

974th meeting

Tuesday, 11 November 1975, at 10.50 a.m.

Chairman: Mr. Roberto MARTINEZ ORDOÑEZ (Honduras).

A/SPC/SR.974

AGENDA ITEM 54

United Nations Relief and Works Agency for Palestine Refugees in the Near East (A/10114, A/10115, A/10268):

- (a) Report of the Commissioner-General (A/10013 and Corr.1);
- (b) Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (A/10334);
- (c) Report of the United Nations Conciliation Commission for Palestine (A/10271);
- (d) Report of the Secretary-General (A/10253)

GENERAL DEBATE

1. Sir John RENNIE (Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East), speaking at the invitation of the Chairman, introduced his annual report for the period 1 July 1974 to 30 June 1975 (A/10013 and Corr.1). It was on the same lines as previous reports and its preparation had involved the usual consultations, although he himself took full responsibility for its contents. The introduction to the report referred briefly to the origins of the Agency and political developments of importance to its work, and dealt at greater length with its financial difficulties. It also mentioned important aspects of the Agency's operations, with special reference to health and education programmes, and acknowledged the assistance given by other United Nations organizations and by various non-governmental organizations. Chapter I gave a more detailed account of the Agency's programmes and developments in them during the period under consideration, while chapter II dealt with budgetary matters.

2. During the period dealt with in the report, many Palestine refugees had continued to live in difficult conditions. Their situation had been aggravated by the further outbreak of civil strife in Lebanon, which had disrupted the Agency's activities, not only in Lebanon itself, but in the Syrian Arab Republic and in Jordan, too, since Beirut was the main port of entry for supplies. For several weeks, the port had been virtually at a standstill and alternative routes had had to be used, which frequently involved extra expense. It had, however, been possible to distribute the bulk of the rations and field stocks had been sufficient to cover requirements, but once those stocks were exhausted there would be an acute shortage.

3. The effect on work in the Agency's headquarters had been severe: it was estimated that from the beginning of January to the end of October 1975, more than 17,000 man-days had been lost. The work of the Budget Division and the Data Processing Division was far behind schedule, as was the work of all departments dealing with personnel

and administrative matters. In the field of education, plans for 1976 had been delayed and, in health activities, the difficulties encountered in ensuring the provision of medical supplies and in supervising activities might adversely affect the long-term efficiency of the programme.

4. The Lebanon Field Office and the Central Lebanon Area Office had been closed nearly every day for the past eight weeks. In the camps, it had not been possible to implement maintenance and improvement programmes and no progress had been made with shelter reconstruction. Most of the schools had been closed and those which remained open, in the northern and southern parts of Lebanon, had not been able to receive instructional material, new textbooks in particular. Courses at the Sibli Training Centre had had to be interrupted for six weeks and it had been impossible to select trainees for the first-year intake for 1975/76. Travel difficulties had hampered first aid, the evacuation of the injured and the dispatch of surgical supplies; camp medical staff had been reduced to a skeleton basis, the lack of beds in the government and private hospitals had hindered the hospitalization of the seriously ill, and camp sanitation conditions were a cause of concern.

5. The Agency could do little to improve its operations in Lebanon, despite the dedication of its staff, which had been sorely tried. It must maintain its services in the other areas which it served—the Syrian Arab Republic, Jordan, the West Bank and the Gaza Strip—but all received guidance from Agency headquarters where vital services were provided on a centralized basis. An attempt had been made to solve the problem by redeploying professional staff on extended mission to the field, but if the situation did not improve in Beirut, he would be obliged to take more radical measures. If it became necessary to move staff temporarily on any large scale in order to enable Agency headquarters to perform its functions, the estimates of expenditure given in chapter II of the report would have to be changed significantly.

