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PRELIMINARY NOTE

CONCERNING THE FINANCIAL RELATIONSHIP  
BETWEEN COMPENSATION AND RESETTLEMENT

(Working paper prepared by the Economic Adviser)

1. The relationship between compensation and reintegration can be viewed from two different angles:

- (a) Strictly from the point of view of justice, compensation should be paid on an individual basis, in proportion to the value of the property abandoned.
- (b) From a purely economic and functional point of view the funds accruing from compensation should be employed en bloc for the purpose of reintegration of the refugees as a whole. Whatever their former wealth, the refugees are the responsibility of the reintegration agency, which will receive all the funds accruing from compensation and use them in accordance with its chief aim: the reintegration of the maximum number of refugees. The individual aspect would thus be ignored and all the refugees treated equally.

A solution based on strict justice would not give the slightest guarantee that funds accruing from compensation could be used in a way which would be satisfactory for reintegration purposes.

A solution based strictly on economic considerations is too revolutionary to be imposed by a body foreign to the countries concerned. Such a solution could not be retained

because the principle of respect for human rights, as defined in the Universal Declaration, could too easily be invoked against it.

A third solution must be sought which would achieve a balance between justice and economy, to make it possible for the funds accruing from compensation to be used for reintegration, while at the same time respecting the principle of private property.

2. At the present time UNRWA, in accordance with its terms of reference, is carrying out studies with a view to determining the cost of resettling the refugees. The cost of resettling a family varies very considerably. It differs both according to the occupation of the refugees - farmers, craftsmen, civil servants - and according to the place where they may be resettled. The cost of resettling a peasant would be very different according to whether he were settled on state domain land in Jordan, in the Ghor, or on land to be reclaimed in the swampy area of the Gharb-Orontes in Syria. The calculations which UNRWA is making will show the capital which would be required to resettle a certain family in a specific place. This capital will not be "given" by UNRWA to refugee peasants in the form of farms, land, tools or cattle. UNRWA will probably enter into some kind of hire-purchase contracts with the refugees which will enable them after a certain period of time - possibly between 10 and 15 years - to become the owners of the property placed at their disposal. As soon as the land becomes productive, the peasant will pay an annual sum of money, and will thus gradually repay UNRWA.

It is at this point that the question of individual compensation must be taken into account and linked with reintegration.

How will the Agency pay compensation to the refugees? Refugees can be divided into two categories for the payment of this individual compensation :

- (a) Refugees who will be resettled by UNRWA;
- (b) Refugees who are independent of UNRWA and are already resettled by their own means.

(a) The majority of the refugees can only hope to receive as compensation a much smaller sum than will be required to resettle them in the Arab countries, particularly in view of the fact that

the cost of resettlement is continually mounting with the increase in the prices of raw materials in the world market. When compensation is paid, therefore, the sum which each of the refugees will receive will, in the majority of cases, be inadequate compared with the cost of their resettlement.

When the time comes to pay compensation, it is to be hoped that a large number of the refugees will already have been resettled by UNRWA. At that time it can be anticipated that the sums to be paid to the refugees as personal compensation will be credited to their account with UNRWA. These sums which they will receive as compensation from Israel might be deducted from the amount they must repay to UNRWA before they are owners of the property which has been provided for them.

This principle can be illustrated by two examples :

(i) A refugee who had no property in Israel and who is resettled by UNRWA will, for example, have to repay the cost of his resettlement (say, \$2,500<sup>+</sup>) in twenty annual instalments of \$125 (not counting the interest). After these twenty years he will own the property.

(ii) Another refugee, settled by UNRWA in the same area, has a right to a sum of \$625 as compensation for his abandoned property, to be paid to him by the compensation agency. This sum of \$625 would be credited to his account and would reduce by that amount his debt to UNRWA. This refugee, for example, would own his property after paying fifteen annual instalments instead of twenty.

(b) For refugees who are independent of UNRWA and who are already resettled by their own means, the payment of compensation by the compensation agency might be made in two instalments :

- (i) Payment in kind up to a certain sum, to be determined;
- (ii) The remainder in bonds.

These bonds would be administered by a special fund which would pay the interest to the refugees and would be able to employ for resettlement purposes the capital thus provided. This idea can be further developed. It was, however, felt advisable to point out this possible method of using a portion

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+ This is the figure usually given by the Government of Israel for the settlement of immigrants in Israel.

of the funds accruing from compensation for purposes of reintegration.

3. If, as is probably the case, an international loan must be envisaged in order to enable Israel to finance the payment of compensation, it will be indispensable to provide guarantees that the capital granted will be used judiciously and that the investment will be sound from a long-term point of view.

Financial institutions, whether national or international, and national Treasuries can only authorize credits under certain strict conditions which would prevent approaching those institutions without a detailed programme for the rational use of that capital.

The use of capital obtained as compensation for purposes of resettlement, along the lines briefly indicated in this note, would enable these requirements to be fulfilled and would thus facilitate the granting of the loan.