the perspective of later events, they lose most of their relevance, it nevertheless seems advisable that they should be recorded for purposes of reference.

3. The Commission decided at The Hague to postpone its spring session until the month of June, but a meeting at that time was not possible.

Further efforts to arrange a meeting were made in the summer, when the Secretary-General informed States Members that the Commission would be summoned to meet in Geneva in August and that his resignation would take effect after the session. Once more, however, the meeting could not be held, in view of difficulties of communication. These several postponements proved particularly regrettable since — foreseeing the difficulties which were bound to occur and which might prevent the Council and the Assembly from meeting — the Assembly had invested the Commission for the duration of the emergency with wide general powers, which included the financial and administrative powers of the Council.1

1 These decisions are as follows:

1. Resolution of the 1939 Assembly:

   "Until the next ordinary session of the Assembly, the Secretary-General and the Director of the International Labour Office, acting with the approval of the Supervisory Commission (which may take all decisions by a majority vote), shall continue to have the special powers provided for by the Assembly's resolution of September 30th, 1938."

2. The resolution of the 1938 Assembly was as follows:

   "Until the next ordinary session of the Assembly, the Secretary-General and, as regards the International Labour Organisation, the Director of the International Labour Office, acting with the approval of the Supervisory Commission, which may take all decisions by a majority vote, shall have power in their discretion to take any exceptional administrative or financial measures or decisions which appear necessary (including the amendment of administrative or financial regulations) and such measures and decisions shall have the same force and effect as if they had been taken by the Assembly."

3. Resolution of the 1939 Assembly:

   "During the year 1940, all the powers and functions conferred on the Council of the League of Nations by the Regulations for the Financial Administration of the League or by the Regulations of the Staff Provident Fund may be exercised by the Supervisory Commission with the same force and effect as if they were exercised by the Council itself."

In the circumstances, both M. Avenol and his successor had to assume considerable responsibilities, in the discharge of which they were assisted by frequent communications with the President of the Council and the Chairman of the Supervisory Commission.

4. In order to appreciate the situation of the League, certain facts and general considerations should be realised.

It has often been emphasised that lack of financial support would constitute a great danger to the League. With the development and extension of the war, the interest evinced by many Member States has been diverted by other events and, since June 1st, contributions have shrunk to an insignificant figure. The Secretary-General and the Director of the International Labour Office, in anticipation of financial difficulties, enforced drastic retrenchments, with which much of this report is concerned.

Although seriously handicapped, chiefly by difficulties of communication and the impossibility of holding meetings, the League is still in a position to render signal services in the technical field, and it is on this aspect of its work and on the problem of ensuring the survival of its invaluable machinery for future collaboration between the nations that attention is now primarily concentrated. For the very purpose of surrounding present handicaps to effective work in Geneva, it was decided to accept a most generous invitation from Princeton University and to send, on mission to the United States of America, a part of the Financial Section and the Economic Intelligence Service. Subject to satisfactory arrangements being made, it may later be felt desirable and necessary to strengthen the nucleus of the League by the transfer of officials of other Sections. The Supervisory Commission approved the arrangements which had already been made and, subject to the availability of funds, agreed that further measures of a similar kind might in present circumstances be desirable with a view to the effective furtherance of the administrative and technical work of the institutions.

The Secretary-General would be guided by the necessity for securing the best possible output from the reduced staff of the various services. These services should be maintained as efficient as possible until the time comes when the States Members can in Assembly themselves take counsel for the future.

5. To sum up, the League is continuing to function and, as long as its constituent Members are prepared to support it, it will continue to deal with such questions as are appropriate in present circumstances, particularly in the technical, social and humanitarian fields.

Thanks to the foresight of past Assemblies, certain reserves have gradually been built up, but these are little more than sufficient to meet the obligations already incurred. In its third report to the 1939 Assembly (document A.5(b),1939.X, paragraph 7), the Commission emphasised that these reserves had been established "to discharge in full all the obligations the League had assumed". The League is, in addition, the owner of much valuable property. But the process of drastic staff retrenchments involves heavy cash liabilities for the next four years. A serious financial situation has to be faced, as it is obvious that no League organisation can remain in active operation for more than a limited period unless States Members are prepared to vote and remit without delay their due contributions towards the general budget.

We take this opportunity of bringing to the notice of States Members, whose contributions have not yet been received, the extreme importance of paying outstanding balances of their 1940 contributions at the earliest date. It is only by practical action of this kind that the difficult task of the Treasurer can be facilitated. There is no better way in which States can support the purposes for which the League stands than by prompt and regular payment of their contributions.

