

Geneva, August 9th, 1937.

LEAGUE OF NATIONS

INTELLECTUAL CO-OPERATION ORGANISATION

REPORT OF THE GOVERNING BODY
OF THE INTERNATIONAL INSTITUTE OF INTELLECTUAL
CO-OPERATION

Submitted by Professor G. Oprescu, on behalf of the Governing Body of the International Institute of Intellectual Co-operation, addressed to the Council of the League and to the Government of the French Republic, and communicated to all the Members of the League of Nations.

(Article 14 of the Organic Statute of the International Institute of Intellectual Co-operation.)

CONTENTS.

	Page
Text of the Report	I
Appendices:	
1. Budget for 1938, approved by the Governing Body at its Fourteenth Session, July 1937	4
2. Audit of the Accounts of the Institute for the Financial Year 1936: Report by Dr. F. Vivaldi, Deputy Auditor of the League of Nations	5

The Governing Body held its fourteenth session at Paris on July 13th, 1937, under the chairmanship of M. Edouard HERRIOT.

There were present at the session the following regular members of the International Committee on Intellectual Co-operation:

M. M. ANESAKI, M. C. BIAŁOBRZESKI, M. J. CASTILLEJO, Count F. DEGENFELD-SCHONBURG, M. F. GARCIA CALDERON, Senator Balbino GIULIANO, M. J. HUIZINGA, M. Gilbert MURRAY, Sir Sarvapalli RADHAKRISHNAN, M. G. DE REYNOLD, M. J. T. SHOTWELL, Count P. TELEKI.

Certain other regular members who were unable to attend the Session were replaced as follows:

Mme. Virginie DE CASTRO Y ALMEIDA replaced M. Julio Dantas; M. A. FRIIS replaced M. N. E. Nørlund; M. Bedrich HROZNY replaced M. J. Susta; M. LI YU YING replaced M. Wu-Shi-Fee; M. G. OPRESCU replaced M. N. Titulesco.

There were also present at the session: Sir Frank HEATH, M. Julien CAIN and M. Malcolm DAVIS, members of the Directors' Committee; M. Massimo PILOTTI, Deputy Secretary-General of the League of Nations; Dr. F. VIVALDI, Deputy Auditor of the League of Nations, responsible for the audit of the accounts of the International Institute of Intellectual Co-operation; M. J. D. DE MONTENACH, Secretary of the Organisation; and M. Henri BONNET, Director of the International Institute of Intellectual Co-operation.

Series of League of Nations Publications XII.A. INTELLECTUAL CO-OPERATION 1937. XII.A. 1.



I. DIRECTOR'S STATEMENT ON THE ADMINISTRATION OF THE INSTITUTE.

In accordance with its agenda, the Governing Body heard in the first place the Director's report on the administration of the Institute during the period since the last session.

The account thus given showed that the Institute had been able to carry out the whole of the programme laid down by the International Committee on Intellectual Co-operation, despite somewhat less favourable circumstances. Thanks to rigid economies and to the most careful use of the resources available, the Institute was able, not only to maintain its various activities, but even to expand them. Considerable help was afforded by the Rockefeller Foundation in the preparation of the Permanent International Studies Conference. But for the generous assistance rendered by the Foundation, to which the Governing Body once again paid tribute, this manifestation of intellectual co-operation could not have been undertaken on so extensive a scale.

Although the Governing Body was able to declare itself entirely satisfied with the results achieved during the past year, it could not fail to share the Director's anxiety with regard to the conditions in which the Institute will have to carry on its work in the future.

The general rise in prices and the devaluation of several currencies are, in fact, bringing about a marked reduction in the Institute's income. The consequences of that situation are becoming increasingly apparent in the administration of the Institute, and accordingly the Governing Body has been compelled to contemplate further economies in the ensuing financial year. In view of the anxiety it has felt, and its fear lest the development of the Institute's work should be hampered through lack of means, the Governing Body attaches extreme importance to the preparation of a draft international act, which is dealt with under a separate heading below.

2. FINANCIAL QUESTIONS.

Of the various financial questions submitted, as in previous years, to the Governing Body, some related to the past financial year, others to the current year, and others again to the ensuing period—*i.e.*, to the preparation of the Institute's budget for the year 1938.

(a) The accounts and the situation at the end of the financial year are dealt with fully in the report submitted by the Auditor of the League, which as usual, is annexed to the report of the Governing Body.¹ The Governing Body closely studied the Auditor's report, and also took note of his verbal explanations. In these, particular reference was made to the caution exercised by the administration, as evidenced by the fact that, despite the very unfavourable circumstances already referred to, the year closed with a credit balance of 66,485.58 francs, while the Reserve Fund had been brought back to its former level.

After approving the accounts for the past financial year and expressing its satisfaction at the results of the administration of the Institute during that period, the Governing Body decided that the surplus should be used as follows: one half to be appropriated to the Institute's publications, and the other to be put at the Director's disposal to enable him to grant bonuses to certain officials of the Institute, whose salaries had been reduced and had not yet been restored to their earlier level.

In connection with the examination of certain matters relating to the past financial year, the Governing Body noted with particular satisfaction an appreciable increase in the sales of the Institute's publications. It saw in this fact an indication of the interest aroused by that side of the Institute's work, and a proof of the steady improvement in the methods employed to ensure the fullest possible dissemination of those publications.

(b) As regards the financial situation in the current year, the Governing Body heard a statement from the Director and took note of the information put before it. It learnt that the receipts budgeted for were coming in normally, but that certain heads of expenditure were in danger of exceeding the estimates by reason of the general increase in prices. The Governing Body could only urge the Director to employ every means in his power to avoid exceeding the estimates, although well aware of the difficulty of making fresh economies during the financial year.

(c) The draft budget, submitted to the Governing Body by the Director with a view to the preparation of the accounts for the following year, provided for a total income of 3,010,000 francs, comprising 2,810,000 francs of ordinary receipts and 200,000 francs of extraordinary receipts; the latter sum to be drawn if necessary from the Reserve Fund.

The Governing Body felt that it would be better not to budget for a transfer from the reserves to obtain extraordinary income; it decided instead to reduce the estimates for certain expenditure items, and so to bring the total back to 2,795,000 francs.

