

**GAO**

**Report to the Honorable Arlen Specter  
U.S. Senate**

**RESTRICTED**—Not to be distributed outside the General Accounting Office without the specific approval by the Office of Congressional Relations.

December 1985

**U.N. FUNDING**

**U.S. Contributions  
Withheld for U.N.-PLO  
Activities**



**National Security and International  
Affairs Division****B-221032**

December 6, 1985

The Honorable Arlen Specter  
United States Senate

Dear Senator Specter:

In response to your letter of July 29, 1985, we have reviewed efforts by the Department of State to comply with legislative provisions requiring the withholding of U.S. assessed contributions to the United Nations and its specialized agencies for certain organizations and projects whose primary purpose is to provide political benefits to the Palestine Liberation Organization (PLO). As agreed with your office, we have (1) identified amounts withheld from 1980 through 1984, (2) reviewed how the State Department determines amounts to be withheld, and (3) determined the reasonableness of State's efforts to identify activities subject to withholding. The period from 1980 through 1984 includes the first year withholding was required through the last year for which data is completely available.

We reviewed records and other information at State and at the U.S. mission to the United Nations in New York. We also reviewed pertinent U.N. budget and financial documents, including the program budgets for the four largest specialized agencies—United Nations Educational, Scientific and Cultural Organization (UNESCO), International Labor Organization (ILO), World Health Organization (WHO), and Food and Agricultural Organization (FAO). We interviewed U.S. officials responsible for making withholding determinations. Our work was performed in accordance with generally accepted government audit standards. In accordance with your request, we did not obtain official comments from the Department of State.

**Legislative Restrictions  
Require Withholding of  
U.S. Contributions**

Beginning with enactment of the State Department authorization act for fiscal years 1980 and 1981 (Public Law 96-60), Congress has mandated restrictions on the U.S. proportionate share of the costs for PLO-related activities in the assessed budgets of the United Nations. The 1980 and 1981 State authorization act called for the withholding of 25 percent of the amount budgeted for two U.N. entities, the Committee on the Exercise of the Inalienable Rights of the Palestinian People and the Special Unit on Palestinian Rights.

State Department authorization acts for 1982 and 1983 (Public Law 97-241), and 1984 and 1985 (Public Law 98-164) expanded the restriction to include any projects, including those funded by U.N. specialized agencies, whose primary purpose is to provide benefits to the PLO. These acts excluded from the withholding restriction "projects whose primary purpose is to provide humanitarian, educational, developmental, and other nonpolitical benefits to the Palestinian people."

The State Department was required to report annually to the Congress on the amounts withheld. State has met this requirement by reporting a separate line item in its annual budget request showing the total amount withheld for the previous year and estimated amounts for the current and upcoming years.

## Amounts Withheld Exceed \$4.6 Million

According to State Department records, from 1980 through 1984 over \$4.6 million in assessed contributions has been withheld from the United Nations and UNESCO in compliance with the PLO restrictions. None of the remaining U.N. specialized agencies reported PLO activities subject to withholding. Table 1 shows the amounts withheld annually.

**Table 1: Amounts Withheld for PLO-Related U.N. Activities**

Calendar year	United Nations	UNESCO
1980 (actual)	\$ 191,775	Not applicable
1981 (actual)	211,125	\$30,659
1982 (actual)	1,704,200	18,894
1983 (actual)	1,728,000	14,044
1984 (estimate)	733,460	17,500
<b>Total</b>	<b>\$4,568,560</b>	<b>\$81,097</b>

These annual withholdings equal 25 percent of the budgeted costs for the U.N. PLO-related activities, which includes the costs of (1) the Committee on the Exercise of the Inalienable Rights of the Palestinian People and the Special Unit on Palestinian Rights; (2) U.N. sponsored conferences, seminars, and meetings, and public information activities related to PLO activities; and (3) grants funded by UNESCO to students selected or processed by the PLO.