B. DECISIONS TAKEN BY THE SUPERVISORY COMMISSION AT ITS EIGHTY-SEVENTH SESSION

6. The Commission was informed that the 1939 accounts showed the following deficits:

<table>
<thead>
<tr>
<th>Service</th>
<th>Swiss francs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretariat (including all Parts of the budget other than the two following)</td>
<td>242,185.92</td>
</tr>
<tr>
<td>International Labour Organisation</td>
<td>1,123,059.36</td>
</tr>
<tr>
<td>Permanent Court of International Justice</td>
<td>350,687.71</td>
</tr>
<tr>
<td><strong>Total Deficit</strong></td>
<td><strong>1,715,932.99</strong></td>
</tr>
</tbody>
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Gross deficit in reduction of which States, Members of the Organisation but not of the League, will pay approximately 289,000 Swiss francs.
As regards the Secretariat and the International Labour Office, the excess of expenditure over income was mainly attributable to the heavy payments on account of indemnities which, in accordance with the recommendations of the Committee on Budgetary Economies, had to be made to officials whose contracts were terminated. Furthermore, various decisions, taken by the competent authorities of the League, had involved the carrying-over to 1940 of substantial sums to the Building Fund, the New York Fair account, the Wireless Station and the Fund for Technical Collaboration with China. Taking all these special elements into consideration, the position does not appear to have seriously deteriorated in 1939.

It was clear, however, that the utmost difficulties would be found in balancing the 1940 budget, unless drastic reductions were made in expenditure.

II. MISCELLANEOUS FINANCIAL DECISIONS

1. Transfers in the 1939 Budget.

7. In accordance with the amendment to Article 29 of the Financial Regulations adopted by the last Assembly, the Supervisory Commission is now competent to approve transfers from one item to another of the same chapter of the budget of the Secretariat.

In pursuance of the decisions taken by the Assembly on the report of the Supervisory Commission (document A.5(c)1939.X : Chapter E, Emergency Measures—Administrative), payments were made on December 30th, 1939, to eighty-three officials whose contracts had been suspended as from January 31st, 1940, or who had opted to resign as from the same date; the sum involved amounted to 360,868.95 Swiss francs.

As the available credits under Item 12 (c) (a) (Indemnities) had been exhausted by previous payments, the Supervisory Commission ratified the necessary transfer of 370,000 francs from Item 11 (Salaries) to Item 12 (c) (a) (Indemnities).


8. Paragraph 4 of Article 31 of the Financial Regulations prescribes that “subject to a decision of the Assembly, the States which for any reason cease to be Members of the League shall be entitled to the reimbursement of the total amount of their contributions to the Working Capital Fund”. On the report of the Supervisory Commission, the Assembly has always strictly followed this rule.

In pursuance of the special powers conferred upon it by the 1939 Assembly, the Supervisory Commission confirmed the decision taken by its Chairman, who, at the close of the 1939 Assembly, had decided to refund to the Union of Soviet Socialist Republics the voluntary contribution of 200,000 Swiss francs which it had made to the Working Capital Fund in October 1934.

3. Accelerated Payment of Compensation to Officials who resigned in terms of the Decisions of the Twentieth Assembly.

9. It was laid down in the relevant resolution of the Assembly (Official Journal, 20th Year, Nos. 11-12, page 424, No. III. 2) that “the above provisions shall not prevent more rapid payment of the compensation in special cases and with the approval of the Supervisory Commission if this is justified by the financial situation of the League”.

In pursuance of the above decision, the Commission agreed that accelerated payment of compensation in advance of the prescribed yearly instalments might be made, up to a total sum of 100,000 francs, to officials who had resigned at the end of 1939 and at the beginning of 1940.

III. ASSISTANCE TO FAMILIES OF SUSPENDED OFFICIALS

10. By the approval of the fourth report of the Supervisory Commission, the Assembly decided “that the voluntary contributions from salaries will be used for the benefit of the organisations and, at a subsequent meeting, when all particulars are available, the Commission will examine with the competent officials how best to utilise the amounts involved”.

When the question was discussed by the Fourth Committee, one of the members of the Supervisory Commission stated that the Commission intended to utilise part of the proceeds of the voluntary contributions for the assistance of the families of suspended officials.

11. At its February session, the Commission examined the question on the basis of a detailed report in which it was suggested that, for the year 1940, to the extent to which officials or their families were not in receipt of income from other sources and subject to various other conditions, grants varying between 150 francs per month in the case of the lowest
salaries and 250 francs per month in the case of the highest salaries might be made to the wives of suspended officials. Subject to the same restrictions, an additional 60 francs per month would be payable in respect of each minor child. The total expenditure involved was estimated at a maximum annual sum of 125,000 francs.

12. The Commission approved the scheme on the understanding that it was free to revise or terminate it if a substantial drop in the League's income should occur — and that grants would be given on the recommendation of a committee which every month would consider each individual case. It was further decided that the payments would be made through the budget — i.e., that appropriations in aid of the amount required would be made to Item 12 (c) (5) (Welfare), from the proceeds of the voluntary contributions.

