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

Report of the Working Group on the Financing of the
United Nations Relief and Works Agency for Palestine
Refugees in the Near East

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LETTER OF TRANSMITTAL

12 October 1979

Sir,

We have the honour to submit to you the report of the Working Group on the financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East, which was adopted unanimously by the Working Group on 12 October 1979.

Accept, Sir, the assurances of our highest consideration.

(Signed) Orhan ERALP, Chairman (Turkey)
Clarus KOBINA SEKYEI, Vice-Chairman (Ghana)
Ole Peter KOLBY, Rapporteur (Norway)
Bernadette LEFORT (France)
Makoto MIZUTANI (Japan)
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Britain and Northern
Ireland)
Clifford J. QUINLAN (United States of
America)

The President of the General Assembly
United Nations
New York

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I. INTRODUCTION

A. Origin and background of the Working Group

1. The Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly under resolution 2656 (XXV) of 7 December 1970 to study all aspects of the financing of the Agency. In the resolution, the Assembly requested the Working Group to assist the Secretary-General and the Commissioner-General of UNRWA in reaching solutions to the problems posed by the Agency's financial crisis.

2. At the twenty-fifth and succeeding sessions, the General Assembly considered the reports submitted to it by the Working Group, 1/ and adopted resolutions commending the efforts of the Working Group and requesting it to continue them for a further year. 2/

B. Consideration of the report of the Working Group at the thirty-third session of the General Assembly

3. The report of the Working Group on its activities in 1978 3/ was considered by the General Assembly at its thirty-third session under agenda item 54, entitled "United Nations Relief and Works Agency for Palestine Refugees in the Near East". At its 4th and 5th plenary meetings, on 22 September 1978, the Assembly had decided to include this item in its agenda and to allocate it to the Special Political Committee, which considered it at its 13th to 23rd meetings, held between 25 October and 6 November 1978.

4. At the 21st meeting of the Committee on 2 November, the representative of the Netherlands introduced a draft resolution (A/SPC/33/L.9) entitled "Working Group on

1/ Official Records of the General Assembly, Twenty-fifth Session, Annexes, agenda item 35, document A/8264; *ibid.*, Twenty-sixth Session, Annexes, agenda item 38, document A/8476; *ibid.*, Twenty-seventh Session, Annexes, agenda item 40, document A/8849; *ibid.* Twenty-eighth Session, Annexes, agenda item 43, document A/9231; *ibid.*, Twenty-ninth Session, Annexes, agenda item 38, document A/9815; *ibid.*, Thirtieth Session, Annexes, agenda item 54, documents A/10268 and A/10334; *ibid.*, Thirty-first Session, Annexes, agenda item 53, document A/31/279; and *ibid.*, Thirty-second Session, Annexes, agenda item 55, document A/32/278.

2/ Resolutions 2791 (XXVI) of 6 December 1971, 2964 (XXVII) of 13 December 1972, 3090 (XXVIII) of 7 December 1973, 3330 (XXIX) of 17 December 1974, 3419 (XXX) of 8 December 1975, 31/15 C of 23 November 1976 and 32/90 D of 13 December 1977.

3/ Official Records of the General Assembly, Thirty-third Session, Annexes, agenda item 54, document A/33/320.

the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East", sponsored by Canada, India, Indonesia, Iran, Malaysia, the Netherlands, New Zealand, Nigeria, Norway, the Philippines, Sweden, Trinidad and Tobago, Yugoslavia and Zaire.

5. Under the terms of the draft resolution, the General Assembly would:

(a) Commend the Working Group for its efforts to assist in ensuring the Agency's financial security;

(b) Note with approval the report of the Working Group;

(c) Request 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;

(d) Request the Secretary-General to provide the necessary services and assistance to the Working Group for the conduct of its work.

6. At its 23rd meeting, on 6 November, the Committee adopted the draft resolution by consensus.

7. At its 87th plenary meeting, on 18 December 1978, the General Assembly considered the draft resolution regarding the Working Group, which had been recommended by the Special Political Committee together with other draft resolutions under this item. The Assembly adopted the draft resolution unanimously as resolution 33/112 D.

C. Terms of reference of the Working Group

8. In resolution 33/112 D, the General Assembly 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.

II. ACTIVITIES OF THE WORKING GROUP DURING 1979

9. The Working Group followed with concern the financial situation of the Agency as it developed throughout the year. In this connexion, it held meetings at United Nations Headquarters with the retiring Commissioner-General, Mr. T. W. McElhiney, in April 1979, and with the new Commissioner-General, Mr. Olof Rydbeck, in October 1979.

10. At the 60th meeting, on 11 April 1979, the then Commissioner-General informed the Working Group of the financial situation of the Agency as of that date and of the measures he was taking to meet the deficit. Those included, on the one hand, approaches to contributors to increase their contributions for 1979 and, on the other, the reduction of the flour component by two thirds in January 1979 and the establishment of a list of items in the budget which would not be approved until

additional income was forthcoming. Of particular concern was the Agency's preparatory (lower secondary) education cycle which, unless additional contributions were pledged, would have to be suspended.

11. At the 61st meeting, on 5 October 1979, the new Commissioner-General informed the Working Group of developments since April, as well as of the current financial situation of the Agency and the outlook for 1980. He was pleased to inform the Working Group that, in response to the Agency's appeals, a number of Governments had generously made additional special contributions for 1979. That had made it possible to authorize the continuation of the lower secondary cycle of education until the end of 1979 and to give the Agency's area staff part of the increase in their remuneration to which they were entitled under existing agreements, and which would provide them with some compensation for increases in the cost of living. Details of the current financial situation of the Agency as well as the outlook for 1980, as described by the Commissioner-General, are set out in section III below. The comments of the Working Group on that situation are set out in section IV below.

