

SECTION IV

Finance

During the first year the most essential PCIRO operations on behalf of the refugees and displaced persons were financed successfully despite difficulties inherent in the Organization's constitutional position.

A financial administration was set up which is capable of supervising expenditures in thirty-eight different currencies by twenty-five principal offices and numerous sub-offices throughout Europe, the Western Hemisphere, China and the Middle East areas. The exacting tasks of combining two predecessor organizations and recruiting a skilled technical staff have been substantially completed. Auditing and accounting procedures have been adopted which have ensured prompt production throughout the year of financial data to expedite operational planning and give it a measure of flexibility to meet the changing needs of a changing programme. The Organization has presented, only two months after the end of the year, a complete set of accounts covering the year's operations, together with the audited Balance Sheet and the Auditors' report.

In assessing the degree of progress that has been made in the financial field, it will be useful to consider the initial difficulties under which this phase of the work was begun on 1 July 1947. The Agreement on Interim Measures, in effect, invited signatory governments to make advance payments against their contributions for the first year, but could not place governments under any obligation to make funds available to the Commission. Thus, while the refugee problem, which the Commission was called upon to meet, remained constant and demanding, the amount of funds available to meet it was uncertain. In each of the first eight months of operation, for example, the Organization received an average of only 6 per cent of its anticipated revenue for the year. Then, in one month, in the third quarter, it received nearly a quarter of its revenue for the entire year. These fluctuations of receipts were one of the important factors which made definite planning difficult.

Whilst signatory governments gave proof of the most sympathetic understanding of the problem, it was inevitable that constitutional difficulties hampered many of them in completing ratification of membership and in making prompt financial assistance available. Furthermore, economic difficulties in many countries caused their governments to furnish advances only in currencies of restricted convertibility. The

search for commodities, shipping and services which could be obtained in exchange for these currencies of restricted convertibility has been a constant preoccupation of the operating departments concerned.

A further obstacle to operational planning was the Organization's inability to obtain immediately exact cost figures covering the various supplies which were being furnished to the displaced persons by the Occupation Authorities at the time it assumed operational control in the field. Prudence dictated establishment of substantial reserves to meet this liability of undetermined size. Only after months of careful negotiation were initial prices ultimately reduced, thus enabling the Organization to commit so much of this reserve as exceeded the actual liability.

These three factors of uncertainty—irregular receipts in funds of restricted convertibility and slow determination of the extent of past liabilities—tended to inhibit full commitment of resources in the early part of the year. Consequently, some projects initiated late in the first fiscal year and financed by revenue of that year will be completed in the second.

The budget necessary under the terms of the Constitution for the first financial year was established as a total sum, expressed in terms of U.S. dollars, of \$155,860,500, comprising \$4,800,000 for administrative expenses and \$151,060,500 for operational expenses, together with a further sum of \$5,000,000 in respect of large-scale resettlement expenditure.

When the Commission commenced operations on 1 July 1947, twenty countries had signified intention of membership, but of these only nine had completed their ratification.

During the month of July 1947, loans were made to the Commission by UNRRA in the amount of \$2,000,000 and by the United Nations in the amount of \$500,000 to enable PCIRO to commence its operations, but the terms of these loans made it necessary for the repayment thereof to be made by the Commission three months later.

After due deliberation, and having regard to the probability of delay in receipt of resources, the Commission finally decided that expenditure could be planned only to the extent of the equivalent of U.S. \$119,088,320 for administrative and operational expenditure, together with an additional provision for the equivalent of \$5,000,000 for large-scale resettlement programmes.

Because the task of care and maintenance could not be reduced or deferred, and because the rate of re-establishment of refugees during the

initial months was slow, the Commission allocated \$75,281,927 or 63 per cent of its anticipated resources for the programme of health, care and maintenance ; however, only \$24,600,760 or 21 per cent was allocated for re-establishment, repatriation and resettlement.

Based upon the conviction that the increased rates of resettlement and repatriation will produce a substantial reduction in the care and maintenance load, the Organization has budgeted to reverse the emphasis in its second year of operation—1948/49. Approximately \$70,000,000 or 43 per cent will be allocated to the constructive task of re-establishment and only \$54,065,811 or 33 per cent to meet the needs of refugees and displaced persons remaining in the camps.

SECTION V

Agreements

During the preparatory period, a number of Agreements were concluded between the Preparatory Commission and the governmental authorities of the areas where the Organization conducts its operations, and with a number of countries of resettlement.

Agreements with the Occupation Authorities in the United States Zones of Germany and Austria provide that the Organization is to be directly responsible for the care and maintenance of refugees and for the operation of assembly centres. They provide also for the performance by the Organization of its constitutional functions of repatriation, resettlement and legal protection. These Agreements also define the status of the Organization, of its staff, and of the refugees and displaced persons, and provide for the procurement of the facilities, supplies and services required by the Organization in the performance of its functions. Close liaison with the Occupation Authorities is provided for, and the Agreements set out the reciprocal undertakings of the Occupation Authorities with respect to the procurement of indigenous supplies, the furnishing of local currency, the maintenance of law, order and security, and similar matters.

Agreements concluded with the British and French Occupation Authorities in Germany and Austria differ in one essential respect from the Agreements concluded with the United States Occupation Authorities, in that, in the British and French Zones, the Authorities undertake the direct administration of assembly centres. This is performed with