13. The actual working of the scheme has proved that expenditure could be kept considerably below the estimate submitted to the Supervisory Commission; thus, up to the end of August, payments have amounted to 34,625.60 francs, while the proceeds of the voluntary contributions were 221,754.65 Swiss francs. In other words, the voluntary contribution was utilised for the purpose of assistance to the families of suspended officials to the extent of 15.6%.

IV. Reduced Plan of Expenditure for 1940

14. In pursuance of a decision taken by the Supervisory Commission at a previous session, the Secretary-General and the Director of the International Labour Office prepared for 1940 plans of expenditure reduced to the extent of the anticipated shortfall in income. The Commission approved the proposals of the competent officials; these proposals, in the case of the Secretariat, amounted to a sum of 7,436,508 Swiss francs, which is 69% of the assessed income, and in that of the International Labour Organisation to 6,777,000 francs, or to 80.88% of budgetary receipts. It will be shown in the next chapter how the Secretary-General and the Director of the International Labour Office have, by still further reductions, adapted their plans of expenditure to present conditions.

V. Court Pensions Regulations

15. In order to remove any ambiguity from the proposal made by the Commission to the Council on June 27th, 1939 (see document C.204.M.133.1939.X) the Commission decided that Article 2 of the Regulations governing the grant of pensions to the members of the Court should be amended to read as follows:

"No retiring pension payable under the present Regulations shall exceed 12,000 Netherlands florins per annum, provided always that judges who, before the entry into force of this paragraph in its present form, had already served as judges of the Court for a time sufficient to entitle them to retiring pensions exceeding 12,000 florins, shall continue to be entitled to such pensions."

The effect of this amendment is merely to incorporate in the Regulations the exception referred to in the first clause of section 2 of paragraph 5 of the Supervisory Commission's report.

C. REPORT CONCERNING FINANCIAL

AND ADMINISTRATIVE DEVELOPMENTS SINCE FEBRUARY 1940

VI. Financial Position as on August 31st, 1940,

AND WORKING OF THE 1940 BUDGET

16. Total income for the first eight months of 1940 was 6,410,103.14 gold francs, or 42.24% of the budgeted income, as against 13,592,750.11 gold francs, or 59.61% of the budgeted income, for the corresponding period of 1939.

Until the beginning of May, the collection of contributions was satisfactory, particularly owing to the fact that, in accordance with the undertakings given by their representatives at the last Assembly, several States paid their entire contribution in one instalment in April of this year.

The situation since that time has greatly deteriorated; receipts, during the three-months period beginning on June 1st, have amounted to only 60,260.95 gold francs, or 0.39% of the 1940 income budget.

17. Owing to dwindling income, the competent officials were therefore compelled to effect economies considerably more drastic than those contemplated in February by the Supervisory Commission.
18. Reference will be made in the next chapter to the question of staff retrenchments; commensurate reductions were effected in all other items of expenditure, with the result that disbursements for the parts of the budget more or less directly under the Secretary-General’s control are estimated as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Voted</th>
<th>Spent to August 31st</th>
<th>Total estimated expenditure for the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Secretariat</td>
<td>10,771,957</td>
<td>3,934,916</td>
<td>5,781,500</td>
</tr>
<tr>
<td>2. Permanent Central Opium Board</td>
<td>104,987</td>
<td>45,497</td>
<td>59,490</td>
</tr>
<tr>
<td>3. Refugees</td>
<td>224,456</td>
<td>111,470</td>
<td>134,670</td>
</tr>
<tr>
<td>4. Wireless Station</td>
<td>51,200</td>
<td>301</td>
<td>50,180</td>
</tr>
<tr>
<td>5. Pensions</td>
<td>1,563,476</td>
<td>1,099,296</td>
<td>464,180</td>
</tr>
</tbody>
</table>

Total: 12,716,170 5,101,380 7,567,000

Corresponding income to August 31st was 4,493,372

Unless further contributions are received to an estimated sum of 2,073,718 there will be a deficit which will have to be met from the Working Capital Fund, the proportional balance of which, available for the Secretariat, is only 2,027,141.32.

1. This deficit would be increased by 286,650 francs if all serving officials left the service by the end of the year.
2. For detailed information concerning staff retrenchments in the Secretariat, see Addenda by the Acting Secretary-General, page 12.

VII. STAFF RETRENCHMENTS

19. In its third and fourth reports to the 1939 Assembly, the Supervisory Commission made proposals with a view to enabling the competent officials of the League to reduce the staff of the organisations to the level required by the present position of the League.

In accordance with these proposals, which were approved by the Assembly, officials whose services the competent officials did not consider indispensable in present circumstances were, at the end of last December, given the option between the suspension of their contract with an ex gratia payment proportionate to the duration of their services but not exceeding three months’ salary, and resignation with an ex gratia payment of six months’ or one year’s salary according as the total length of their service was less or greater than seven years. Officials whose contracts had been suspended would continue to be members of the Pensions Fund, but the League would pay both its own and the officials’ contributions. Officials who had resigned would receive their compensation by annual instalments equivalent to three months’ salary.