6. It was in those conditions that UNRWA had been going through the worst financial crisis in its history. Paragraph 7 of the report described briefly the Agency's financial situation in 1975 and indicated that at the beginning of September, when the report had been completed, there was a deficit of about \$13 million and that the level of income was inadequate to maintain the programmes in full until the end of the year. At the end of September the situation had been unchanged; there had been a danger that the Agency would default on its obligations as a result of lack of funds and he himself would then have been in breach of the Agency's Financial Regulations, as he had indicated in paragraph 13 of the report. He had therefore come to New York on 7 October and, after discussions with members of the Secretariat, he had submitted a special report to the

Secretary-General informing him that if the Agency did not receive sufficient additional contributions by 15 November, it would have to cease operations on 30 November, with all that that would entail in hardship for the refugees, the termination of thousands of employees, and serious repercussions on the stability of the host countries.

7. It would certainly be absurd if the Agency's operations were to cease for lack of \$13 million when its budget was over \$120 million. Paragraphs 11 to 15 of the report described the background to the financial situation, which comprised three distinct but related problems: insufficiency of income to meet expenditure, insufficiency of cash to meet cash expenditures which were due, and insufficiency of assets to cover liabilities.

8. The first of those problems could only be resolved by an increase in income, by a reduction in expenditure or, since the Agency had no reserves, by meeting the deficit at the end of the financial year from working capital. Borrowing was out of the question; the Agency had no authority to borrow and no security to offer, and pledges not yet made for the following year could hardly be regarded as security for a loan to meet expenditure for the current year, particularly when there was every reason to think that the income for the following financial year would also be insufficient. The working capital was now almost exhausted and by the end of 1975 would have been entirely consumed.

9. The only solution was to reduce expenditure, which could be done through reductions in services, reductions which would have to be all the more drastic the later they came in the financial year, when the deficit was greater. It would therefore seem logical to act as soon as it was felt that there was reason to believe that the necessary resources would be lacking. But, as could be seen from paragraphs 11 to 14 of the report, there would be strong resistance from host Governments and from members of the UNRWA Advisory Commission, who would feel, not without reason, that the Commissioner-General was prejudging the outcome of fund-raising effects and would refuse to co-operate with the Agency in putting the reductions into effect. That would lead to even broader repercussions. It was therefore axiomatic that the funds should be on the point of running out before reductions were considered, with the consequence that the reductions would then assume dramatic proportions.

10. Other practical difficulties were due to the fact that the Agency operated ongoing programmes of a quasi-governmental nature. How could one reduce an education programme? How could one eliminate schools or classes at random? How could one reduce a health programme which was already rudimentary and of which the only financial elements were medical care and basic environmental sanitation installations? As for nutrition, the supplementary feeding programme for young children and other vulnerable groups was not financed under the budget but by a special contribution from the European Economic Community (EEC), and rations had already had to be temporarily reduced in 1975 because of the supply difficulties which he had mentioned. Since it had inadequate working capital, the Agency was unable to hold large stocks of commodities, and ordering had had to be done on a hand-to-mouth basis.

Contingency plans for cuts in rations had, however, been worked out, but, in view of the serious repercussions which such measures would have and the progressive improvement in the Agency's financial situation, he had deferred a decision.

11. Lastly, the insufficiency of assets to cover liabilities was complicated by the existence of contingent liabilities that fell due if staff had to be discharged because of reductions in services. At the time when the special report to the Secretary-General had been prepared, it had been estimated that potential liabilities on 30 November 1975 would amount to \$32.2 million, with assets amounting to \$35 million, of which \$10.2 million would be non-cash assets and \$9.8 million would be funds allocated for 1976. The liabilities included \$10.5 million for termination indemnities which the Agency would have to pay to local staff, for the reasons given in paragraph 243 of the report for 1973/74:¹ in the event of a cessation of operations the Agency could not hope to find alternative employment for even one half of its staff. Under the contracts signed, provision also had to be made for one month's salary in lieu of advance notice. The non-cash assets consisted mainly of commodities, whose full conversion into cash could not be guaranteed. If he were to continue operations beyond 30 November 1975 without sufficient additional income, he would be violating the Agency's Financial Regulations.

