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COM (78)716

Vol. 1978/0269

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COMMISSION OF THE EUROPEAN COMMUNITIES

COM(78) 716 final

Brussels, 13 December 1978

RECOMMENDATION FOR A COUNCIL DECISION
extending until 30 June 1978 the Convention between the European
Economic Community and the United Nations Relief and Works Agency
for Palestine Refugees (UNRWA) and taking transitional measures
with a view to the conclusion of a new Convention.

(Presented by the Commission to the Council)

COM(78) 716 final.

EXPLANATORY NOTE

INTRODUCTION

- 1) This communication proposes to the Council the extension (with amendments) for the year 1978 of the assistance given by the Community to the United Nations Relief and Works Agency for Palestine Refugees (UNRWA), under the multi-annual Convention already concluded with the Agency with effect from 1 July 1975.
- 2) For general information on UNRWA and its relations with the Community, reference should be made to the proposal for renewal for the year 1977, recently submitted to the Council. In addition, information on the latest financial position of UNRWA will be found in Table 1 annexed to this document.

OPERATION OF CONVENTION, JANUARY TO DECEMBER 1977

Basic rations program

- 3) The 6 000 t sugar contributed for 1977 were delivered in January, and distributed during the year on the basis of a ration of 600 g per month to an average of 815 900 recipients. Average number of recipients was slightly reduced from normal, largely since certain refugees refused to collect their rations for the months of November and December as a protest against the non-issue of the flour ration.
- 4) The other EEC contributions for 1977 to the basic rations program (23 500 t wheat flour, 3 200 t butteroil) were effected outside the Convention using the normal foodaid procedures (exchange of letters incorporating standard conditions).

Supplementary feeding program

- 5) Operation of this program, for the benefit of the most vulnerable groups among the refugees, continued more or less normally during 1977. The program consists of the provision of milk, hot meals and extra rations to small children, pregnant and nursing women, tuberculous patients and other selected medical cases.

- 6) There was a slight drop in the number of recipients under the program, owing partly to the events in Lebanon and partly to the cholera outbreak in September 1977, notably in East Jordan. The cholera necessitated certain measures, including the omission of fresh vegetables and fruits, which in turn resulted in decreased attendance, and decreased consumption of all commodities. For the same reasons the milk program was suspended altogether for certain periods ; it has since been restarted, but in modified form.
- 7) As a result of the above, small balances remained unused at the end of the year : 495 t flour, 23 t rice and 15 t sugar. With the agreement of the Commission, these were issued as basic rations to avoid loss or spoilage.
- 8) Cash expenditure on the program in 1977 totalled \$ 3 015 000 (budget : \$ 3 million) analyzed as follows :

(\$ x 1000)

	<u>Budget</u>	<u>Actual</u>
Purchase of preserved foodstuffs	482	530
Other expenses :	2 518	2 485
(of which staff remuneration :	1 933	1 870)

There was thus a shortfall in contributions of \$ 15 000. It will however be remembered that in the previous 18 months contributions exceeded actual expenditure by a comfortable margin.

C. EXTENSION OF CONVENTION FOR 1978

Particulars of request

- 9) UNRWA requests that the Community continue to contribute, for the year 1978 :
- (a) the annual requirement of sugar (6 000 t) for its basic rations program, together with a payment towards inland transport and distribution costs ;
 - (b) commodities (flour, rice, sugar, milk powder) required for the supplementary feeding program, together with a payment towards the cost of purchasing certain other commodities (mostly in the EEC) and of operating the program.
- 10) The request can be evaluated at \$ 6 212 000 (4 589 000 EUA), of which \$ 3 564 000 is in cash, the balance representing the estimated world market value of the commodities to be donated by the Community. Compared with 1977, this represents a decrease of 2,9 % ; however this comparison should be treated with caution in view of current fluctuations in commodity prices.

Basic rations program (sugar)

- 11) The Community is requested to continue to supply the annual requirement of the basic rations program for 6 000 t white sugar, based on a monthly free distribution of 600 g for each of the 820 000 refugees eligible. A contribution of \$ 30/t to inland transport and distribution costs is also sought. The quantity, and the contribution, are unchanged from 1977.