20. In pursuance of the decision of the 1939 Assembly and the accepted principle that the Secretary-General should ensure that expenditure should not exceed income, and in view of the uncertainties of the situation prevailing at the time, further retrenchments were considered necessary in May, as a result of which many further officials finally left the service or were suspended.

21. Very heavy retrenchments were also made in the International Labour Office by the Director. As these retrenchments are still proceeding, it is not possible at the moment to indicate their exact extent, though they have been drastic in character. The prompt action taken by the Secretary-General and the Director will be of great assistance in putting the organisations on as sound a financial basis in 1941 as is possible in the circumstances.

D. DECISIONS TAKEN BY THE SUPERVISORY COMMISSION AT ITS EIGHTY-EIGHTH SESSION, WHICH OPENED ON SEPTEMBER 28TH, 1940, AT ESTORIL (PORTUGAL)

22. The Chairman of the Commission, M. Hambro, having been prevented by material difficulties at the last moment from arriving in time for the opening of the session, asked the Commission to start its work without him.

Acting in accordance with the powers conferred upon it by the resolution of the Assembly of 1938 and re-enacted by the Assembly of 1939, the Commission, on the proposal communicated by its Chairman and in agreement with the Secretary-General, named, as one of its members, M. Costa du Rela, President of the Council of the League of Nations, who had come to Lisbon with the object of informing the Commission in regard to certain questions coming under his jurisdiction.
The Commission was then constituted as follows:

M. Holma, M. Pardo,
Sir Cecil Kisch, M. Costa du Rels.

I. MEASURES TO BE TAKEN IN EXCEPTIONAL CIRCUMSTANCES

23. The Commission noted with regret the difficulties confronting its members as well as the officials of the organisations concerned in arranging a meeting of the Commission. It was convinced that, even though it had been possible up to the present time to overcome these difficulties in part, there was no reason to believe that they would disappear in the near future.

The Commission, after a full examination of the situation and in application of the powers invested in it by the resolution of the Assembly of September 30th, 1938, and re-enacted by the Assembly in 1939, took the following decisions:

(1) Whenever it should be decided that, in view of insuperable difficulties, it is impossible for the Commission to meet, any decisions it may be desirable it should take or for which the approval of a majority of its members is required by the Emergency Powers resolution of the Assembly of 1938 (which was re-enacted by the Assembly of 1939) may be arrived at by written or telegraphic consultation of its members by the Chairman, provided that, in reply to such consultation, the required number of members express their assent to the proposal laid before them and that the concurrence of the Secretary-General or of the Director of the International Labour Office is given as required.

(2) The methods to be used for the consultation as well as for the adoption of the decisions will be determined in detail, taking into consideration the circumstances and the material possibilities of communication, by the Chairman of the Commission in agreement with the Secretary-General.

(3) The present decision is taken as an exceptional measure and will be abrogated as soon as circumstances permit. Meanwhile, any rules which may conflict with the present decision are provisionally suspended.

II. RESIGNATION OF M. AVENOL, SECRETARY-GENERAL

24. The Commission took note of the telegram in which the Secretary-General had announced his intention of resigning as from August 31st, 1940, as well as of the telegram addressed to the Chairman of the Supervisory Commission in which M. Avenol expressed to the members of the Commission his great regret at bringing to a close the sincere and intimate collaboration which had existed between him and the Commission.

The Commission requested its Chairman to thank M. Avenol and to convey to him the expression of its gratitude. Long and fruitful collaboration in the financial and administrative fields had given the Commission the fullest grounds for appreciating the high qualities and devotion to the service of the League of its former Secretary-General.

III. ASSUMPTION OF DUTIES BY MR. LESTER, DEPUTY SECRETARY-GENERAL

25. The Commission took note of the fact that the resignation of the Secretary-General came into effect on the date of August 31st, 1940, and that the functions of the Secretary-General were transferred on September 1st to Mr. Lester, in the capacity of Acting Secretary-General.

The Commission expressed its best wishes to Mr. Lester. The services already rendered by Mr. Lester are the best guarantee of the accomplishment of the heavy and difficult task with which he has been charged.

IV. ALLOCATION OF EXPENSES FOR 1941

26. The 1939 Assembly adopted the following resolution:

"The Assembly . . .

"Invites its General Committee to set up an Allocations Committee and empowers the Committee to propose such changes in the scale for 1941 as it considers desirable in the light of all relevant considerations and circumstances."