12. Since the time when the special report to the Secretary-General had been submitted, approaches had been made to potential contributors and the situation had improved slightly. On 20 October, the United Kingdom had announced an additional contribution of a minimum of £200,000, which would be increased up to 10 per cent of the total of additional contributions pledged by other Member States since the appeal made on 24 June, with a maximum of £1 million. The United Kingdom contribution might therefore amount to over \$2 million, if the other additional contributions reached \$20 million. Additional contributions had been pledged by: Sweden, \$675,000; the United Arab Emirates, \$2 million; EEC, 5,000 tons of cereals for 1975, providing about 3,600 tons of flour, valued at over \$900,000; and the Netherlands, \$380,000, representing double its additional contribution announced in August. He wished to express his deep appreciation for those contributions, which had already reduced the deficit to \$7.2 million. He expressed the hope that they would be followed by further contributions on a sufficient scale to enable the Agency to avoid ceasing operations, but stressed that for that purpose the contributions must be pledged very soon.

13. The Agency would, of course, make every effort to avoid what would be a disaster for the Palestine refugees and for the region generally. But its financial situation was so precarious that it would be imprudent to use funds pledged for 1976 to meet operating expenses in 1975. At the end of 1974, working capital had amounted to about \$7.2 million, of which \$2.8 million had been temporarily reserved to cover a capital investment loss on the local Staff Provident Fund assets, leaving an unreserved balance of about \$4.4 million. That working capital had represented

¹ *Official Records of the General Assembly, Twenty-ninth Session, Supplement No. 13 and corrigendum.*

the excess of assets over liabilities at the end of the year, but the liabilities had provided for termination indemnities for only 50 per cent of the staff. The amount of working capital had been extremely small in relation to an expenditure budget for 1975 estimated at \$129.9 million—later reduced to \$121.8 million, mainly because of a reduction in flour prices—especially for an organization which had to purchase food-stuffs and other supplies on a large scale some months in advance of their utilization because of the time needed for delivery. The cash in hand at the beginning of 1975 had been little more than \$5 million, which was less than one month's cash expenditure. Thanks to the assistance given by Member States that paid their contributions early in the year, the Agency had been able to meet its obligations, but the danger of running out of cash would persist as long as working capital was so meagre.

14. The prospects for 1976 were also alarming. The increase in expenditure, due mainly to the effect of inflation, was estimated at \$139.7 million; however, that figure was much less than the increase for 1975, because of lower flour prices. Chapter II, paragraphs 197 to 200 and 202, of the report gave details of the estimates, which were prepared on the basis explained in the introduction, paragraph 11. Since Member States frequently made special contributions to the Agency, it would be extremely helpful if they could incorporate into their regular contribution for the next year the amount of special contributions made during the previous year or, alternatively, pledge similar special contributions at the time of pledging their regular contributions.

15. The estimated deficit for 1976 was \$55 million—\$9 million more than the estimated deficit at the beginning of 1975, which had not yet been fully eliminated. It would be very dangerous to use in 1975 funds pledged for 1976, without any assurance that it would be possible to balance the budget in 1976. Apart from being financially unsound in principle, such a course could very well precipitate a cash crisis immediately in 1976. Assuming that the Agency were to continue operations in 1976, there was a risk that lack of funds might make it necessary to reduce services to refugees in order to avoid breakdown or cessation. It would be clear from his report and from his statement that he would go to great lengths to avoid such reductions.