The following reductions were accordingly made: cost of upkeep of buildings and furniture, from 60,000 to 50,000 francs; sum allowed for travelling expenses of officials, from 100,000 to 80,000 francs; meetings of experts, from 150,000 to 100,000 francs; contribution to special work,

¹ See Appendix 2.

from 300,000 to 250,000 francs; office expenses, from 235,000 to 200,000 francs; purchase of books, from 7,000 to 5,000 francs; publications, from 320,000 to 287,000 francs.¹

In deciding upon these reductions, the Governing Body wished to stress its desire to preserve the equilibrium of the Institute's budget, in principle, taking normal receipts as a basis. It realised, however, that the Directors' Committee and the Director himself would have the greatest difficulty in maintaining the full activity of the Institute without exceeding the estimates. Accordingly, it instructed the Directors' Committee to watch the financial situation of the Institute very closely, to endeavour to obtain extraordinary receipts with which to make good the deficiencies in existing resources, and, should the need arise, to authorise transfers from the Reserve Fund. Such transfers were to be considered not as income, however, but as emergency measures resorted to in anticipation of a reorganisation of the financial structure of the Institute.

(d) The Governing Body also instructed the Directors' Committee to examine the use to be made by the Institute, during the "Intellectual Co-operation Month", of the special subsidies granted to it for that purpose by the General Commissariat of the Paris Exhibition. The Institute would have to account for the use of these funds to the General Commissariat, and it was accordingly agreed that the Deputy Auditor of the League of Nations should submit a separate report on the use of these sums to the Governing Body at its next session.

3. STAFF QUESTIONS.

With reference to staff questions, the Governing Body took the following decisions:

On the proposal of the Director, the appointment of Mr. Oliver Jackson (British) to replace Mr. Chalmers Wright, who had resigned, was confirmed. The Governing Body also took note of the expiry on August 31st next of the contract of M. Pistoletti (Italian), who had been on leave for reasons of health for some months, and who was therefore unable to continue in the Institute's service.

Finally, the Governing Body was asked to renew the appointment of the Director of the Institute, whose present contract expires on January 1st, 1938. It adopted the following resolution on this subject:

"The Governing Body,

"In virtue of Article 22 of the Internal Regulations of the International Institute of Intellectual Co-operation:

"Decides to renew for a period of seven years—*i.e.*, until January 1st, 1945—the appointment of the Director, M. Henri Bonnet, and desires to congratulate and thank him and to express its entire confidence in him."

The members of the Governing Body took this opportunity of conveying to M. Henri Bonnet their gratitude for the services he had rendered to the cause of intellectual co-operation, their appreciation of the qualities he had displayed throughout the past seven years, and the personal regard in which they held him.

4. PREPARATION OF A DRAFT INTERNATIONAL ACT FOR THE PURPOSE OF STRENGTHENING THE MEANS OF ACTION OF THE INSTITUTE.

As mentioned above, the Governing Body, during its examination of the new financial difficulties, resulting from the general situation, which seem likely to threaten the further development of the Institute's work, recalled that it had already, at its previous session in 1936, drawn the Assembly's attention to the desirability of stabilising and expanding the Institute's financial resources by means of a convention.

The Governing Body was now in possession of fresh data on this subject, thanks to the conclusions of the General Conference of National Committees on Intellectual Co-operation. These conclusions were based upon proposals made by one of the rapporteurs to the Conference, His Excellency M. Munch, Minister for Foreign Affairs of Denmark, for perfecting the juridical structure of the Institute.

Sitting as the Governing Body under the Chairmanship of M. Edouard Herriot, the members of the International Committee on Intellectual Co-operation, realising the serious financial position of the Institute and the impossibility of asking the French Government alone to make further sacrifices to ensure the maintenance and development of the work in hand, unanimously held that a joint initiative by the Governing Body and the International Committee on Intellectual Co-operation was urgently required.

The Governing Body accordingly instructed its Chairman, M. Edouard Herriot, and its Rapporteur to add their signatures to the special report to be laid before the Council and the Assembly of the League of Nations by the International Committee on Intellectual Co-operation,

¹ See Appendix I.

with a view to the submission of a draft international act concerning the International Institute of Intellectual Co-operation.¹

On behalf of the Governing Body, and in my capacity as rapporteur, I feel bound to stress the paramount importance of this draft for the future both of the Institute and of intellectual co-operation generally. It affects the fate, not only of an executive body to which we are greatly attached and which has rendered incalculable service, but also of the future prospects of the whole undertaking, the progress of which would inevitably be endangered if fresh material help is not granted now that a process of reorganisation pursued over seven years is beginning to bear fruit.

5. TRIBUTE TO THE FRENCH GOVERNMENT AND TO THE GENERAL COMMISSARIAT OF THE EXHIBITION.

At the close of its proceedings, the Governing Body instructed its Chairman, M. Herriot, to convey to the French Government, to the French authorities and to those in charge of the International Exhibition, its keen appreciation of the generosity which had enabled all the events grouped together in the "Intellectual Co-operation Month" to take place. Once again, the Governing Body paid a tribute to the interest which the French Government had constantly manifested towards the Intellectual Co-operation Organisation, and placed on record its view that its gratitude could best be expressed by striving to increase the usefulness of the International Institute of Intellectual Co-operation.

Appendix 1.

BUDGET FOR 1938.

I. RECEIPTS.

I. Grants by:

	French francs	French francs
Austria	1,100	
Brazil	75,000	
Colombia	7,700	
Denmark	10,500	
Egypt	53,000	
France	2,000,000	
Hungary	20,600	
Italy	152,000	
Luxemburg	2,000	
Mexico	60,000	
Monaco	2,000	
Poland	30,000	
Portugal	15,300	
Roumania	25,000	
Switzerland	13,800	
Venezuela	12,000	
Yugoslavia	25,000	
	-----	2,505,000

II. Miscellaneous Receipts:

Sale of publications	200,000	
Miscellaneous	90,000	
	-----	290,000

III. Extraordinary Receipts

Total receipts	-----	2,795,000
--------------------------	-------	-----------

II. EXPENDITURE.

Chapter I. — Staff.