As the Supervisory Commission has been informed that the General Committee has not been in a position to take any action on the above resolution, it considered the question in the light of present conditions.
The Commission noted in the first place that the total number of units, which for 1940 amounts to 817,453,552, will in 1941 automatically be reduced as follows:

**Automatic reductions:**

| 1. The Union of Soviet Socialist Republics, which is no longer a Member of the League | 94 |
| 2. States retiring in 1940: | |
| Chile (June 1st) | 3,344,682 |
| Venezuela (July 11th) | 5,453,552 |
| 3. Reduction in number of units of States retiring during 1941: | |
| Peru (April 8th) from 5 to 3,424,666 | 3,657,534 |
| Hungary (April 10th) from 8 to 2,191,781 | 5,808,219 |
| Spain (May 8th) from 40 to 14,027,397 | 13,489,1908 |

Remaining number of units according to existing scale: 682,561,644

27. Further, serious developments affecting the capacity of certain Members to pay have occurred since the last budget was framed. On the advice of the Secretary-General, the Commission came to the following conclusions:

(i) The following States will be shown in the Schedule of Contributions for 1941 with one nominal unit in brackets — i.e., these single units will be excluded from the grand total of all assessable units:

| Albania | Estonia | Luxembourg |
| Belgium | Latvia | Norway |
| Denmark | Lithuania | Poland |

(ii) The contributions of the following States will be shown in the Schedule with an assessment equivalent to one-half of the assessment for 1940:

| China | France | Netherlands |

28. Apart from the above modifications, the Commission took the view that the scale of allocation of expenses applicable for the year 1940 should also apply to the year 1941. The effect of these decisions is that the number of units — viz., 817,45 in 1940 — will for the year 1941 be 522,56.

V. **Expenditure Budget for 1941**

29. The Commission had before it a draft budget for 1941 which represented an aggregate total of 11,659,711 Swiss francs, covering all the organs of the League. The budget included the necessary provision for the restoration to the Working Capital Fund of the 1939 deficit in accordance with the rules of the League.

The Commission felt that, having regard to the heavy demands made on States Members at the present time in other connections and to the substantial fall in the number of units, it was desirable to make further economies. It accordingly discussed the matter with the Deputy Director of the International Labour Office and the Registrar of the Court, who were present throughout the meetings, and with the Secretary-General and the Treasurer of the League by telegraph and telephone. The Commission finally decided that the budget for 1941 should be reduced to 10,650,711 Swiss francs, and in Annex A a detailed table will be found indicating how this sum is distributed and exhibiting a comparison with the figures for the years 1939 and 1940.

30. The Secretary-General and the Treasurer have accepted the reduced figure proposed of 3,729,302 Swiss francs for the Secretariat, representing a cut of 369,000 Swiss francs in the budget originally submitted.

31. The Commission noted that the figure inserted for the budget of the International Labour Organisation was very much lower than that which the International Labour Office had the intention of proposing. The Commission suggested a further global reduction in the budget of the International Labour Organisation amounting to 131,000 Swiss francs, and this proposal was accepted by the Deputy-Director. The Commission therefore decided to insert in the general budget of the League the sum of 3,253,000 Swiss francs for the International Labour Organisation.

32. The Commission desires to take this opportunity of expressing to Mr. Lester, Mr. Winant, Mr. Phelan and Mr. Jacklin its appreciation of the strenuous efforts that have already been made to cut down expenditure and the difficulties with which they will be faced.

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in the further curtailments in the budget of the Secretariat and the International Labour Organisation.

33. The Commission noted that, in the budget proposals of the Secretary-General, the sum of one million Swiss francs had been inserted to meet the expenditure of the Court. In its endeavour to achieve a substantial reduction in the general budget of the League, the Commission found itself compelled to reduce this sum to 740,000 Swiss francs, it being understood that 240,000 Swiss francs should be treated as a global reduction on the budget of the Court and only be drawn upon through the Guarantee Fund if and when the balance of the net budgetary provision of 500,000 Swiss francs had been exhausted.

The Commission, moreover, considered that the system in force for the remuneration of the members of the Court no longer conformed to present circumstances. It therefore decided to appeal to the spirit of understanding of which the judges had already given proof in the preparation of the budget for 1940 and to invite them to institute a system of remuneration which would consist partly of a fixed annual salary and partly of allowances for each working-day.

The Commission decided to ask the Registrar to prepare, in consultation with the Court, the details of the budget of the Court for the year 1941.

The Registrar informed the Commission with deep regret that, on instructions received from the President of the Court, it was impossible for him to agree to the proposals of the Commission. The Commission took note of the Registrar's remarks and invited him to continue his consultations with the Court.

Unit of Contribution for 1941.

34. The budget being established at 10,659,711 Swiss francs and the number of units for the year 1941 being taken at 522,561,644, the value of each unit for the purpose of assessing contributions for 1941 will be 20,398.95 Swiss francs.