16. He drew the Committee's attention to paragraph 13 of his report, in which he referred to a questioning of the authority of the Commissioner-General to make reductions in programmes in any circumstances. He had then requested the opinion of the Legal Counsel of the United Nations; the text of that opinion was reproduced in annex IV. The Agency had no governing body other than the General Assembly, to which the Commissioner-General reported directly, and not through the Secretary-General, although he was appointed by the latter. If the Commissioner-General did not have the authority ascribed to him by the Legal Counsel "to establish the level of UNRWA services within the resources available to him to carry out those services", the General Assembly would have to give him directions as to what he should do if funds became insufficient. Either the Assembly's resolutions would have to be more specific in that respect than they had been so far, or else some other authority would have to be established to assume that responsibility. The Advisory

Committee gave advice to the Commissioner-General but had no executive power. That matter should be given attention, because the risk of a breakdown in the Agency's operations increased yearly. It could be only narrowly averted in 1975, and the prospects for 1976 were not very encouraging.

17. The remedy was to provide greater financial stability to the Agency. In paragraph 16 of his report, he made some suggestions on the subject, which he hoped would be of assistance to the Special Political Committee and to the General Assembly. In the absence of mandatory financing, the only solution would be some consensus among contributors; if such a consensus were effective, it would already be a vast improvement. If there was any way in which he could help in that respect, he was at the entire disposal of delegations.

18. The Agency had been providing services to the Palestine refugees for over 25 years. During that long period, the emphasis of the programmes had changed. The Agency had not only tried to maintain the physical well-being of the refugees, with the assistance of WHO; in co-operation with UNESCO, it had also succeeded in establishing a system of education and training for over a quarter of a million refugee children. The UNRWA programmes in the region could be regarded as a form of technical assistance until such time as the political problems involved could be solved. The Agency was trying to make its programmes more effective, as could clearly be seen from the report. For example, with regard to instruction, the education development centres, which were the local adjuncts of the UNRWA/UNESCO Institute of Education, had made a good start. In health activities, UNRWA was also concerned to improve the quality of care and to make the maximum use of its limited resources by co-operating with governmental and other agencies. In projects for the improvement of camps, reliance was placed on projects in which the Agency and the refugees, and frequently also central or local government agencies, co-operated. In his report, he had expressed appreciation for the assistance received from host Governments and from the Palestine Liberation Organization. More of that constructive work could be done if the Agency were not preoccupied by the chronic financial problem, which was currently compounded by problems of administration and organization arising from the threat to the viability of the Agency's headquarters. If UNRWA were to be plunged into financial crisis again from the beginning of 1976, it might not be able to tackle those problems.

19. Mr. TELLMANN (Norway), speaking as Rapporteur of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East, introduced the report of the Working Group (A/10334). By its resolution 3330 (XXIX), the General Assembly had in the previous year requested the Working Group to continue its efforts, in co-operation with the Secretary-General and the Commissioner-General, for the financing of UNRWA for a further period of one year.

20. The Working Group's report was divided into four main chapters. Chapter I gave a brief description of the origin and terms of reference of the Working Group and of

the consideration of its previous report² by the Special Political Committee and the General Assembly at the twenty-ninth session.

21. Chapter II contained a resumé of the activities of the Working Group during the preceding year as well as the results of fund-raising efforts on behalf of UNRWA in 1975. In its previous report, the Working Group had pointed out that extraordinary efforts by all concerned would be required to enable the Agency to continue its operations through the coming year at their present level. At the start of 1975, the working capital of UNRWA had amounted to less than the equivalent of one month's expenditure, and the Agency had been confronted with an estimated deficit of \$46 million. Despite a special additional contribution of \$10 million from the United States Government in early March, the Agency's financial situation was becoming increasingly desperate. The Secretary-General, in a statement issued on 10 June 1975 (A/10114), had declared that unless additional contributions were forthcoming it would be necessary to reduce or suspend Agency programmes for the second half of 1975. Thanks to a special donation of \$6 million from the United States Government and special contributions from Saudi Arabia in July—\$10 million—and the Netherlands in August—\$385,000 approximately—the deficit had been reduced to about \$13 million. However, as no other sizable contributions had been forthcoming, the Working Group had issued a special report (A/10268) in September 1975 stating that in the absence of additional contributions the Commissioner-General would be compelled to begin a reduction in services, which might entail a partial, selective or even complete termination of food rations and cuts in the educational programme for refugee children. Since the publication of the special report, the United Kingdom had announced an extra contribution of £200,000 and had promised to increase that offer up to 10 per cent of other additional contributions, with a ceiling of £1 million. Subsequently, additional contributions of \$765,000 from Sweden and \$2 million from the United Arab Emirates as well as a contribution in kind valued at about \$750,000 from EEC had helped to reduce the deficit to approximately \$8.3 million at the time of publication of the Working Group's report (A/10334) in November.