	French francs
A. Director, principal secretaries, Legal Adviser, heads of services and internal administration	830,000
B. Head clerks, clerks and secretary shorthand-typists	507,000
C. Minor staff	125,000

<i>Carried forward</i>	1,462,000

¹ See Part III of document C.327.M.220.1937.XII.

Close study of the position, however, shows that it is not in reality less favourable than in previous years. This will be apparent from the two following tables :

Year	Government contributions		Increase (+) as compared with the previous year (c)	Decrease (—) (d)	Percentage of actual as compared with estimated receipts (e)
	Estimated receipts (a)	Actual receipts (b)			
	Francs	Francs	Francs	Francs	
1925	1,025,000	1,025,000.—	—	—	100.—
1926	2,100,000	2,183,250.—	+ 1,158,250.—	—	103.96
1927	2,100,000	2,400,401.44	+ 300,401.44	—	119.11
1928	2,416,000 *	2,954,138.22 *	+ 439,636.78	—	122.31
1929	2,883,000	3,182,957.30	+ 228,819.08	—	110.40
1930	3,203,800	2,977,726.20	—	— 190,847.35	92.94
1931	3,288,800	3,023,692.25	+ 45,966.05	—	91.90
1932	3,243,000	3,061,130.41	+ 37,438.16	—	94.30
1933	3,015,000	2,764,438.03	—	— 296,692.38	91.68
1934	2,857,000	2,615,985.56	—	— 148,452.47	91.56
1935	2,505,900	2,474,858.38	—	— 141,127.18	98.76
1936	2,500,700	2,413,536.28	—	— 61,322.10	96.51

* Plus 15,000 gold francs.

Study of the above table, which is compiled primarily to show the cash position, suggests—inasmuch as it includes all contributions actually received of whatever kind—that, if the absolute value (col. *b*) of the sums received is slightly lower, its percentage of the corresponding budgetary estimates (col. *e*) has been maintained at a very high level as compared with a quite recent period—viz., the five years 1930-1934—and, above all, that the rate of falling-off from year to year (col. *d*) has considerably diminished.

These deductions are confirmed by the following table in which the corresponding results are shown in further detail—viz., not as a compilation purely from the standpoint of the cash position, but as an exact statement of income excluding all receipts in respect of new or arrear contributions or of exchange profits:

Year	Income from Government contributions (a)	Amount of income (as estimated in col. <i>a</i>) actually received (b)	Increase (+) as compared with the previous year (c)	Decrease (—) (d)	Percentage of actual receipts as compared with estimated income (e)
1925	1,025,000	1,025,000.—	—	—	100.—
1926	2,100,000	2,075,000.—	+ 1,050,000.—	—	98.80
1927	2,100,000*	2,100,000.—*	+ 25,000.—	—	100.—
1928	2,416,000	2,291,000.—	+ 191,000.—	—	94.82
1929	2,883,000	2,883,000.—	592,000.—	—	100.—
1930	3,203,800	2,849,800.—	—	— 33,200.—	88.95
1931	3,288,800	2,847,800.—	—	— 2,000.—	86.59
1932	3,243,000	2,939,447.21	+ 91,647.21	—	90.63
1933	3,015,000	2,715,039.74	—	— 224,407.47	90.05
1934	2,857,000	2,449,888.15	—	— 265,150.59	88.75
1935	2,505,900	2,452,311.28	+ 2,423.13	—	97.86
1936	2,500,700	2,359,073.70	—	— 93,237.58	94.33

* Plus 15,000 gold francs paid up in full.

Comparison for the last two years of the percentages shown in col. *e* of the two tables shows the position to be such that, if the budgets are drawn up with even greater care than they already are, an almost complete correspondence between the estimated and the actual figures may be anticipated.¹

¹ Absolute correspondence is perhaps hardly attainable for the reason that, in certain States, the financial year does not coincide with that of the Institute (which is identical with the calendar year).

Following on these general considerations, there will be found below a table of the different sources of receipts in respect of contributions for the year 1936:

	Francs
French contribution	2,000,000.—
Other contributions provided in the budget	359,073.70
Arrears of contributions ¹	39,300.—
Profit made in relation to budget estimates on the value of various currencies	15,162.58
Total	2,413,536.28

The above observations and my own previous reports show the position in regard to Government contributions still owing to the Institute according to the budget figures for the different years as follows:

Name of State	1928	1929	1930	1931	1932	1933	1934	1935	1936
	Francs								
Austria	—	—	—	—	5,000	3,929	1,000	—	—
Belgium	—	—	75,000	75,000	—	—	—	—	—
Egypt	—	—	—	—	—	—	—	—	37,700 ²
Equador	2,000	—	—	2,000	2,000	2,000	2,000	2,000	—
Hungary	—	—	—	—	—	—	—	—	20,600 ²
Mexico	—	—	—	—	—	60,000	—	—	60,000 ³
Venezuela	—	—	—	—	—	—	12,000	12,000	12,000 ⁴
Total	2,000	—	75,000	77,000	7,000	65,929	15,000	14,000	130,300

viz.

Arrears:

	Francs
1928	2,000
1929	—
1930	75,000
1931	77,000
1932	7,000
1933	65,929
1934	15,000
1935	14,000
1936	130,300
Total contributions in arrears	386,229

It should be added that, in the course of the financial year, Switzerland intimated her intention to reduce—and did in fact reduce—the amount of her contribution from 5,000 to 2,800 Swiss francs, as a measure in execution of a new financial programme in Switzerland. The result was to reduce the receipts of the Institute by 10,680.25 French francs. In view of certain relevant precedents within the knowledge of the competent authorities,⁵ it was impossible for me to bring this sum into account among other sums owing to the Institute. As, however, the entire amount figured in the budget under the—perfectly legitimate—estimates of income for the year, I feel bound to draw the attention of the competent authorities to the fact.

Of the other receipts, attention may be drawn to those which appear in the budget under the heading “Miscellaneous Receipts” for 310,000 francs (as in the previous year), inasmuch as they show a marked improvement on the figure for the latter period. They totalled 335,969.38 francs, or 140,000 francs more than the figure for last year, and 25,969.38 francs more than the estimated amount. The increase is due in part to increased returns from publications, but also to profits

¹ Relates solely to the contribution of Egypt for the year 1935 which, as stated in my last report, had already been paid when the report in question was drawn up.