It will be observed that the estimates of the total expenditure of the League for 1941 are lower by more than 50% than the corresponding estimates for 1940 and are lower by more than 66% than the corresponding estimates for 1939. The Commission feels that, after these large reductions in successive years, the budget of the League has now been reduced virtually to the minimum consistent with the effective functioning of the League even on a reduced scale of activities and it considers that any further material reduction in expenditure would endanger the maintenance of the institution.

It will be observed that the value of the unit for 1941 is 22.26% below the value of the unit which formed the basis of contributions in 1940.\(^1\)

35. The Commission assures States Members that every possible attempt has been made to reduce expenditure and it has charged the responsible officers of the League to continue in coming months the close watch on expenditure already exercised during this difficult period. The task of conducting the finances of the League on a sound basis is inevitably made more difficult if States Members permit delay in the payment of their contributions, and the Commission emphasises the remarks made on the subject in an earlier paragraph of its report and impresses on all States Members the importance of discharging their contributions for 1941 in full at the earliest possible date in the coming year.

VI. Staff Pensions Fund

36. The Commission received from the Secretary of the Pensions Fund a statement of the position of the Fund, on which heavy calls had been made during the year 1940 on account of the drastic retrenchments which have taken place. The Commission recalled the decision of the 1939 Assembly that the Reserve Fund should be maintained to meet the contractual obligations of the League, and decided that the whole of the Reserve Fund should be allocated to meet the liabilities of the Pensions and the Provident Funds.

VII. Accounts for 1939

37. Although the accounts of the League had been audited by the League's auditors, it was not found possible, owing to difficulties of communication, to submit them to the Commission at its meeting at Estoril. The accounts therefore stand over for consideration at a subsequent meeting.

VIII. Situation of Certain Former Officials of the Governing Commission for the Saar Territory.

38. The Commission received certain communications which were submitted to it by former officials of the Governing Commission for the Saar Territory. It decided to transmit them for the consideration of the Acting Secretary-General.

\(^1\) As compared with 1939, reduction is 35.2%.
CONCLUSION

39. M. Hambro, the Chairman of the Commission, found it impossible to be present at the meeting, the conclusions of which were reported to him by telegraph. The Chairman has communicated his full concurrence in the decisions arrived at.

Mr. Lester and Mr. Jacklin, who had hoped to be present, were prevented, owing to difficulties of communication, from taking part in the meeting. They were, however, consulted throughout and have expressed their agreement with the conclusions of the Commission.

In the absence of the Secretary-General and the Treasurer, Mr. Phelan acted as adviser to the Commission, representing the Secretary-General, the Treasurer and the Director of the International Labour Office. The Commission desires to thank him cordially for the invaluable help he gave it, without which it would not have been practicable to resolve many of the difficulties that arose in the course of the discussions.

(The text of the resolutions adopted by the Commission are included in Annex B.)

Annex A.

EXPENDITURE BUDGET FOR 1941

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</tr>
</thead>
<tbody>
<tr>
<td>1941</td>
<td>3,729,302</td>
<td>3,253,000</td>
<td>500,000</td>
<td>100,476</td>
<td>150,000</td>
<td>1,375,000</td>
<td>1,500,000</td>
<td>1,500,000</td>
<td>1,426,933</td>
<td>72,000</td>
<td>900,000</td>
<td>10,659,711</td>
</tr>
<tr>
<td>1940</td>
<td>10,771,957</td>
<td>6,351,600</td>
<td>2,383,638</td>
<td>104,987</td>
<td>88,515</td>
<td>1,375,000</td>
<td>51,300</td>
<td>1,563,476</td>
<td>72,000</td>
<td>-</td>
<td>-</td>
<td>21,451,408</td>
</tr>
<tr>
<td>1939</td>
<td>16,188,063</td>
<td>8,394,243</td>
<td>2,839,689</td>
<td>126,399</td>
<td>201,303</td>
<td>1,375,000</td>
<td>200,000</td>
<td>1,710,118</td>
<td>150,000</td>
<td>-</td>
<td>-</td>
<td>32,234,012</td>
</tr>
<tr>
<td>1939</td>
<td>12,498,432</td>
<td>8,336,320</td>
<td>2,649,050</td>
<td>92,807</td>
<td>290,000</td>
<td>1,375,000</td>
<td>1,375,000</td>
<td>1,710,118</td>
<td>88,515</td>
<td>-</td>
<td>-</td>
<td>28,193,045</td>
</tr>
</tbody>
</table>

Swiss francs
Annex B.

RESOLUTIONS

The 1939 Assembly adopted the following resolution:

"Until the next ordinary session of the Assembly, the Secretary-General and the Director of the International Labour Office, acting with the approval of the Supervisory Commission (which may take all decisions by a majority vote), shall continue to have the special powers provided for by the Assembly's resolution of September 30th, 1938."