Supplementary feeding program - Commodities

- 12) Contribution requested in kind are :

- 2 450 t wheat flour ;
- 171 t rice ;
- 102 t sugar ;
- 700 t skimmed milk powder.

These are at the same level as in previous years, except for skimmed milk powder. The amounts requested have in fact already been allocated to UNRWA by the Council within the general food aid programs previously decided.

- 13) As regards skimmed milk powder, no request was made last year, since adequate stocks were on hand. The annual requirement is approximately 700 t (the amount requested for 1978), based on a monthly issue of 1 300 g for each recipient. (It may be noted that there is now also a monthly distribution of 500 g whole milk powder, donated by Switzerland ; this is the only contribution to the program other than from the EEC).

Supplementary feeding program - Cash

- 14) The contribution requested in cash is \$ 3 384 600, and is intended to cover the following expenditure (Cf. Table 3 for full particulars) :
- a) Purchase of preserved foodstuffs - corned beef, tomato paste, pulses, and burghol, the first two to be purchased inside the EEC. (Estimated cost : \$ 565 000).
 - b) Expenditure on other foods, supplies, premises, contractual services, and staff costs - the last being the major item. (Estimated cost : \$ 2 819 000 after taking into account costs recovered from Jordan government).
- 15) The contribution for 1978 compares with 1977 expenditure of \$ 3 015 000, an increase of \$ 369 000 (12,2 %). This increase is due almost entirely to the rise in staff costs from \$ 1 870 000 to \$ 2 189 000 (+ 17 %), the result of salary increments and higher cost of living allowances ; other items have risen by smaller amounts, or have fallen. A fuller analysis will be found in the attached Table 4, prepared by UNRWA at the Commission's request.

Period of extension

- 16) The request concerns the twelve months from January to December 1978. Previous periods were (1) July 1975 to December 1976 and (2) January 1977 to December 1977. The Convention as originally concluded did not envisage any extension beyond 30 June 1978, since UNRWA's mandate was due to expire on that date. However the mandate has in the meantime been extended to 30 June 1981 (Cf. UN General Assembly resolution 32/90 A of 13 December 1977) ;

Budget charge

- 17) The estimated cost of the contribution requested for 1978 is 4 589 000 EUA. This can be broken down as follows :

	(EUA x 1000)		
	<u>Commodities</u>	<u>Cash</u>	<u>Total</u>
<u>Basic rations program</u>			
Sugar (6 000 t)	1 164	133	1 297
<u>Supplementary feeding program</u>			
Flour, rice, sugar, skimmed milk powder	792	-	3 292
Purchase of other foodstuffs, and operating expenses	-	2 500	
	<u>1 956</u> =====	<u>2 633</u> =====	<u>4 589</u> =====

Further particulars are given in Table 2 and in the Financial Annex.

- 18) The contribution is chargeable to Chapter 92 (Food Aid) and Chapter 94 (Cooperation with Developing Countries) of the 1978 budget. It does not imply additional expenditure for the budget of the Communities since sufficient appropriations under the relevant headings have already been approved.

Action proposed

- 19) The Commission considers that the Community should continue its support for UNRWA, and should accept the request for the extension of the Convention for the year 1978. It is therefore proposed that the Council adopt the following decision, of which the text is attached in Annex :

- Council decision (EEC) concluding an agreement, in the form of an exchange of letters, to extend for the year 1978 the Convention between UNRWA and the EEC dated 20 July 1976.

COUNCIL DECISION

of

extending until 30 June 1978 the Convention between
the European Economic Community and the United Nations
Relief and Works Agency for Palestine Refugees (UNRWA)
and taking transitional measures with a view to the conclusion
of a new Convention

THE COUNCIL OF THE EUROPEAN COMMUNITIES

Having regard to the Treaty establishing the European Economic Community
and in particular Article 113;

Having regard to the recommendation from the Commission ;

Whereas on 20 July 1976 the Community concluded a Convention with UNRWA
concerning aid to refugees in the countries of the Near East
during the period July 1975 to December 1976 (1) ;

Whereas under Article 10 the Convention may be extended for subsequent
periods with or without amendment by agreement between the two parties
until 30 June 1978 ;

Whereas the Convention should, subject to certain amendments, not only be
extended until this date but also be applied during the rest of the year 1978
in order that the aid of the Community can be granted in a comprehensive and
continuous fashion before the conclusion of a new Convention,

./..