² Egypt and Hungary paid in April 1937.

³ Two payments of 60,000 francs each were made by the Mexican Government, one in 1935 and the other during the current year (1937): but, on explicit instructions from the Government in question, these two payments were brought into account as contributions for the years 1935 and 1937 and not as payments in respect of the arrears for 1933 and 1936.

⁴ The amount due from Venezuela for arrears of contributions (36,000 francs in all) was more than offset as at December 31st, 1936, by other payments to the Institute by the Venezuelan Government. As, however, at the express desire of that Government, these payments were employed for a special publication of the Institute, which was financed out of extra-budgetary funds, they could not be set off against the arrears.

⁵ The reduction in corresponding previous years of the French contributions provided in the budgets of the Institute for the years 1932, 1933 and 1934.

realised, as a result of the adjustment of the French currency, on certain payments received in foreign currencies.

Such as it is, this development has made it possible to a very large extent to offset the usual total absence of "extraordinary receipts", which are shown in the budget estimates at 60,000 francs, though nothing was actually received under this heading. The position is the same as in the last two years. I need not dwell further on this point, in view of the fact that, at my instance, this heading has been eliminated from the current budget.

The other items of the miscellaneous receipts, together with the details, are as follows:

(a) *Interest on funds deposited in banks*, which produced 26,967.95 francs or nearly 7,000 francs more than the estimate (20,000 francs).

(b) *Special Italian contribution*, estimated at 40,000 francs and paid to the amount of 25,059.30 francs.¹

(c) *Miscellaneous receipts properly so-called*, the proceeds of which (141,013.40 francs) were almost three times the amount of the estimates (50,000 francs), being made up as follows:

	Francs
Contribution to the upkeep of the Salle de Fêtes	1,580.—
Contribution to the upkeep of the premises occupied by associations housed at the Institute	5,700.—
From Rockefeller Foundation grants	2,500.—
Refund by Spanish Government of a portion of the cost of the ninth session of the International Studies Conference (Madrid, 1936) . .	55,000.—
Repayment in respect of private telephone calls	1,909.65
Minor receipts various	838.10
Deduction of 10% on the sums paid during the year 1936 for the publication of Japanese works ²	4,340.—
Profit on an exchange transaction	69,145.65
Total	141,013.40

The amounts received by the Institute in 1936 were accordingly as follows:

	Francs
Government contributions	2,413,536.28
Miscellaneous receipts	335,969.38
Total	2,749,505.66

—i.e., 121,194.34 francs less than the total budget estimate of 2,870,700 for the two items.

The favourable aspect of this result, as compared with the figures for previous years, is apparent from the table in the footnote below.³

Modifications made in the Budget in the Course of the Year.

This year again there was no real change in the structure of the budget, since there were no transfers between chapters. Two adjustments only were made, one of 2,500 francs and the other of 30,000 francs, between two items in Chapter I (Staff) and Chapter III (Working Expenses),

¹ There is a greater or smaller difference on this item every year, because the Italian financial year does not coincide with that of the Institute, the former running from July 1st to June 30th and the latter from January 1st to December 31st.
² As explained in my last report, the Governing Body, as a result of my observations, laid down the rule at its meeting of July 20th, 1934, that the Institute was entitled to some remuneration in respect of general costs incurred by it in connection with all special work entrusted to it to be financed out of extra-budgetary funds. The Institute accordingly decided that 10% of all contributions for special purposes should be transferred to the budget as from the financial year 1935 onwards.

Year	Estimated receipts	Actual receipts	Difference	Percentage of actual as compared with estimated receipts
	Francs	Francs	Francs	
1925	1,025,000	1,025,000.—	—	100
1926	2,100,000	2,210,515.85	+ 110,515.85	105.26
1927	2,100,000	2,400,401.44	+ 300,401.44	119.11
1928	2,431,000	2,989,836.70	+ 558,836.70	123.44
1929	2,896,000	3,306,213.58	+ 410,213.58	114.16
1930	3,260,000	3,096,266.32	— 163,733.68	94.97
1931	3,404,800	3,330,744.70	— 74,055.30	97.84
1932	3,365,000	3,277,470.14	— 87,529.86	97.39
1933	3,207,000	3,004,510.20	— 202,489.80	93.68
1934	3,218,000	2,862,736.62	— 355,263.38	88.96
1935	2,875,900	2,668,409.39	— 207,490.61	92.77
1936	2,870,700	2,749,505.66	— 121,194.34	95.77

by decision of the Directors' Committee towards the end of the financial year,¹ as a result of new developments in the position.²

Comparison between Receipts and Expenditure.

The expenditure proper for the financial year reached a total of 2,637,563.61 francs. There was thus a saving of 233,136.39 francs on the budget estimate (2,870,700 francs). Deducting the shortage (121,194.34 francs) of actual on estimated receipts, this saving is reduced to a cash surplus of 111,942.05 francs—which shows that the accounts of the Institute are beginning this year once more to close with a surplus, and a considerable surplus at that.

It must, however, be remembered that a part of this surplus was used for repayment to the Working Capital Fund of 45,456.47 francs, which were drawn from the latter to cover a current cash deficit for the last financial year. The cash holding at the end of 1936 was accordingly 66,485.58 francs.³

Working Capital Fund.

As stated in my last report, the Working Capital Fund amounted at the end of 1935 to 354,543.53 francs, and was owed by the Institute 45,456.47 francs, which the latter had drawn on it to cover the cash deficit existing at that date.

As this sum was repaid during 1936, the Fund was brought back at the end of that financial period to 400,000 francs—*i.e.*, to the amount left over from previous financial years,⁴ representing, as will be apparent from the table given in the footnote, the largest reserve which the Institute has had at its disposal since its inception.

¹ Meeting of December 22nd, 1936.