22. The Working Group pointed out in chapter III, paragraph 25, of its report, that the sharp increase in expenditure in 1975 was primarily due to three factors: local and world inflationary pressures on costs, sharply increased costs for flour and other food-stuffs, and unfavourable local rates of exchange against the United States dollar. Although there had been a considerable increase in income—about 20 per cent over 1974—the increase in expenditure had been even greater. As the Commissioner-General had pointed out, the Agency's deficit had been somewhat reduced, but it could not be met from working capital and UNRWA was therefore near collapse.

23. In chapter IV, in the concluding remarks at the end of its report, the Working Group first of all reiterated its assumption that as long as a just and lasting solution of the problem of the Palestine refugees was not achieved, the services of UNRWA remained indispensable.

24. The second conclusion stated that a complete suspension of the Agency's services for lack of funds might become inevitable unless additional contributions were forthcoming in the immediate future. Although income had more than doubled between 1971 and 1975, expenditure had risen faster during the same period and that increase in expenditure was not due to any expansion in the services offered to the refugees, as no new programmes had been developed. The increase in expenditure was primarily due to price increases, currency instability and inflationary pressures.

25. The Working Group then expressed its belief that any reductions in the services provided by the Agency would have very serious implications for the refugees themselves, for the countries in which they lived and for the prospects for a peaceful settlement in the Middle East. The Group would therefore view reductions or suspension with grave concern and appealed to members of the United Nations for urgent contributions to solve the Agency's immediate crisis.

26. The Working Group had noted the suggestions made by the Commissioner-General in the introduction to his annual report (A/10013 and Corr.1) with regard to the longer-term problems of securing the Agency's operations. The Commissioner-General had pointed out that the estimated deficit for 1976 was \$55 million, which was \$9 million more than the estimated deficit at the beginning of the year. The Working Group agreed that continuation of the services of UNRWA was an obligation of the United Nations acting on behalf of the international community and that the Agency's financing should be put on a firmer basis. It believed that the situation in which a small group of countries bore the major burden of financing the UNRWA budget was inconsistent with the terms of General Assembly resolution 3331 A (XXIX), which had been supported by an overwhelming majority of States Members of the United Nations and by the terms of which the Agency's mandate had been renewed for a further three years.

27. The Working Group believed that the provision of relief assistance, health services and educational facilities to the Palestine refugees was a common responsibility of all States Members of the Organization. If the financial position of UNRWA was to be improved without any reductions in its services, it was imperative that Member States should follow up their verbal support of the Agency with increased contributions. Consequently, the Working Group urgently requested in paragraph 33 of its report (A/10334) that those Governments which had not contributed in the past and those Governments which had so far contributed inadequately should now be willing to reconsider seriously their position and contribute generously to the common effort.

28. Mr. BAROODY (Saudi Arabia) commended the Commissioner-General and the Rapporteur of the Working Group on their excellent reports, whose pessimistic tone was unfortunately only a reflection of their realistic outlook. The agency's current plight resulted from the world-wide economic crisis, which some in the Organization itself had anticipated and even predicted. That crisis, which was due to such factors as continuing inflation, the

² Official Records of the General Assembly, Twenty-ninth Session, Annexes, agenda item 38, document A/9815.

exhaustion of countries' resources, and monetary instability, recalled the collapse of the 1930s in Europe and could not but give rise to a feeling of helplessness.