HAS DECIDED AS FOLLOWS :

Article 1

The exchange of letters concerning the extension until 30 June 1978 of the Convention concluded on 20 July 1976 between the European Economic Community and the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) concerning aid to refugees in countries of the Near East is hereby approved on behalf of the Community.

The text of the said exchange of letters is annexed to this Decision.

Article 2

Pending the conclusion of a new Convention, Community aid to UNRWA shall be supplied for the rest of the year 1978 according to the amended provisions of the Convention concluded on 20 July 1976.

Article 3

The President of the Council is authorized to designate the persons empowered to sign the exchange of letters and to confer on them the necessary powers to bind the Community.

Done at,

For the Council,

The President

UNRWA : INCOME AND EXPENDITURE 1977 AND 1978

(US dollars x 1000)

<u>INCOME</u>		<u>1977</u>	<u>1978</u> (est)
Contributions :			
European Economic Community			
- Member States :	B	1 135	1 023
	Da	1 975	1 841
	D	3 324	4 945
	F	1 324	1 312
	Irl	109	103
	I	253	229
	L	9	12
	N	2 008	2 461
	UK	8 231	7 246
		<u>18 368</u>	<u>19 172</u>
- Community as such	- basic rations program (flour, sugar, butteroil + cash)	11 968	10 490
	- supplementary feeding program (flour, rice, dsm + cash)	4 411	4 997
	- emergency program in Lebanon		283
		<u>16 379</u>	<u>15 770</u>
Total EEC-9		34 747	34 942
USA		48 700	51 000
Arab States		5 966	4 313
Other contributions, etc...		33 565	36 314
<u>TOTAL INCOME</u>		<u>122 978</u>	<u>126 569</u>
<u>TOTAL EXPENDITURE</u>		<u>126 772</u>	<u>137 700</u>
<u>TOTAL DEFICIT</u>		<u>3,794</u>	<u>11,131</u>

TABLE 2

COMMODITIES AND CASH REQUIRED FOR 1978

COMMODITIES (1)	US \$ x 1000	EUA x 1000 (2)
1) <u>Basic rations program</u>		
6 000 t sugar	1 576	1 164
2) <u>Supplementary feeding program</u>		
2 450 t wheat flour		
171 t rice	1 072	792
102 t sugar		
700 t skimmed milk powder		
	<u>2 648</u>	<u>1 956</u>
<u>CASH</u>		
1) <u>Basic rations program</u>		
Inland transport and distribution (3)	180	133
2) <u>Supplementary feeding program</u>		
a. Purchases abroad : 334 t corned beef		
27 t tomato paste	565	417
178 t pulses		
110 t burghol		
b. Other expenses (mainly staff)	2 819	2 083
	<u>3 564</u>	<u>2 633</u>
TOTAL :	<u>6 212</u>	<u>4 589</u>

(1) Evaluation at world market prices delivered port of unloading, 1978 budget estimates

(2) Taking 1 EUA = 1,35363 US \$ (11 -1978)

(3) Assuming \$ 30/tonne.