² The following is the customary recapitulatory table showing transfers effected during the various financial years:

Year	Transfers effected during the financial year	Year	Transfers effected during the financial year
	Francs		Francs
1925	—	1931	8,020.—
1926	462,137.96	1932	30,000.—
1927	274,000.—	1933	93,334.—
1928	121,730.—	1934	12,000.—
1929	378,920.—	1935	50,600.—
1930	324,780.59	1936	32,500.—

³ The following table shows the corresponding situation at the close of the various financial years since the Institute's inception:

Year	Sums still available at the close of the financial year (including surpluses from previous financial years)	Amounts paid to the Working Capital Fund instituted in 1930	Cash deficit on the financial year	Total sums set aside during the year
	(a)	(b)	(c)	(a + b — c)
	Francs	Francs	Francs	Francs
1925	586,092.35	—	—	586,092.35
1926	278,126.61	—	—	278,126.61
1927	351,157.76	—	—	351,157.76
1928	247,077.09	—	—	247,077.09
1929	85,700.44	—	—	85,700.44
1930	9,629.90	221,000	—	230,629.90
1931	383,364.94	—	—	383,364.94
1932	485,519.50	99,000	—	584,519.50
1933	165,566.10	80,000	—	245,566.10
1934	140,763.23	—	—	140,763.23
1935	—	—	45,456.47	—
1936	111,942.05	—	—	66,485.58

⁴ The table of non-budget services attached to this report shows that the Fund amounted to 265,000 francs on December 31st, 1936, on which date the Institute still owed the Fund a cash sum of 135,000 francs which it had borrowed temporarily. This sum was repaid, however, during the supplementary financial period provided for in the Financial Regulations (Article 13).

At the close of the various financial years, the position of the Working Capital Fund (instituted at my instance in 1930) was as follows:

Year	Amount	Proportion as compared with the original estimates of expenditure for the following year
	Francs	%
1930	221,000.—	6.49
1931	221,000.—	6.57
1932	320,000.—	9.98
1933	400,000.—	12.43
1934	400,000.—	13.90
1935	354,543.53	12.35
1936	400,000.—	14.38

The Results of the Financial Year.

The financial year 1936 thus closes:

- (a) With receipts falling short of the budget estimates by 121,194.34 francs;
- (b) With expenditure less than the estimates by 233,136.39 francs;
- (c) With receipts consequently exceeding expenditure, and a cash surplus of 111,942.05 francs, a part of which (45,456.47 francs) was used to cover the deficit left by the previous year, reducing the total surplus to 66,485.58 francs;
- (d) With a Working Capital Fund of 400,000 francs;
- (e) With assets amounting to 372,229 francs in respect of unpaid Government contributions, and to 31,372.42 francs in respect of other items.

EXPENDITURE.

As stated, the expenditure properly so called of the Institute totalled for the year 2,637,563.61 francs, or 233,136.39 francs less than the estimates. As the receipts (as also stated) were less than the estimates, it is obvious that the favourable result for the year in the shape of a not inconsiderable cash surplus is due to the marked economy effected in the expenditure.

With this premise, I may now proceed, as usual, to review rapidly the course of the financial administration for the year in question in connection with the different items of the budget.

Chapter I. — Staff.

The expenditure under this chapter (1,605,388.23 francs), which accounts for more than half of the budget, is less than in the previous year to the considerable amount of 178,686.28 francs—representing a saving of 160,311.77 francs on the estimates (1,765,700 francs). The saving in question is due in part to the decision to cut salaries which was taken by the Directors' Committee: ¹ the enforcement of this decision realised a total saving of 79,758.10 francs.

The rest of the saving is due to a reduction in the number of officials and the fact that no bonuses were granted.

As regards the establishment, which I am called upon to check in order to satisfy myself that the expenditure concerned is in accordance with the regulations, I may repeat that for the last two years the establishment has been determined solely by the financial possibilities of the Institute. I have nothing to say therefore in this connection, except that the number of officials and employees of the Institute has remained, as in the past two years, strictly in accordance with the financial possibilities.

As in previous years, there have been certain officials outside the establishment who have been paid monthly out of Chapter III, E ("Contribution for special work"). The number of such officials increased from eight to twelve during the year, and the expenditure under this item of the chapter concerned was 197,750.43 francs.²

Other temporary employees—also outside the establishment—were engaged for extra-budgetary services to which reference will be made below.

Chapter II. — Maintenance.

Unlike Chapter I, Chapter II shows an expenditure (94,803.05 francs) which, though it is less (by 15,196.95 francs) than the estimates (110,000 francs), is a good deal larger (14,583.75 francs) than the corresponding expenditure for the previous year. The explanation is to be found partly in the increase in heating costs, but mainly in the increase in heating, lighting and general upkeep requirements in connection with the staff engaged on the strength of the Rockefeller grants.

Chapter III. — Working Expenses.

The tendency to economise, which is this year characteristic even more than on previous occasions of the results of the financial year, is again more marked in the case of this chapter. Of an appropriation of 980,000 francs, only 930,132.23 francs were expended—*i.e.*, 49,857.77 francs less than the estimates, and 52,984.95 francs less than in the preceding year.

As regards the detail of the different items, there is once again nothing to be said with regard to the first two ("Travelling expenses of members of the Directors' Committee" and "Entertainment allowances"), except, of course, that the savings effected under these two heads contributed to the total savings effected.

¹ At its meeting of December 20th, 1935.

² The position as regards the Institute's contribution in respect of the insurance of employees outside the establishment is also unchanged. This contribution is still charged to the item "Insurance" in the chapter "Staff".

In the case of " Travelling expenses of officials ", the expenditure was 78,033.85 francs, or slightly more (rather over 2,800 francs more) than in the preceding year. As in past years, some of the expenditure under this item was in respect of the next item (" Meetings of experts "), which is also slightly higher (nearly 50,000 francs higher): the total figure is 148,245.60 francs, representing no more than a slight saving (1,754.40 francs) on the estimates (150,000 francs).

Item E (" Special work "), on the other hand, made it possible, as stated, to take a sum of 30,000 francs out of the appropriation of 300,000 francs for the benefit of item H (" Publications "). In its reduced form of 270,000 francs, the appropriation under item E still shows a saving of 34,773.47 francs, the expenditure having been only 235,226.53 francs. As in the past, therefore, and to an even greater extent than in the past, this item furnished the largest contribution to the total saving on the chapter (49,867.77 francs).