In order to ensure the working of the League in 1941, the Supervisory Commission, in agreement with the Secretary-General and the Director of the International Labour Office and in accordance with the powers conferred upon it by the 1939 Assembly, takes the following decisions:

Resolution I. — Appointment of M. Costa du Rets.

The Supervisory Commission designates M. Costa du Rets, President of the Council, to be a member of the Supervisory Commission.

Resolution II. — Transaction of Business by the Supervisory Commission.

1. Whenever it should be decided that, in view of insuperable difficulties, it is impossible for the Commission to meet, any decisions it may be desirable it should take or for which the approval of a majority of its members is required by the Emergency Powers resolution of the Assembly of 1938 (which was re-enacted by the Assembly of 1939) may be arrived at by written or telegraphic consultation of its members by the Chairman, provided that, in reply to such consultation, the required number of members express their assent to the proposal laid before them and that the concurrence of the Secretary-General or of the Director of the International Labour Office is given as required.

2. The methods to be used for the consultation as well as for the adoption of the decisions will be determined in detail, taking into consideration the circumstances and the material possibilities of communication, by the Chairman of the Commission in agreement with the Secretary-General.

3. The present decision is taken as an exceptional measure and will be abrogated as soon as circumstances permit. Meanwhile, any rules which may conflict with the present decision are provisionally suspended.

Resolution III.

(a) Budget.

The Supervisory Commission passes, for the twenty-third financial period ending December 31st, 1941, the expenditure budget amounting to 10,659,711 Swiss francs and the income budget amounting to 7,539,683.20 gold francs. The Secretary-General and the Director of the International Labour Office shall have full powers to make transfers within the budgetary chapters.

(b) Allocation of Expenses.

The Supervisory Commission, being informed by the Secretary-General that the General Committee of the 1939 Assembly, which had been empowered to set up an Allocations Committee in order to propose such changes in the scale for 1941 as it considered desirable in the light of all the relevant considerations and circumstances, had been unable to meet, decides, in accordance with the recommendation of the Secretary-General, that the scale of allocation of expenses of the League for the year 1941 shall be as prescribed for the year 1940, subject to the following reductions:

1. Temporary suspension of the following contributions:

<table>
<thead>
<tr>
<th>Units</th>
<th>Units</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>1</td>
<td>Estonia</td>
</tr>
<tr>
<td>Belgium</td>
<td>19</td>
<td>Latvia</td>
</tr>
<tr>
<td>Denmark</td>
<td>12</td>
<td>Lithuania</td>
</tr>
</tbody>
</table>

2. Reduction by half of the contributions of the following States:

<table>
<thead>
<tr>
<th>Reduction by units</th>
<th>Reduction by units</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>21</td>
</tr>
<tr>
<td>Finland</td>
<td>5</td>
</tr>
</tbody>
</table>

Total reduction 160
(c) **Staff Pensions and Provident Funds.**

The Supervisory Commission:

Decides that the contribution of the League to the Pensions Fund for 1941, under Article 7, paragraph (a), of the Staff Pensions Regulations, shall be 10.5% of the pensionable emoluments of the members of the Fund;

Decides that, for the year 1941, the officials mentioned in Article 4, paragraph (a) (i) of the Staff Pensions Regulations shall pay an additional one per cent of their pensionable emoluments and those mentioned in Article 4, paragraph (a) (ii), an additional half per cent, if their pensionable emoluments exceed 6,500 francs per annum, and an additional quarter per cent if these emoluments are 6,500 francs or below that figure;

Resolves that, in continuation of the arrangement approved last year, the whole budgetary vote for 1940 in respect of Part VII shall be paid to the Fund;

Confirms that the arrangement, approved last year, whereby the Reserve Fund is available to meet the Pensions Fund liabilities, applies also to the Provident Fund.

(d) **General.**

1. **Powers of the Supervisory Commission.**

The Supervisory Commission, having noted that the transfer of certain financial powers from the Council to the Supervisory Commission is only valid to the end of 1940, decides that, unless and until the Assembly decides otherwise, all the powers and functions conferred on the Council of the League of Nations by the Regulations for the Financial Administration of the League or by the Regulations of the Staff Provident Fund may be exercised by the Supervisory Commission with the same force and effect as if they were exercised by the Council itself.

2. **Utilisation of League funds.**

Notwithstanding anything to the contrary in the Regulations for the Financial Administration of the League, in the event of contributions of States Members not being adequate to meet such current expenditure as has been authorised in the budget, the Secretary-General, subject to the approval of the Chairman of the Supervisory Commission, may, on the recommendation of the Treasurer, approve the withdrawal, for such purpose, of funds from the Guarantee Fund or from such other League fund as may be available, provided always that the Working Capital Fund has, prior to such withdrawals, been exhausted.

In the event of its being impossible by reason of *force majeure* for the Secretary-General to consult the Chairman of the Supervisory Commission, action may in urgent cases be taken in anticipation by the Secretary-General on the recommendation of the Treasurer.

