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UNITED NATIONS PALESTINE COMMISSION

Communication Received from United Kingdom
Delegation Concerning Assets and Liabilities
of the Palestine Government

The following communication, concerning liabilities and assets
of the Government of Palestine, has been received from Mr. Fletcher-
Cooke of the United Kingdom Delegation.

UNITED KINGDOM DELEGATION TO THE UNITED NATIONS
Empire State Building
New York 1, N. Y.

20th March, 1948

CONFIDENTIAL

My dear Bunche,

May I refer you to section (1) - General Financial Position and Statement of Assets and Liabilities of sub-paragraph 8 - Financial Matters of paragraph 2 of the note which was submitted to the Commission on the 21st January relating to certain matters which it would be necessary to discuss with the Commission at some stage.

For reasons which you will appreciate, it has not yet been found possible to open discussions with the Commission about assets and liabilities of the Government of Palestine. A particular point has, however, arisen which makes it necessary for me to bring certain information to the notice of the Commission at this stage.

During the years 1944, 1945 and 1946, the Government of Palestine made four public issues of Bearer Bonds in Palestine. The proceeds of these issues amounted to LP5,806,060. In accordance with the Ordinances under which these issues were made, a total of about two million pounds has been disbursed, chiefly in the form of loans to various local authorities. After the General Assembly's resolution of the 29th November, 1947, the unspent balance of over three million pounds was "frozen" and invested in His Majesty's Government securities pending a general financial settlement and it was decided not to make any further disbursements from this total prior to the termination of the Mandate.

There was, however, one exception to this general decision. As long ago as January 1947 approval was given in principle for a loan to the Tel Aviv

Dr. Ralph J. Bunche,
Principal Secretary to the United Nations
Commission on Palestine, United Nations,
Lake Success,

Municipality to enable them, if they could find the necessary balance from other sources, to purchase certain ex-enemy property in the neighbourhood of Tel Aviv, known as the "Sarona Lands". The Municipality were informed that if, prior to the termination of the Mandate, they could make arrangements to raise the balance of funds necessary, the amount already approved to them in principle by way of loan from these Bearer Bond balances would be forthcoming.

The Tel Aviv Municipality have now applied to the Government of Palestine for the release of LP353,387 as a loan from these Bearer Bond balances which, together with LP729,000 which will be found by the Jewish National Fund and private contributions, will enable them to acquire the Sarona Lands, and His Majesty's Government have approved this release.

The Commission may also be aware that towards the end of 1947, the Government of Palestine decided to dispose of the Haifa Harbour Estate (which is Government domain) in order to realise some liquid funds. It was originally intended that the plots making up the Haifa Harbour Estates should be offered to the public by way of open tender and in fact a certain number of these plots have actually been sold. During the past few months, however, negotiations have been in progress between the Haifa Municipality and the Government of Palestine with a view to the Municipality taking over the whole of this area. In order to bring these negotiations to completion, the Government of Palestine, with the approval of His Majesty the United Kingdom, has decided to authorise a loan to the Haifa Municipality of LP750,000 from the invested balance of Bearer Bonds to which reference is made above. The loan to the Haifa Municipality will be for thirty years at the usual rate of interest of three-and-one-eighth per cent and will be secured on the revenues of the Municipality and upon the property to be purchased with the proceeds of the loan.

Although the effects of these two proposals (i.e. to make loans from Bearer Bond balances to the Tel Aviv Municipality and to the Haifa Municipality) will be to reduce the invested balance of the Bearer Bonds by

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about £1,100,000, His Majesty's Government consider that this investment in real estate is a sound proposition in the interests of the country as a whole and also of the Bond holders.

I have, therefore, been asked to bring these decisions to the notice of the Commission and as you will recall I mentioned this matter over the telephone this morning.

Yours sincerely,

J. Fletcher-Cooke (signed)