III. THE FINANCIAL SITUATION IN UNRWA

12. At the beginning of 1979, the Commissioner-General estimated that expenditures required in 1979 to maintain services to Palestine refugees at established levels, to provide satisfactory facilities for the services and to compensate staff for cost-of-living increases were of the order of \$162.7 million, while pledged and expected income for the year was \$126.2 million. That left a projected budgetary deficit of \$36.5 million. In addition, outside the regular budget, there was a need for \$6.35 million to finance the construction of a new camp in Lebanon, the total cost of which was estimated at \$11 million and of which \$4.75 million had already been pledged, mostly by the Government of Lebanon. Other extrabudgetary needs included \$4.5 million to provide a modest addition to increase the working capital of the Agency.

13. At the same time, the Commissioner-General drew up a list of budgeted expenditures approximately totalling the amount of the deficit and suspended approval of disbursements to meet them. The as yet unapproved items were listed by order of priority, with the three years of the preparatory (lower secondary) education cycle heading the list. The Commissioner-General then solicited from Governments special contributions to permit approval of the items on the list and, in particular to ensure the continuation of the preparatory (lower secondary) education cycle.

14. By October 1979, the Commissioner-General informed the Working Group that there had been increases and decreases in specific budgeted expenditures leading to an increase in the total estimated budgeted expenditures to \$166.8 million. Meanwhile, pledged or expected income had risen to \$143.1 million, leading to a reduction of the budgetary deficit to \$23.7 million. Because of generous additional special contributions by some Governments, it had become possible to approve expenditure for the three-year preparatory education cycle until the end of 1979 as well as for some increases in staff remuneration to compensate for increases in the cost of living. Unless further substantial contributions were

received before the end of the year, expenditure on the remaining items on the list, including such items as the restoration of the flour content of the ration could not be approved, nor would the Agency have funds available to meet the extrabudgetary expenditure needed for the new camp and the addition to its working capital.

15. The Commissioner-General reiterated that the Agency had no alternative but to meet its projected deficits by reducing budgeted expenditures and he indicated that in 1980 the Agency intended to follow the practice of establishing as early as possible a list of suspended budgeted expenditures equal to the deficit and moving them from the non-approved to the approved category only as pledges of additional income were received. According to current estimates, the budgeted expenditures of the Agency in 1980 were estimated at \$185.3 million with extrabudgetary needs of \$7.5 million to increase working capital and an additional \$6.35 million for the new camp in Lebanon. Income for 1980 could not be estimated with any degree of accuracy. However, it was clear that unless income increased substantially from the level reached so far in 1979, namely, \$143.1 million, the Agency would again be faced with having to maintain the reduction in the flour component of the basic ration, as well as reducing expenditures on education by eliminating the preparatory (lower secondary) education cycle at the end of July 1980. Furthermore, it would have no funds available to implement any additional adjustments in staff remuneration which might become necessary as a result of current negotiations with the staff. Any provision for that purpose, would have to come from a suspension of the preparatory (lower secondary) education cycle at an appropriate date or from a reduction of working capital or both.

IV. CONCLUDING REMARKS

16. The Working Group wishes to reiterate its conviction that, as long as a just and lasting settlement of the problem of the Palestine refugees has not been achieved. The Agency's humanitarian services in the form of relief assistance, health care and education remain indispensable.

17. Over all, there has been no improvement in the basic financial problems of UNRWA compared to the situation in 1978. The financial crisis continues in spite of increased contributions. The income for 1979 will fall far short of the requirements to meet the estimated financial needs for the current year.

18. The Commissioner-General has, during the last few years, introduced some new administrative measures. The forward planning procedure on a voluntary basis for solicitation of contributions has improved the long-term planning of UNRWA operations. The drawing-up of a list of suspended budgeted expenditures equal to the projected deficit and moving the items from the non-approved to the approved category only as pledges of additional income are received, is a prudent and important management technique that has prevented the risk of a sudden breakdown or drastic cutback in UNRWA activities. The Working Group considers that these measures have improved the financial management of the Agency's activities and they should be continued.

19. These administrative measures have, however, not solved and will not be able to solve the problem of providing a longer-term financial security for UNRWA. Only the continued generous support of relatively few donors has made it possible to avoid further reductions in the services of UNRWA during 1979. This situation, in which a small group of countries bears the major burden of the financing of UNRWA, cannot be expected to continue indefinitely. The Working Group continues to believe that there should be a firm basis for the financing of UNRWA and it recalls that the General Assembly, in its resolution 32/90 A of 13 December 1977, called upon all countries to participate in the financing of UNRWA.

20. The difficulties and problems of providing adequate funding for UNRWA on a voluntary basis suggest that no single approach can provide a complete solution. The Working Group therefore sees no alternative to the Agency, and the Commissioner-General personally, continuing to devote time and effort to fund-raising activities.

21. The financial outlook for UNRWA for 1980 gives rise to serious concern. Substantial higher contributions from traditional donors as well as contributions from additional countries are required to maintain the activities of UNRWA at its present level and thereby avoid the serious consequences of a reduction in its operations.

22. The Working Group calls upon those Governments which have not contributed in the past to participate in the financing of UNRWA. It urges those Governments which have so far made only relatively small contributions to increase their contributions. The Working Group hopes that those Governments which have contributed so generously will continue to increase their contributions to UNRWA.

23. UNRWA services remain the obligation of the entire international community acting through the United Nations. A reduction in the relief assistance, health care and education rendered by UNRWA would have very serious implications for themselves, for the host countries and for the prospects of a just and lasting peace in the Middle East.