Item F (" Office expenses ") shows an increase of expenditure of 7,000 francs compared with, in the previous financial year, the appropriation of 150,000 francs under this item being completely exhausted.¹ This large expenditure represents a further consequence of the establishment of new offices for the staff engaged on the strength of the Rockefeller Foundation grants, and explains why the Institute has been led, as above-mentioned, to reserve a small portion of the grants in question—viz., 2,500 francs—to cover costs resulting from the increased expenditure in this connection.

The next item (" Purchase of books ") appears normal, and does not call for special comment. In the case of the last item (" Publications "), the expenditure amounted to 233,026.40 francs, and was thus considerably less (by over 100,000 francs) than the corresponding expenditure of the previous year. Compared with the appropriation for this item, which was raised (as stated) during the year from the original figure 205,000 francs to 235,000 francs, the saving achieved was only 1,973.61 francs.

As an offset to this expenditure, the receipts were (as stated) 142,928.73 francs—which is still less than the budget estimate (200,000 francs), though nearly 35,000 francs larger than the figure for the previous year. Although these facts justify the counsels of prudence which I gave in connection with the establishment of the estimates—effect has already been given to these counsels—they at the same time afford evidence of a gratifying resumption of the upward trend of the economic results achieved by the Institute in this branch of its activities. As will be seen from the table appended in the footnote,² the receipts for the year nearly reached the 1934 level.

Chapter IV. — Unforeseen Expenditure.

The expenditure of 7,240.10 francs under this chapter is, as usual, much below the estimates (15,000 francs): it does not call for any special observation.

EXTRA-BUDGETARY ACCOUNTS.

A. Publication of the Collection of Latin-American Classics.

To the sum of 117,690.70 francs still available in respect of these publications at the end of 1935 must be added the proceeds of the sales of the volumes of the collection during the year, which amounted to 1,084 francs or less than one-third of what was taken in the previous year.

The total of the account in 1936 was thus 118,774.70 francs, of which amount 35,485.70 francs were expended. A sum of 12,000 francs representing a payment by Venezuela as part of the Venezuelan contribution to the budget was also brought into account.³ The account accordingly closed with a balance of 71,289 francs.

¹ There was a balance of 3.75 francs.

² Receipts for the various financial periods since the Institute was founded:

Year	Receipts from sales of publications	Increase (+) Decrease (—)	
		as compared with the previous year	
	Francs	Francs	Francs
1925	—	—	—
1926	—	—	—
1927	3,155.75	3,155.75	—
1928	6,851.45	3,695.70	—
1929	24,644.07	17,792.62	—
1930	67,204.43	42,560.36	—
1931	59,360.50	—	7,843.93
1932	73,024.20	13,663.70	—
1933	104,608.71	31,674.51	—
1934	143,865.96	39,167.25	—
1935	108,025.78	—	35,840.18
1936	142,928.73	34,902.95	—

³ This payment was made in 1936 during the additional period of the financial year 1935 for the account of 1935.



In accordance with the decision of the competent authorities, this account has to be subdivided into as many accounts as there are contributions. The position is shown in the following table:

Latin-American Classics.

Name of State	Year	Receipts			Expenditure		Total	Balance available
		Amount of payment	Proceeds of sales	Total receipts	Years 1929-1935	Year 1936		
		Francs	Francs	Francs	Francs	Francs	Francs	Francs
Chile	1928	30,874.70	2,515.—	33,389.70	17,512.—	2,000.—	19,512.—	13,877.70
Brazil	1929	86,916.—	2,737.40	89,653.40	38,318.55	16,153.95	54,472.50	35,180.90
Venezuela	1930	41,212.35	—	41,212.35	26,073.25	2,000.—	28,073.25	13,139.10
Argentine Republic	1930	36,481.90	1,030.—	37,511.90	22,376.05	5,986.70	28,362.75	9,149.15
Cuba (Marti Committee)	1932	12,677.50	—	—	14,014.35	—	14,014.35	— 97.85
	1935	1,189.—	50.—	13,916.50	—	—	—	—
Porto Rico (Hostos Committee)	1933	17,497.35	40.—	17,537.35	8,152.30	9,345.05	17,497.35	40.—
		226,848.80	6,372.40	233,221.20	126,446.50	35,485.70	161,932.20	71,289.—

B. Enquiry concerning the Institution of International University Exchanges and the Measures taken in all the Countries of Europe to encourage such Exchanges (American Enquiry).

No change occurred in this account during the financial year 1936. At the close of 1936, therefore, the amount available was the same as it had been since 1933—viz., 36,365.76 francs.¹

C. Rockefeller Fund Grants.

These grants, which the Rockefeller Foundation has made for some years past to the Institute, relate in 1936 to three special objects laid down by the Foundation.

One of these grants, which is in connection with others previously accorded, is for the purpose of assisting the Institute to organise a programme of research for the International Studies Conference and to maintain a secretariat to ensure liaison between the national organisations represented.

The second grant, in connection with which a first payment was made last year but was shown in the accounts for the year as part of the first grant, has been given for the preparation of the report on collective security which is the outcome of the discussions of the Eighth International Studies Conference (London, 1935).

The third grant, payments in respect of which date only from the current year, is intended for the organisation of international study-groups to undertake researches on colonial problems, problems of population, questions in connection with raw materials, and a special regional study of Danubian questions.

The following table gives an account of each of the three grants:

	Balance as at December 31st, 1935	Grants received in 1936	Total sums received	Expenditure settled in 1936	Sums refunded to the Rockefeller Foundation under a clause attaching to the grants	Balance as at December 31st, 1936
	(a)	(b)	(c)	(d)	(e)	(f) = c — (d + e)
	Francs	Francs	Francs	Francs	Francs	Francs
International Studies Conference	28,899.98	183,010.30	211,910.18	208,247.87	—	3,662.31
Preparation of report on collective security	2,700.—	6,437.60	9,137.60	9,137.60	—	—
Organisation of study-groups for research purposes, various.	—	68,441.25	68,441.25	65,972.09	2,469.16	—
Totals	31,599.88	257,889.15*	289,489.03	283,357.56	2,469.16	3,662.31
				285,826.72		

* Plus 3,600 dollars, the whole of which was expended (in dollars) for remuneration of the authors of reports.