(e) **Authority to the Secretary-General to modify Proposals.**

The Commission decided to authorise the Secretary-General to make such modifications as later events or other causes might indicate to be necessary in the proposals agreed to by it regarding the budget and connected matters on the understanding that such modifications should not affect the principles or substance of the decisions arrived at and in particular should not entail an increase in the value of the unit of contributions for 1941 over the figure agreed to by it.

**Resolution IV. — Permanent Court of International Justice.**

On being informed by the Registrar of the Court that, owing to its financial position, the Court had not been able to pay in the normal way the salaries of its members, the Commission, considering it necessary to rectify this situation, authorises the Secretary-General to pay the Registrar the amounts necessary to cover salaries due to date, as well as those that may become due up to the end of the year 1940.

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1 Note by the Acting Secretary-General. — The amount required (about 500,000 francs) must be drawn from the Secretariat funds, as the Court's share of the Working Capital Fund has been exhausted.
ADDENDA BY THE ACTING SECRETARY-GENERAL

The Acting Secretary-General has considered it desirable to add the following tables to the Supervisory Commission's report in order to show the effect of efforts already made, by the various League organisations, to reduce expenditure. Still further efforts will be required during 1941:

I. Comparisons between the 1941 Budget and

<table>
<thead>
<tr>
<th>Parts of the Budget</th>
<th>1940 reduced Budget</th>
<th>1939 Budget</th>
<th>1939 Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1941 budget</td>
<td>Reduction of</td>
<td>Reduction of</td>
</tr>
<tr>
<td></td>
<td>represents</td>
<td>1940 budget</td>
<td>1939 budget</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>I. Secretariat:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries only</td>
<td>34.6</td>
<td>65.4</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>27.54</td>
<td>72.46</td>
<td>19.1</td>
</tr>
<tr>
<td>II. International Labour Organisation</td>
<td>51.2</td>
<td>48.8</td>
<td>38.7</td>
</tr>
<tr>
<td>III. Permanent Court of International Justice</td>
<td>20.9</td>
<td>70.1</td>
<td>17.6</td>
</tr>
<tr>
<td>IV. Permanent Central Opium Board</td>
<td>95.7</td>
<td>4.3</td>
<td>79.4</td>
</tr>
<tr>
<td>V. Assistance to Refugees</td>
<td>66.8</td>
<td>33.2</td>
<td>55.6</td>
</tr>
<tr>
<td>VII. Pensions</td>
<td>95.9</td>
<td>4.1</td>
<td>87.7</td>
</tr>
<tr>
<td>Total Budget</td>
<td>49.6</td>
<td>50.4</td>
<td>33</td>
</tr>
</tbody>
</table>

II. Staff Retrenchments

<table>
<thead>
<tr>
<th>Position on</th>
<th>October 23rd, 1940</th>
<th>Jan. 1st, 1940</th>
<th>Jan. 1st, 1939</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>At Geneva</td>
<td>Outside Geneva</td>
<td>Totals</td>
</tr>
<tr>
<td>Principal Officers</td>
<td>6</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>First Division</td>
<td>29</td>
<td>11</td>
<td>40</td>
</tr>
<tr>
<td>Total of first two items</td>
<td>35</td>
<td>13</td>
<td>48</td>
</tr>
<tr>
<td>Second Division</td>
<td>35</td>
<td>5</td>
<td>40</td>
</tr>
<tr>
<td>Third Division</td>
<td>16</td>
<td>-16</td>
<td>67</td>
</tr>
<tr>
<td>Total of second two items</td>
<td>51</td>
<td>5</td>
<td>56</td>
</tr>
<tr>
<td>Total of four items</td>
<td>104</td>
<td>362</td>
<td>667</td>
</tr>
<tr>
<td>Re-engaged officials</td>
<td>19</td>
<td>-19</td>
<td>21</td>
</tr>
<tr>
<td>Temporary officials whose salaries are charged to outside funds</td>
<td>10</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Total of all above items</td>
<td>125</td>
<td>376</td>
<td>687</td>
</tr>
<tr>
<td>Employees (technical service, cleaners, gardeners, etc.)</td>
<td>47</td>
<td>97</td>
<td>119</td>
</tr>
<tr>
<td>Branch offices and staff of Eastern Bureau</td>
<td>63</td>
<td>112</td>
<td></td>
</tr>
<tr>
<td>Correspondents</td>
<td>87</td>
<td>138</td>
<td></td>
</tr>
<tr>
<td>Grand totals</td>
<td>188</td>
<td>488</td>
<td>825</td>
</tr>
</tbody>
</table>

1 All officials or employees of the Secretariat — irrespective of whether they work full or part time and whether their salaries are met from Item II of the Budget, other items or Parts of the Budget, or from outside grants — are included in the above statement.