

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMISSION COMMUNICATION TO THE COUNCIL CONCERNING FINANCIAL AID FOR UNRWA

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1. Background

At the end of November 1980, the Commissioner-General of UNRWA⁽¹⁾, Mr. Rydbeck, sent letters to the President of the Council and to Mr. Cheysson informing them of UNRWA's critical financial situation and requesting the Community to make a contribution to cover part of the costs of the Agency's education programme.

In reply, Mr. Cheysson explained that it was difficult to consider making a change in the type of cooperation between the EEC and UNRWA (food aid) and said that, in his opinion, it was rather for the host countries to increase their responsibilities vis-à-vis the refugees, and in particular for the Gulf countries to step up their assistance for the Agency's programmes.

On 17 March the President of the Council and Mr. Cheysson received the Commissioner-General of UNRWA, who confirmed that the Agency gave priority to education programmes and requested that, if the EEC was not going to make a special financial contribution towards such programmes, UNRWA might be authorized to sell cereals supplied as Community food aid on a market preferably in the Middle East.

The matter was raised by the President on the sidelines of the Council meeting that very day, and the Ministers agreed to reserve their reply until the Commission presented a communication setting out possible ways in which the Community could support UNRWA's efforts in the field of education.

(1) UNRWA = United Nations Relief and Works Agency.

2. UNRWA's financial situation

A deficit of US \$ 29 million on a budget of US \$ 231 million for 1981 has still to be made up, while, following various approaches made since the autumn (including approaches to the Community), the following exceptional contributions have been made :

- i. US \$ 10 million by the USA
- ii. US \$ 5 million by Saudi Arabia

(and Japan recently announced that it was increasing its US \$ 10 million contribution by 10 %).

In these circumstances, despite the political risks which such a closure would entail, UNRWA is compelled to consider closing 635 schools it is running in the Middle East (thereby making 9,700 Palestinian teachers redundant, and interrupting the education of 339,000 pupils) at the end of the school year (May-June 1981).

In order to avoid this last resort, UNRWA is again requesting financial aid from the Community or, failing that, authorization to sell part of the food aid allocated to it, if possible on a local market, in order to finance its education programmes.

3. Community's contribution to UNRWA

The last Convention, which covered 1979 and 1980, expired on 31 December 1980 and its implementation is nearing completion. This Convention provided for the following :

For 1979

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| (a) food aid
(of a value of 10,250,000 Ecu
at the world price) | 40,000 T. cereals
3,200 T. butteroil
700 T. skimmed milk powder |
| (b) financial contribution intended for the purchase of preserved food products and the corresponding expenditure on administration and personnel : US \$ 3,266,000. | |

For 1980

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| (a) food aid
(of a value of 12,190,000 Ecu
at the world price) | 40,000 T. cereals
3,900 T. butteroil
1,550 T. skimmed milk powder
6,086 T. sugar |
| (b) financial contribution intended for the purchase of preserved food products and the corresponding expenditure on administration and personnel : US \$ 3,600,000. | |

The new Convention, which will be the subject of a Commission proposal to the Council, should cover 1981-82 and 1983. On the lines of aid granted under the old Convention, contributions under the new one in 1981 could be as follows :

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| (a) food aid
(value estimated at
16,930,000 Ecu at the
world price) | 40,000 T. cereals
1,632 T. milk
3,900 T. butteroil
6,086 T. sugar |
| (b) financial contribution of US \$ 3,920,000. | |

It should also be noted that the Community and the Member States constitute the Agency's main source of financing (US \$ 81 million in 1980 out of a total budget of US \$ 184 million; USA : US \$ 55 million and OPEC : US \$ 15 million).

4. UNRWA's proposal for selling food aid to finance the education programmes

This proposal comes up against major obstacles :

- i. the sale of products as envisaged by UNRWA would change the "food" aid into aid "for education", thereby changing the entire nature of the Community's action in this sphere.
- ii. it would be contrary to the very spirit of the Convention signed by UNRWA and the EEC since it is stipulated that the EEC's participation in the various aid services organized by UNRWA (food aid, health, education) concerns only food aid programmes, some of which, in particular the one known as the "supplementary feeding programme", focussed on the most vulnerable groups, are financed almost entirely by the EEC.
- iii. Those sections of the population at which the Convention is expressly aimed would therefore no longer benefit from Community food aid and the operation would give rise to disguised financial aid, contrary to the rules of proper budget administration; UNRWA is, furthermore, unable at present to specify on which market it intends to make these sales.
This would run counter to the present rules, which lay down that products delivered as food aid have a specific final destination in each recipient developing country (distribution free of charge to the population of that country or sale on that country's local market).
- iv. It would lead, moreover, to a substantive change in policy on the award of food aid to international bodies and non-governmental organizations, since the EEC has never made any provision for the sale of products as indirect aid.
- v. Lastly, a sales operation would be of no value to UNRWA or the Community, for such food aid for an unknown final destination would have to be delivered fob (and not cif) and the financial contribution earmarked for covering the distribution and administrative costs on the spot would ipso facto have to be cancelled. Lastly, in real terms, such an operation would mean that UNRWA would receive a very small total contribution.

5. Possible ways in which the Community could make a contribution to UNRWA's education programmes

Since the sale of our food aid as envisaged by UNRWA is not compatible with the rules on food aid or satisfactory for the Agency from the strictly financial point of view, a direct financial contribution to the education programmes seems to be the solution best suited to resolving the Agency's budgetary difficulties.

From the outset, however, the means available to the Community as such have not enabled it to act other than in the sphere of food aid and it has always been considered that financial contributions to UNRWA were a matter for the Member States alone.

The Member States should therefore agree on a joint contribution, of the amount considered necessary by UNRWA, towards the financing of UNRWA's schools.

This contribution by the Member States seems all the more necessary in that the Community's budget leaves very little room for manoeuvre.

If, however, it were to appear advisable, despite the reservations expressed above, for the Community to participate in this financing, in order to supplement the Member States' contribution to a limited extent, the Commission would subsequently put appropriate budgetary proposals to the Council, it being understood that the necessary corresponding funds should be made available for the Budget.

By way of conclusion, the Commission, aware of UNRWA's exceptional financial difficulties, which are jeopardizing the Agency's education system, and the serious consequences which this could entail, proposes that the Council request the Member States to agree on a joint contribution towards the exceptional financing of the UNRWA schools.

If, however, the Council so decided, a limited supplementary contribution by the Community could be considered, as described above.