29. His delegation had repeated over and over again that a political solution must be found to the problem of the Palestine refugees in the Middle East. The situation there was the result of the partition of Palestine and the setting-up of a foreign State in that territory. The causes rather than the effects must therefore be attacked, and the great Powers which bore direct responsibility, namely the United States of America and the United Kingdom, must make a joint effort to find a final solution. Those Powers, particularly the United States, must also stop providing Israel and other States in the area with military assistance which only added to the existing instability.

30. So long as that type of military aid continued, a real solution to the Palestine problem would not be found by regularly increasing the contributions to UNRWA. The United States did not accomplish much when with one hand it made a huge contribution to the Agency and with the other it helped to maintain the chaos prevailing in the Middle East. The Central Intelligence Agency (CIA) had a budget of some \$16 billion, whereas \$2 billion would be enough in any other country to maintain very comprehensive intelligence services. Moreover, part of that budget was known to be used for the purpose of engineering coups d'état or stirring up abnormal situations, although it could be used for aid to the Palestine refugees.

31. The United Kingdom also had a certain moral responsibility towards Palestine. However, it was currently facing very grave economic problems and was probably doing the best it could.

32. Like the United States, the USSR spent huge sums on its intelligence service, the KGB. It, too, could use part of that money for assistance to the Palestine refugees. The Scandinavian countries, for their part, were doing their best, but they should urge the United States to change its attitude.

33. It had been said that the Palestinians were Arabs and that it was the Arab countries which should come to their

aid. Although in no sense responsible for the situation existing in Palestine, Saudi Arabia had, for its part, made major contributions to the Agency.

34. The Zionists, like the others who were responsible for the present situation, seemed unwilling to acknowledge that the Palestine problem could have only a political solution. They refused to comply with the numerous resolutions in which the United Nations had called for the refugees to be permitted to return to their homes. While it would not in itself represent an immediate solution to the Palestine problem, the implementation of those resolutions would at least be a first step. Tracing the history of the various waves of conquest in the Middle East, he observed that the Zionists, too, were invaders and that it was only because of their doctrinaire fanaticism that they believed that right was on their side. There would be no peace in the area until the Palestine refugees could return to their homes. All countries recognized that fact—even a country as far away as Japan.

35. Détente would accomplish nothing unless it was based on a completely new attitude, and unless the Powers concerned drastically changed their view of international affairs and abandoned the old concept of a balance of power and spheres of influence, which had caused so many wars.

Mr. Tellmann (Norway), Vice-Chairman, took the Chair.

Organization of the Committee's work

36. The CHAIRMAN asked those members of the Committee who wished to do so to put their names on the list of speakers for the general debate on the item under consideration and to give the officers of the Committee as soon as possible any draft resolutions they wished to submit to the Committee. He recalled that the Committee was already somewhat behind in its work and also, in accordance with the General Assembly's request, contained in a letter dated 11 November 1975 from the President of the Assembly (A/SPC/178), had to hear the representatives of the two communities in Cyprus at its next two meetings.

The meeting rose at 12.20 p.m.

975th meeting

Wednesday, 12 November 1975, at 10.55 a.m.

Chairman: Mr. Roberto MARTINEZ ORDOÑEZ (Honduras).

A/SPC/PV.975*

AGENDA ITEM 125

Question of Cyprus (A/10242, A/10256-S/11825, A/10276-S/11840, A/10282-S/11844, A/10283-S/11845, A/10292-S/11847, A/10305-S/11854, A/10310-S/11859, A/10322-S/11860, A/10323, A/10343-S/11875, A/10351, A/L.769, A/L.773, A/SPC/175, A/SPC/178)

1. The CHAIRMAN (*interpretation from Spanish*): This meeting has been called pursuant to two decisions adopted by the General Assembly on agenda item 125, entitled "Question of Cyprus". The first, which was adopted at the 2367th plenary meeting, held on 30 September 1975, was

* Verbatim record (see para. 1 below).