



UNITED NATIONS  
GENERAL  
ASSEMBLY



Distr.  
GENERAL

A/8040  
17 August 1970  
ENGLISH  
ORIGINAL: ENGLISH/FRENCH  
SPANISH

Twenty-fifth session  
Item 36 of the provisional agenda

UNITED NATIONS RELIEF AND WORKS AGENCY FOR  
PALESTINE REFUGEES IN THE NEAR EAST

Letter dated 13 August 1970 from the Secretary-General  
to States Members of the United Nations or members of  
the specialized agencies

..... I have the honour to transmit to you herewith a statement by the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East on the financial situation of the Agency. I trust that this statement will be brought to the attention of your Government as a matter of urgency.

I share the concern of the Commissioner-General that it has been necessary already to curtail expenditures both by discontinuing certain subsidy payments to Governments, especially for health and education services, and by reductions in other parts of the Agency's programme. I also share his concern that further reductions in the Agency's services may have to be made unless its financial situation can be improved. Such reductions would inevitably, in the disturbed conditions of the area, have a profoundly unsettling effect.

In the present circumstances, the Agency will be unable to meet its cash obligations beyond the first months of 1971, and its obligations will in effect exceed its cash assets by the end of this year. I earnestly

hope that Governments will give urgent attention to this vital matter so that it will be possible for the General Assembly to act at the twenty-fifth session in such a way as to enable the essential work of the Agency to be maintained in the coming year.

The Secretary-General

(Signed) U THANT

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ANNEX

The financial situation of UNRWA as of July 1970

Statement by the Commissioner-General

During the first half of 1970, the financial situation of UNRWA continued to deteriorate, and the threat of a breakdown in the Agency's services for the Palestine refugees became more imminent.

Appeals for additional funds, both within and outside the United Nations, and special efforts by the Secretary-General have brought a helpful response from a few contributors which is greatly appreciated, but the total result has been quite inadequate. The income provided to the Agency is still nearly \$5 million less than its total requirements. Since 1967 contributions have been at a higher level than they were before, but the cost of providing essential services to the refugees has grown even faster.

Since 1967, the pattern of the Agency's expenditures to meet the recurrent costs of the principal programmes has been developing as follows:

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	<u>1968</u>	<u>1969</u>	Est. <u>1970</u>	Est. <u>1971</u>
	(in millions of US dollars)			
<u>Recurrent costs</u>				
Relief services . . . . .	19.0	19.7	18.7	18.9
Health services . . . . .	5.4	5.5	6.0	6.3
Education services . . . . .	<u>16.2</u>	<u>17.6</u>	<u>20.3</u>	<u>21.8</u>
Total	40.6	42.8	45.0	47.0

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(Excluded from these figures are non-recurrent costs for buildings, replacement of motor vehicles and other equipment, etc. Expenditures for school buildings, health centres, shelter and other improvements in the emergency camps are now made only if special contributions are received for these particular purposes.)

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As the above figures show, there has been very little change in the cost of maintaining basic relief services (monthly food ration, supplementary feeding, shelter, and special hardship assistance) at the minimum level. This is mainly due to the receipt of basic foodstuffs in kind and the restriction imposed by

ration "ceilings". Health costs have increased (and in 1971 will be about 19 per cent above the 1968 level) because medical and sanitation services must be provided to more people, and the costs of supplies and wages have risen as well.

By far the most significant increase in expenditure has been in respect of education, which will have increased by 34 per cent in a three-year period. This is principally due to the increased enrolment in UNRWA/UNESCO schools, largely as a result of the natural increase in the refugee population; for the school year 1970-1971 enrolment is expected to be 57 per cent above what it was at the end of the 1967-1968 school year. The level of teachers' salaries has also risen.

As income has fallen short of needs, the Agency has examined all possibilities of curtailing expenditure. In a sense this is a continuous process and savings have been achieved whenever possible from administrative economies or from reductions in programmes where feasible. Cumulative savings over recent years would amount to well over \$1 million annually.

As foreseen in reports distributed to the General Assembly last year (A/7577, A/7614), much more far-reaching reductions have had to be considered. Some of them have been put into effect, at least provisionally until the General Assembly can once again review the Agency's programme and financing.

Expenditures have been curtailed by discontinuing certain subsidy payments to Governments, especially for health and education services, by discontinuing the distribution of soap with the monthly ration (except in the emergency camps), by reducing certain elements of the supplementary feeding programme, by reducing the number of university scholarships and by a number of other small economies. In total, these reductions would amount to nearly \$2 million on an annual basis, and about \$1.5 million up to 31 December 1970.

The possibility of proceeding with other reductions mentioned in the above-mentioned reports to the General Assembly has also been explored. In some cases, it was hoped that alternative ways could be found by which services could be maintained for the refugees but at lower cost to the UNRWA budget. These efforts did not succeed.

In view of the disturbed conditions in the area and the unsettling effect of further reductions in the Agency's services, the Commissioner-General, in consultation with the Secretary-General and on the strong advice of the host Governments, has deferred the implementation of these further reductions in the UNRWA programme until the General Assembly can once again examine the problem.

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Even if there are no adverse developments, and if contribution payments are received as and when anticipated, the Agency's obligations will, by the end of this year, exceed its assets in cash, or in a form readily convertible to cash; in fact, the Agency will not be able to meet its cash obligations beyond the first months of 1971.

Various possible means of providing additional funds to UNRWA were outlined in a note submitted by the Commissioner-General at the twenty-fourth session of the General Assembly (A/SPC/134). Members may find it of interest to review this paper in the course of formulating their views for the twenty-fifth session.

Unless the General Assembly acts at the twenty fifth session, the likelihood is that the structure of the Agency will have disintegrated before the next session, either for lack of cash or, in the alternative, under the stresses caused by the dismantling of a major part of the structure in order to reduce expenditure.

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