



UNITED NATIONS
General Assembly



Distr.
RESTRICTED

A/AC.21/W.19
22 January 1948

ENGLISH ONLY

UNITED NATIONS PALESTINE COMMISSION
CONSIDERATIONS AFFECTING CERTAIN OF THE PROVISIONS OF THE
GENERAL ASSEMBLY RESOLUTION ON THE "FUTURE GOVERNMENT
OF PALESTINE": ALLOCATION AND LIQUIDATION OF ASSETS
(Working Paper Prepared by the Secretariat)

Immovable Assets

1. The issue in respect of immovable assets is clear: all immovable assets, including land, buildings and permanent structures will go to the government of the territory in which they are situated. It may be, however, necessary to indicate clearly the denotation of the phrase "immovable assets".

Movable Assets

2. The allocation of movable assets, however, raises several practical issues. They are:

- (a) Preparation of a complete inventory of all movable assets, as soon as possible, by the Mandatory Power;
- (b) Assessment of the present value of movable assets;
- (c) Equitable division of the aggregate value of movable assets among the two States and the City;
- (d) Allocation of specific movable assets according to their comparative significance to the two States and the City;
- (e) Division of liquid assets;
- (f) Treatment of inter-state residuary claims and obligations.

Inventory

3. This is a purely administrative function which can be done only by the Mandatory Power. But, since the solution of other issues hangs on the existence of a satisfactory inventory, the latter should be available as early as possible.

Basis of Valuation

(a) Either of two principles: viz., original cost price minus depreciation or current replacement cost may be adopted in assessing the present value of movable assets. In many cases, the former would be the reasonable basis of assessment; in some instances, however, where on account of general inflation in the country or for other reasons, the present replacement cost is widely different from the original cost price, the replacement cost should be used as the basis of valuation.

Division of Aggregate Value

(b) The aggregate value of the movable assets as distinct from the specific assets themselves, should be divided in the same proportions in which the two states and the city share in the net common revenues to be administered by the Joint Economic Board.

Allocation of Specific Assets

(c) In the allocation of specific assets, however, the principle of equity should be modified by that of efficiency. Where an asset is of equal significance to the two States and the City and can be divided and transferred without loss of value, it should be apportioned among them in the ratios already suggested. Where, on the other hand, a movable asset is of comparatively higher significance to the territory of a particular entity, e.g. the movable assets of a government research institute pertaining to an industry which is mainly located in that entity, it should be allocated to it.

Liquid Assets

(d) It would be convenient first to sort out liquid assets which are counterparts of specific liabilities of the Palestinian government. They must be held for adjustment, if and when necessary, against corresponding liabilities and should be allocated among the two States and the City in the same proportion as the liabilities. There are, secondly, assets which represent advances to departments that will come under the Joint Economic Board. These as well as amortization funds held against the public debts of the Government of Palestine should be transferred to the Joint Economic Board. The ownership of the assets, as distinct from their administration may, however, be allocated among the two States and the City in proportion to their ownership of the corresponding concrete assets.

Residual Claims and Obligations

(e) The residue which would correspond broadly to the sum total of accumulated treasury surplus and proceeds of Government Bond Issues, may be used, in part of wholly, to adjust the final net interstate claims and obligations for the allocation of specific assets according to the principles stated above is likely to leave behind a balance of claims and obligations among the two States and the City and decisions must be taken regarding the liquidation of, these obligations.

Immediate Practical Steps

1. In respect of Resolution E-2, regarding special assets, a reply is awaited to the question addressed to the United Kingdom Delegation. The Committee will be able, in the light of the reply, to make the appropriate decisions.

2. Further, however, the Mandatory Government should be asked to furnish the Commission with the detailed inventory of:

- (a) Assets belonging to the Palestine Administration; and
- (b) Assets in Palestine belonging to the Government of the United Kingdom.