**ESTIMATE OF THE CASH CONTRIBUTION REQUIRED FOR
UNRWA'S SUPPLEMENTARY FEEDING PROGRAM**

1 9 7 8					
	Hot Meal \$	Milk Programme \$	Other Rations \$	Admin. \$	Total \$
A. Purchase of:					
a) Corned beef - hot meal quality	135,000	-	-	-	135,000
b) Corned beef - protein supplement quality	-	-	254,200	-	254,200
c) Tomato paste	25,200	-	-	-	25,200
d) Pulses	115,700	-	-	-	115,700
e) Burghol	35,500	-	-	-	35,500
Total 'A'	311,400	-	254,200	-	565,600
B. 1. Other purchased food supplies:					
a) Local purchases (in particular fresh fruits and vegetables)	450,000	-	-	-	450,000
b) Vitamins	4,900	-	7,100	-	12,000
2. Other Supplies:	51,000	16,000	1,500	1,500	70,000
3. Premises:					
a) Rentals	8,400	4,100	-	-	12,500
b) Maintenance	33,800	11,200	-	-	45,000
c) Utilities and cleaning	5,000	2,500	-	-	7,500
4. Contractual Services:					
Principally baking of bread	50,000	-	-	-	50,000
5. Staff Costs:					
a) Remuneration	1,512,000	423,000	-	254,000	2,189,000
b) Travel costs and clothing	7,200	3,200	-	4,600	15,000
Total 'B'	2,122,300	460,000	8,600	260,100	2,851,000
C. Costs recovered from Jordan Government	(32,000)		-	-	(32,000)
NET TOTAL	<u>2,401,700</u>	<u>460,000</u>	<u>262,800</u>	<u>260,100</u>	<u>3,384,600</u>

19 July 1978

EQ/am

Estimates of the Cash Contribution required for
UNRWA's Supplementary Feeding Program

Reasons for the major variations between 1977
revised estimates and 1978 estimates.

	<u>1977</u>	<u>1978</u>
1. <u>Corned beef hot meal quality</u>	163,734	135,000
The difference is accounted for by a slight increase in quantity (340,416 to 340,447 tins) coupled with a decrease in unit price (from \$0.48 to \$0.3966 per tin). The major discrepancy between these estimates and those submitted in November 1977 is explained by the response to our invitation to tender by one company which offered an acceptable quality of corned beef at a much lower price.		
2. <u>Corned beef - protein supplement quality</u>	219,422	254,200
The difference is explained by a small decrease in quantity (672,000 tons to 640,800 tins) at a slightly increased price (from \$0.3265 to \$0.3966 per tin)		
3. <u>Pulses</u>	93,681	115,700
There was a unit price rise from \$526 to \$650 per ton		
4. <u>Burghol</u>	30,670	35,500
There has been a slight reduction in the quantity required (from 120 to 110 tons) but a substantial increase in price (from \$255.6 to \$322.544 per ton)		
5. <u>Other Supplies</u>	62,598	70,000
Other supplies include principally kitchen utensils, cleaning materials, water, equipment and handling expenses (other than flour). The 1978 estimate is now lower than in our November 1977 estimate and represents only a 10% increase.		

	<u>1977</u>	<u>1978</u>
6. <u>Maintenance</u>	39,345	45,000
The increase reflects an overall estimated 15% increase in the costs of materials and labour.		
7. <u>Utilities</u>	6,534	7,500
As for 6.		
8. <u>Contractual services</u>	43,731	50,000
As for 6.		
9. <u>Staff costs - remuneration</u>	1,870,176	2,189,000
Normal salary increments and cost of living allowances are estimated to rise by almost 18%		
10. <u>Travel costs and clothing</u>	13,752	15,000
There has been an overall estimated 15% increase in costs.		

9 August 1978

FINANCIAL ANNEX

1. RELEVANT BUDGET HEADINGS

1978 BUDGET

- . Item 9201 : "Food aid in cereals - 1978 Program"
- . Item 9211 : "Food aid in milk products - 1978 skimmed milk powder Program"
- . Item 9221 : "Food aid in sugar - 1978 Program"
- . Article 940 : "Expenditure resulting from Convention between
EEC and UNRWA"

2. DESCRIPTION AND PURPOSE OF OPERATION

Extension for 1978 of Convention between EEC and UNRWA granting contributions in commodities and in cash for use in feeding programs for Palestine refugees.

3. LEGAL BASIS

- a) Cereals : Council decision of 30 January 1978 on the 1978 EEC food aid program in cereals.
- b) Skimmed milk powder : Council regulation (EEC) 828/78 of 25 April 1978 on the supply of skimmed milk powder as food aid to certain developing countries and specialized agencies under the 1978 program.
- c) Sugar : Council regulation (EEC) 1034/76 of 30 April 1976 on the supply of white sugar to UNRWA as food aid (for the years 1975/76, 1976/77 and 1977/78)
- d) Convention : Council decision of 20 July 1976 on conclusion of the Convention between the EEC and UNRWA concerning aid to refugees in countries of the Near East.

4. APPROPRIATIONS

4.1 Calculation of costs

a) Item 9201 - Cereals

- 2 450 t flour (equivalent 3 259 t cereals)

		<u>EUA/t</u>	<u>EUA</u>
Internal price	:	218	534 000
Restitution	:	106	260 000
		112	274 000
Transport		50	123 000
		162	397 000

- 171 t rice (equivalent 441 t cereals)

		<u>EUA/t</u>	<u>EUA</u>
Internal price	:	488	83 000
Restitution	:	158	27 000
		330	56 000
Transport		50	9 000
		380	65 000

Total Cereals

462 000 EUA
=====

b) Item 9211 - Skimmed Milk Powder

- 700 t skimmed milk powder (Vitamin enriched) :

		<u>EUA/t</u>	<u>EUA</u>
Internal price	:	1 149	804 000
Restitution	:	756	529 000
		393	275 000
Transport		50	35 000
<u>Total Skimmed milk powder</u>		443	310 000 EUA

c) Item 9221 - Sugar

- 6 102 t white sugar :

		<u>EUA/t</u>	<u>EUA</u>
Internal price	:	413	2 520 000
Restitution	:	269	1 641 000
		144	879 000
Transport		50	305 000
		194	1 184 000

- Cash contribution

Inland transport and distribution (for basic rations program only)

6 000 t at \$ 30/t

133 000 EUA

Total Sugar

1 317 000 EUA
=====

d) Article 940 - Convention

Contribution \$ 3,384 million (See text)

Conversion to EUA at assumed rate \$ 1,35363 2 500 000 EUA
(11 -1978)

e) Total budget charge

4 589 000 EUA

(Note : Commodity evaluations at 1978 budget prices).

4.2 Incidence of costs

- a) The operation does not imply additional expenses beyond those appropriations already in the 1978 budget.
- b) The commodities have either already been delivered or will have been by the end of 1978 (on the basis of Council decisions fixing food aid programs), charged to the 1978 budget appropriations for food aid. The cash contributions have not been paid.

5. CONTROL OF EXPENDITURE

Financial regulation of 21 December 1977 applicable to general budget of the Communities.

EXCHANGE OF LETTERS

(a) Letter from EEC to UNRWA

With reference to the Convention concluded on 20 July 1976 between the European Economic Community and the United Nations Relief and Works Agency for Palestine Refugees concerning aid to refugees in the countries of the Near East, the Community proposes that in accordance with Article 10 the Convention be extended until 30 June 1978, subject to the following amendments :

(i) For the year 1978 the contribution mentioned in Article 4, Paragraph 2 shall be thirty US Dollars per metric ton

(ii) The following text is joined to the Annex of the Convention :

SUPPLEMENTARY FEEDING PROGRAM

Third period of Convention (1.1 - 30.6.1978)

1. Contributions in kind

Wheat flour	2 450 metric tons
Milled rice	171 metric tons
White sugar	102 metric tons
Skimmed milk powder	700 metric tons

2. Contributions in cash

3 384 600 US Dollars

3. Foodstuffs to be purchased in the Community

Corned beef	approximately 350 metric tons
Tomato paste	approximately 28 metric tons.

Pending the conclusion of a new Convention, Community aid shall be supplied to UNRWA for the rest of the year according to the modified provisions of the Convention concluded on 20 July 1976.

The Community would be obliged if the Agency would indicate whether it is in agreement with this proposal.

(b) Reply from UNRWA to EEC

The Agency acknowledges receipt of the Community's letter dated and reading as follows :

(Text of EEC letter to UNRWA)

The Agency confirms its agreement to the above.