¹ Derived from payments made in previous years by the American Council on Education and placed to the Institute's account through the Secretariat of the League of Nations.

As already stated, a small amount (2,500 francs) was deducted from these grants and carried to the budget of the Institute as a contribution towards the additional office expenditure resulting for the Institute in connection with the services in question.

It should further be pointed out that the above-mentioned expenditure includes expenditure for the remuneration of certain extraordinary employees (numbering seven at the end of the financial year) who were taken on specially for the work. This expenditure totalled 123,639.86 francs.

D. *Preparation of the "Lexicon of Political Terms".*

No expenditure was incurred on this account during the financial year 1936. Accordingly, the balance of 16,493 francs left from the previous financial year out of the funds granted for the purpose by the Carnegie Endowment for International Peace remained intact.

E. *Japanese Collection.*

As stated in my previous report, there remained a balance on this account at the end of the financial year 1935 of 9,030 francs. A further payment of 39,060 francs was received during the year, bringing the total amount of the fund for the year up to 48,090 francs.

Out of this amount, 14,419.15 francs were expended. At the close of the year 1936, therefore, there remained a balance of 34,670.85 francs.

F. *Studies on Danubian Problems.*

The Carnegie Endowment for International Peace made a grant to the Institute in the course of the year of 45,000 francs to facilitate the establishment of concerted relations between the individuals dealing with the studies in question, as also for co-ordination of their reports and the publication of the results of their labours. Of this sum, 20,960.45 francs were expended; there accordingly remained at the closure of the account a balance of 24,039.55 francs.

G. *"Month of Intellectual Co-operation" at the Paris Exhibition, 1937.*

The Commission of the 1937 Paris Exhibition placed a sum of 90,000 francs at the disposal of the Intellectual Co-operation Organisation during the year to cover the cost of the demonstrations of intellectual co-operation and, in particular, the meeting of the International Studies Conference and the general Conference of National Intellectual Co-operation Committees.

None of this amount had been expended at the close of the financial year: but the sum was no longer credited to the account of the Institute, having been deposited with the Secretariat of the League of Nations at Geneva.¹

CONCLUSION.

The financial position at the close of the year 1936 was excellent, and the credit attaching to the responsible authorities is all the greater in that the position represents a notable recovery. The situation at the close of accounts of the previous year was a very difficult one; but the position to-day has been entirely reversed.

This achievement is due to the policy of strict economy which has been courageously pushed further in order to cope with the situation, particularly as regards expenditure on staff. This policy is now characteristic of the organisation, and justifies every confidence in the future, whatever chapters may be affected (as the circumstances vary) by the cuts enforced.

The accounts have been kept, and the various transactions in connection with receipts and expenditure have been effected, in an equally excellent manner calling for no comment on my part.

I accordingly declare the accounts of the Institute for the year 1936 to be in order.

(Signed) Dr. F. VIVALDI,
Deputy Auditor of the League of Nations.

¹ Account will of course be rendered of the use of this sum and others received for the same purpose during 1937 at the end of the current year.

ACCOUNTS FOR THE FINANCIAL YEAR 1936 (JANUARY 1ST, 1936-MARCH 31ST, 1937).
BUDGET FOR 1936.

I. Receipts.

I. Grants by:

	Francs	Francs
Austria	1,000	
Brazil	75,000	
Colombia	8,300	
Denmark	10,200	
Egypt	37,700	
France	2,000,000	
Hungary	20,600	
Italy	152,000	
Luxemburg	2,000	
Mexico	60,000	
Monaco	2,000	
Poland	30,000	
Portugal	15,400	
Roumania	25,000	
Switzerland	24,500	
Venezuela	12,000	
Yugoslavia	25,000	

2,500,700

II. Miscellaneous receipts:

Interest on deposits	20,000
Sales of publications	200,000
Sundry	50,000
Contribution of the Italian National Committee	40,000

310,000

III. Extraordinary receipts

60,000

Total receipts

2,870,700

II. Expenditure.

Chapter I. — Staff.

A. Director, principal secretaries, Legal Adviser, heads of services and internal administration	965,000
B. Head clerks, clerks and shorthand typists	496,700
C. Minor staff	135,000
D. Allowances (family allowances, etc.)	83,000
E. Payment to the Pensions Fund	86,000

1,765,700

Chapter II.

A. Upkeep of buildings and furniture	40,000
B. Lighting and heating	50,000
C. Insurances	20,000

110,000

Chapter III.

A. Travelling expenses of members of the Committee of Directors and of the Auditor	20,000
B. Entertainment allowances:	
Committee of Directors (lump-sum allowance)	5,000
Director (lump-sum allowance)	30,000
Principal secretaries and heads of services (entertainment allowance)	5,000
Lump-sum allowance for the costs of motor-car	30,000
	70,000
C. Journeys made by officials	80,000
D. Experts' meetings	150,000
E. Contribution to special work	300,000
F. Office expenses	150,000
G. Purchase of books	5,000
H. Publications	205,000

980,000

Chapter IV.

Provision for unforeseen expenditure	15,000
--	--------

15,000

Chapter V.

Payments to Reserve Fund (<i>ad memorandum</i>)	—
---	---

Total Expenditure

2,870,700

TRANSFERS AND SUPPLEMENTARY CREDITS FOR THE FINANCIAL YEAR 1936.

Items	Original credits	Transfers and supplementary credits		Final credits
		December 20th, 1935, Directors' Committee	December 22nd, 1936, Directors' Committee	
<i>Chapter I. — Staff.</i>	Francs	Francs	Francs	Francs
A. Director, principal secretaries, etc.	965,000		— 2,500	962,500.—
B. Head clerks, clerks, etc. . .	496,700		+ 2,500	499,200.—
<i>Chapter III.</i>				
E. Contribution to special work	300,000		— 30,000	270,000.—
H. Publications	205,000		+ 30,000	235,000.—
<i>Chapter V.</i>				
Payments to Reserve Fund . .	—	+45,456.47	+135,000	180,456.47
		45,456.47	135,000	

RECEIPTS FOR FINANCIAL YEAR 1936.

