

Financial Situation of the League

The Fourth Committee had before it the report of the Auditor and a series of reports and proposals of the Supervisory Commission, which is charged with the supervision of the finances and administration of the League. These documents, together with the explanations offered to the Committee by the Chairman of the Supervisory Commission and the Secretary-General, revealed the deterioration in the financial situation of the League and suggested certain measures which it would be necessary to take.

For several years ending with 1937, the League's finances were in a flourishing condition and the annual accounts showed a surplus of receipts over expenditures. The accounts for 1938 closed with a very small deficit. Although expenditures have been kept well below the authorized credits, the accounts for 1939 will show a larger deficit. These deficits have been due to the failure of a number of Member States to pay their contributions, or to pay them in full, since the League budget is always framed so as to balance if all contributions are received. The main cause of the current need for economy is the decline in the number of League Members. For some years it has been a settled policy to stabilize the annual contribution of each Member at about the same figure; any reduction in the number of Members, therefore, involves a reduction in the budget approximately equal to the contributions of the States ceasing to belong to the League. Since late in 1937 seven States, including Italy and Spain from among the larger contributors, have given the required two years' notice of withdrawal from the League. The Italian notice became effective on December 10th and the notices of the other States will become effective on various dates in 1940 and 1941. In addition contributions are no longer assessed from Austria, Czecho-Slovakia and Ethiopia. In 1938 contributions were assessed from 58 States Members; in 1939 the number was 54; it will be 49 in 1940.

At the Assembly of 1938 a considerable contraction of the League's income could be foreseen, and a small Committee on Budgetary Economies was appointed to make proposals for incorporation in the budget for 1940. This committee recommended a reduction of about 20 per cent in the budget and considered that it was essential that the budget should be kept elastic in order to enable expenses to be limited to the sums actually received. A budget was drawn up in May, 1939, incorporating the recommendations of the Committee on Budgetary Economies and was circulated to Member States. After the outbreak of war, however, it became obvious that still further reductions would have to be made. The Supervisory Commission met and recommended that a revised budget should be prepared limiting expenditure in 1940 to approximately two-thirds of that authorized in the 1939 budget. Effect was given to this recommendation in the budget adopted by the Assembly.

The Budget for 1940

The expenditure budget for 1940 amounts to 21,451,408 Swiss francs, which is 33.4 per cent less than the authorized budget for 1939. For convenience of comparison the estimates for 1939 and 1940 and the expenditure actually incurred in 1938 are given in Swiss francs in the following table: