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UNITED NATIONS PALESTINE COMMISSION
Correspondence between Mr. Ghosh of the Advance Party
and the Finance Secretary of the Palestine Government
on the Financial Outlook in Palestine

The following correspondence, concerning the financial outlook in Palestine has been exchanged between Mr. Ghosh of the Secretariat Advance Party and the Finance Secretary of the Palestine Government.

23 March 1948.

D.C. Stewart Esq.,
Finance Secretary,
Government of Palestine,
King David Hotel,
Jerusalem.

Dear Mr. Stewart:

Can you kindly help me on the following points:-

- (a) According to the Financial Forecast made at 1.3.48 which you were kind enough to supply me with home time back - the total deficit of revenue against expenditure (normal and extraordinary) for the period from 31.1.48 to 15.5.48 would mount to LP 5.8 million. I should like to know how this deficit is being met currently; in particular, whether the Palestine Administration is borrowing in U.K. and/or whether the Government is liquidating any of its assets.
- (b) If any one or both of these sources are being tapped, could you kindly state the amounts involved?
- (c) Is it possible for ME to get a rough statement of the assets and liabilities position of the Administration on 31.3.48 and on 15.5.48?
- (d) Finally, can you kindly send me a copy of your Government Manual re finances, accounting and auditing?

Thanking you.

I remain
Yours sincerely
D. Ghosh.

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| F/17/48 | CHIEF SECRETARY'S OFFICE, JERUSALEM 7th April, 1948 |
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Dear Mr. Ghosh,

First of all let me repeat as apology which I gave you verbally the other day for the delay in answering your letter of the 23rd March. I explained that I would not be in a position to give a worth-while answer, to (a), (b) & (c) until the Draft Estimates had reached completion. As for (d), you have now received a copy of our Financial Regulations.

I am now in a position to give you some idea of the financial outlook based on the provisional figures up to the 31st. March 1948 (these are necessarily provisional until all accounts have come in from Sub-Accountants and, more particularly, the statement of account from the Crown Agents for the Colonies).

We have already had to receive an advance from the Joint Colonial Fund, through the Crown Agents, in order to meet our commitments up to the 31st. March, because the liquid position is made more difficult by the fact that we have large advances outstanding on account of the food supplies bulk purchasing programme (this has recently been in the neighbourhood of LP.3 million) and advances to the citrus industry for the purchase of packing materials (this has recently stood at about LP.2 million). The latter would normally be cleared all but LP.300,000 or LP.400,000; however on this occasion it looks as if there will be an amount of approximately LP.1-3/4 million unpaid by the end of the present exporting season. As I mentioned to you verbally, this is primarily due to the fact that the export program will have fallen short of the expected target by over two million cases. Moreover, a larger proportion than usual of the orders for boxboards have materialised, and the Board consequently received more than they would have required, even if the export target had been reached. In this connection the Board, although they might have been a little sore conservative in their orders, were nevertheless justified in entering into contracts for a larger quantity than they actually expected to need, because it has been their experience that many of the contracts are cancelled at quite short notices and there is in fact no redress.

The British Ministry of Food have been asked whether they would be interested to purchase these surplus stocks against future importations from Palestine, but, for obvious reasons, they do not wish to do this. This means that we must try and dispose of the boxboards (in equal proportions) to the two sectors of the industry if they are able to finance such purchases. If not, then the advance will have to remain uncleared to the extent indicated above, against which the Government will hold the boxboards as security. In view of the great importance of these packing materials to the industry, there is comparatively little risk, in my opinion, that they will be damaged or destroyed.

To return to the assessment of the financial position, the estimated debit balance at 31st. March is approximately LP.200,000. Allowing for meeting exceptional charges in connection with termination of the Mandate, and taking into account the steep decline in revenue, we are estimating for a debit balance of nearly LP.4 1/2 million on the working for the April-May period. As a result of this, a deficit of about LP.6,700,000 is budgeted for at the 15th May. The position is not, however, quite as bad as this because of savings on 'personal emoluments' and 'other charges', due to the fact that the period concerned is six weeks and not two months (the

figures in the Estimates are based on two months), and in expectation of over LP.600,000 from sale of the Haifa Harbour Estate to the Haifa Municipality, this deficit can confidently be expected to fall to LP.5 ½ which to about LP.300,000 less than was feared at the time of the last forecast early in March.

As already mentioned in this letter, we have been tided over the last few weeks by borrowing from the Joint Colonial Fund. The question of further borrowing which will be necessary (especially having regard to the uncleared advances, at least on account of boxboards) is at the moment under consideration by H.M.G.

Nicklin will, I hope, be able to send copies of the printed Draft Estimates before the end of this week. When you receive these, please bear in mind that they are “provisional” until they have received the approval of the Secretary of State. In the particular circumstances with which we are dealing, the number of items which will require specific approval are comparatively few, and there is therefore reason to believe that the position will be formalised before the 15th of May.

Yours sincerely,
(signed) D. G. Stewart

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