

interest ($4\frac{1}{2}$ per cent.), which was one of the fund's principles of finance. The policy of giving security precedence over rate of yield had resulted in the greater part of the fund's assets having been placed on deposit without interest. Indeed, two-thirds of the assets were held in the form of gold. Such was the position when the Administrative Board made its report to the Assembly (Documents A. 11 and 11 (a)), with which should be read the report on the actuarial valuation of the funds. Indeed, the Consulting Actuary was of the opinion that the loss in respect of both capital and interest should be amortized by the League, and he made certain proposals to this end. His view, however, was not accepted by the Supervisory Commission, whose remarks on the position will be found on pages 3 and 4 of its report (Document A. 5 (a)).

So serious was the view held in some quarters that I understand the British delegation had under consideration a proposal to appoint a special Committee of investigation.

But suddenly the position changed. The Swiss Government decided to devalue the franc, and a deficit of more than three million francs was turned into a profit on paper of from one to one and a half million francs. Great care, however, will still need to be exercised. The Board is a capable one, and there is every reason to believe that it will give close attention to certain points which require to be modified or clarified.

The administration of the fund, which to be solvent must earn $4\frac{1}{2}$ per cent. on its investment, offers a problem these days, and the investment policy seems to require close and expert consideration. No further comment by me is needed, but in conclusion I would refer you to the section dealing with the Pensions Fund in the Fourth Committee's report to the Assembly (Document A. 80).

ALLOCATION OF EXPENSES.

In an earlier report expression was given to the view that no question of an administrative nature would give the League more trouble to solve than that of the allocation of expenses. One is compelled to confess, however, that, although there was a somewhat long debate on this subject in the Fourth Committee, during which many speakers complained that their country's case had not received sufficient consideration at the hands of the special Committee on the Allocation of Expenses, the recommendations made to the Fourth Committee were accepted without any considerable opposition, and in an atmosphere in which good feeling and a spirit of conciliation predominated. Such a result speaks well for the efforts which the special Committee had made in an attempt to secure justice and fairness amongst the States. Complaints there were bound to be—comparisons were inevitable; but an improved scale has been secured. It will apply during the years 1937 to 1939. As has happened before in other fields of League operations, Great Britain came to the rescue, and the special Committee in its report speaks in appreciative terms of the British Government's offer to increase its contribution temporarily by three units.

A report on the allocation of expenses (Document A. 10) came before the Fourth Committee early in the session. However, it was felt desirable that the Allocation Committee, whose mandate had expired, should be reappointed with a view of reconsidering its recommendations, if necessary, in the light of further information, including information which would be made available by States that had not been heard. Document A. 10 has therefore to be supplemented by the report which the Fourth Committee laid before the Assembly (Document A. 82.)

As a result of further deliberations, the Fourth Committee was recommended to maintain the reductions already suggested amounting to 35 units, but to change the total of proposed increases from 39 to 27.

To enable you to compare the recommendations in May, 1936, with those made in the following October, it is suggested that you refer to the second report of the Allocation of Expenses Committee (Document A. IV/9). Briefly, the effect of the changes in the recommendations is to increase the amount in gold francs of a unit, since the total number of units is now fixed at 923, in place of the 935 contemplated in May last, and is actually less by 8 units than the present scale, which was fixed at 931.

Many States benefit under the new scale, including New Zealand, whose contribution is reduced from 10 to 8 units, which I think is fair, and certainly is more in accord with her ability to pay as judged on the statistics available. When the matter came finally before the Fourth Committee your representative expressed gratitude for the consideration given by the Allocation Committee to New Zealand's case. In doing so he said that the Dominion had felt for some years that her contribution was too high having regard to her resources, but that she had not complained and had only made representations when invited. I may add that those representations were limited to a written statement and that it was thought unnecessary that any one should appear before the Allocation Committee on behalf of New Zealand.

The Fourth Committee's report came before the Assembly on the afternoon of the 10th October, when the new scale (printed on page 3 of the report) was approved for the years 1937, 1938, and 1939.

While in the opinion of the Allocation Committee the new scale has elements of permanence, the question is by no means settled, and there is little doubt that it will have to receive further serious consideration in a few years' time.

CONTRIBUTIONS IN ARREAR.

It will be remembered that last year arrangements, which were subsequently endorsed by the Sixteenth Assembly, were made with certain States which were in arrears of their contributions for the ultimate liquidation of outstanding debts. The matter had been dealt with by a Committee known as a Special Committee on Contributions in Arrears, whose Report (Document A. 29) to the Seventeenth Assembly deals with (amongst other matters) negotiations carried on since 1935 with other States. With five States—Bolivia, Bulgaria, Colombia, Liberia, and Peru—settlement was reached, and the recommendations of the Special Committee as printed on pages 3 and 4 of the report were accepted by the Fourth Committee. There are, however, yet other States with which arrangements have not been made, including four countries in Central and South America who have given notice of withdrawal from the League.