I. Contributions by:

	Francs	Francs
Austria	1,182.—	
Brazil	75,000.—	
Colombia	7,712.—	
Denmark	10,588.23	
Egypt (for 1935)	53,892.35	
France	2,000,000.—	
Italy	152,000.—	
Luxemburg	2,000.—	
Monaco	2,000.—	
Poland	30,000.—	
Portugal	15,341.95	
Roumania	25,000.—	
Switzerland	13,819.75	
Yugoslavia	25,000.—	
		2,413,536.28

2. Miscellaneous Receipts:

Interest on deposits	26,967.95	
Sale of publications	142,928.73	
Contribution of the Italian National Committee ¹	25,059.30	
Miscellaneous	141,013.40	
		335,969.38

3. Extraordinary Receipts:

Loan from Working Capital Fund		135,000.—
Total		2,884,505.66

	Francs
¹ For 1935	16,430.72
For 1936	8,628.58
	<u>25,059.58</u>

DETAILED ACCOUNT OF EXPENDITURE DURING THE FINANCIAL PERIOD 1936.

Items	Total credits entered for the financial period	Actual expenditure		Total expenses for financial period	Cancelled credits
		From January 1st, to December 31st, 1936	From January 1st, to March 31st, 1937		
	Francs	Francs	Francs	Francs	Francs
<i>Chapter I. — Staff:</i>					
A. Director, principal secretaries, Legal Adviser, heads of services and internal administration	962,500.—	858,956.80	—	858,956.80	103,543.20
B. Head clerks, clerks and shorthand typists	499,200.—	484,167.82	—	484,167.82	15,032.18
C. Minor staff	135,000.—	105,491.40	692.—	106,183.40	28,816.60
D. Allowances (family allowances, etc.)	83,000.—	79,635.21	—	79,635.21	3,364.79
E. Payment to the Pension Fund	86,000.—	76,445.—	—	76,445.—	9,555.—
<i>Chapter II:</i>					
A. Upkeep of buildings and furniture	40,000.—	17,115.90	15,876.40	32,992.30	7,007.70
B. Lighting and heating	50,000.—	22,979.10	21,390.35	44,369.45	5,630.55
C. Insurances	20,000.—	17,441.30	—	17,441.30	2,558.70
<i>Chapter III:</i>					
A. Travelling expenses of members of the Directors' Committee and of the Auditor	20,000.—	15,126.95	—	15,126.95	4,873.05
B. Entertainment allowances	70,000.—	66,677.15	—	66,677.15	3,322.85
C. Journeys made by officials	80,000.—	75,736.95	2,296.90	78,033.85	1,966.15
D. Experts' meetings	150,000.—	148,245.60	—	148,245.60	1,754.40
E. Contribution to special work	270,000.—	233,724.03	1,502.50	235,226.53	34,773.47
F. Office expenses	150,000.—	128,287.90	21,708.35	149,996.25	3.75
G. Purchase of books	5,000.—	1,964.50	1,835.—	3,799.50	1,200.50
H. Publications	235,000.—	182,568.45	50,457.95	233,026.40	1,973.60
<i>Chapter IV:</i>					
Provision for unforeseen expenditure	15,000.—	7,240.10	—	7,240.10	7,759.90
<i>Chapter V:</i>					
Payments to Reserve Fund	180,456.47	45,456.47	135,000.—	180,456.47	—
Total	3,051,156.47	2,567,260.63	250,759.45	2,818,020.08	233,136.39

RESULT OF FINANCIAL PERIOD 1936.

(Closed March 31st, 1937.)

Transactions during the financial year 1936:

	Francs	Francs
<i>1. Receipts:</i>		
(a) January 1st to December 31st, 1936	2,569,761.39	
(b) January 1st to March 31st, 1937	314,744.27	
Total	2,884,505.66	2,884,505.66
<i>2. Expenditure:</i>		
(a) January 1st to December 31st, 1936	2,567,260.63	
(b) January 1st to March 31st, 1937	250,759.45	
Total	2,818,020.08	2,818,020.08
Excess receipts		66,485.58

NON-BUDGET SERVICES.

Items	Balance on December 31st, 1935	Actual receipts 1936	Total receipts	Actual Expenditure, 1936	Balance on December 31st, 1936
<i>I. Francs.</i>					
Latin-American Classics	117,690.70	1,084.—	118,774.70	47,485.70	71,289.—
American Enquiry	36,465.76	—	36,465.76	—	36,465.76
International Studies Conference (Rockefeller Foundation)	31,599.88	257,889.15	289,489.03	285,826.72	3,662.31
Dictionary of Political Terms (Carnegie Endowment)	16,495.—	—	16,495.—	—	16,495.—
Japanese Collection	9,030.—	39,060.—	48,090.—	13,419.15	34,670.85
Danubian Conference (Carnegie Endowment)	—	45,000.—	45,000.—	20,960.45	24,039.55
1937 Exhibition	—	90,000.—	90,000.—	90,000.—	—
Working Capital Fund	240,000.—	160,000.—	400,000.—	135,000.—	265,000.—
	451,281.34	593,033.15	1,044,314.49	592,692.02	451,622.47
<i>2. Dollars.</i>					
International Studies Conference (Rockefeller Foundation)	—	3,600.—	3,600.—	3,600.—	—

CASH POSITION AS AT DECEMBER 31ST, 1936.

	Total	Budget services	Non-budget services
<i>A. Dollar account:</i>			
Actual receipts in 1936	3,600.—		3,600.—
Actual expenditure in 1936	3,600.—		3,600.—
Balance, December 31st, 1936	—		—
<i>B. Franc account:</i>			
Balance, December 31st, 1935	455,366.45	4,085.11	451,281.34
Actual receipts in 1936:			
<i>Francs</i>			
(1) For the financial period 1935	244,880.37		
(2) For the financial period 1936	2,569,761.39		
(3) For non-budget services	593,033.15		
	3,407,674.91	2,814,641.76	593,033.15
Total	3,863,041.36	2,818,726.87	1,044,314.49
Actual expenditure in 1936:			
<i>Francs</i>			
(1) For the financial period 1935	248,965.48		
(2) For the financial period 1936	2,567,260.63		
(3) For non-budget services	592,692.02		
	3,408,918.13	2,816,226.11	592,692.02
Balance, December 31st, 1936	454,123.23	2,500.76	451,622.47