The amounts withheld for 1980 and 1981 include direct and indirect budgeted costs of the Committee and Special Unit on Palestinian Rights. The large increase in amounts withheld beginning in 1982 reflect the

increased costs associated with the expansion of the Special Unit on Palestinian Rights to Division status within the U.N. Office of the Secretary General and preparatory costs of a major international conference on Palestine held in Geneva in 1983. Also, in 1982, the State Department decided to withhold additional amounts for conference servicing costs for 1980 and 1981. This amounted to \$183,625 and \$201,125 for 1980 and 1981 respectively.

## Withholding Determination Process

Because the United Nations has no separate accounting system for activities and costs of PLO-related matters, State relies on direct contacts with the U.N. Office of Financial Services and its own review of U.N. budget documents and financial reports to determine amounts to be withheld. Funds are withheld based on direct budgeted costs, budgeted apportioned (indirect) costs, and budgeted conference servicing costs. These three types of costs cover the aforementioned Committee and Division on Palestinian Rights, the U.N. Department of Public Information's activities on the Palestinian issue, and the estimated full servicing costs of any seminar, meeting, or conference related to the Palestinian issue. Table 2 illustrates costs identified for the 1983 withholding determination.

**Table 2: 1983 U.N. Activities Subject to PLO Withholding**

	Direct costs	Indirect costs	Conference servicing costs	Total costs
Division for Palestinian Rights	\$ 886,800	\$ 68,200	\$ 642,500	\$1,597,500
Committee on the Exercise of the Inalienable Rights of the Palestinian People	70,300	440,500	•	510,800
U.N. Department of Public Information Activities on Palestine	385,100	•	•	385,100
International Conference on Palestine	1,175,900	•	3,242,700	4,418,600
Total	\$2,518,100	\$508,700	\$3,885,200	\$6,912,000
U.S. share	25%	25%	25%	25%
<b>Amount withheld</b>	<b>\$629,525</b>	<b>\$127,175</b>	<b>\$ 971,300</b>	<b>\$1,728,000</b>

Direct costs for U.N. organizational entities are readily identifiable in U.N. budget documents. However, indirect costs and conference servicing costs are not easily identified and are a matter of contention between the United Nations and the State Department. The United Nations believes withholding for apportioned costs is inappropriate because certain indirect costs such as utilities, office rent, and support

---

servicing would be required whether or not the Committee and Division existed. State has consistently rejected this argument. From 1980 through 1983, State was able to identify apportioned costs by reviewing line items in the U.N. budget documents. However, since 1984, the United Nations no longer provides a breakdown of apportioned costs, so State has relied on data provided directly by the U.N. Office of Financial Services.

The United Nations contends that withholding for the estimated full cost of conferences is inappropriate because such costs usually overstate actual costs of the conferences. Although State Department officials agree that they may be withholding more than actually spent, they will not adjust the current method until the United Nations provides hard, verifiable data detailing the actual costs of each conference.

We noted that State did not decide to withhold for conference servicing costs until 1982 because of the uncertainty in identifying actual costs. However, once State decided to withhold for conference servicing costs, it retroactively withheld such costs for 1980 and 1981.

For U.N. specialized agencies, State requires a written certification that no assessed contributions were expended for political support for the PLO.

We noted program activities sponsored by UNESCO from 1981 through 1984 which required an interpretation by State on whether funds should be withheld. A UNESCO subprogram on educational support for national liberation movements, including the PLO, contained a section on study grants and other educational activities which State determined were subject to withholding restrictions. According to State, these activities, although educationally oriented, directly involved the PLO whereas other funded activities apparently did not. Therefore, State decided to withhold funds for grants which UNESCO identified as directly involving the PLO. State officials said it would be difficult, if not impossible, to clearly determine whether the other activities involved the PLO because the United States is no longer a member of UNESCO.

---

## **Withholding Process Appears Reasonable**

Our review of the withholding determination process showed no apparent weaknesses in State's efforts to identify appropriate U.N.-sponsored activities subject to withholding. Our review of U.N. budget documents, including the program budgets for UNESCO, FAO, WHO, and ILO, and correspondence between the United Nations and State confirmed the cost

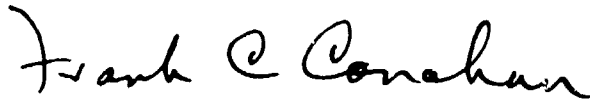
data and methodology used by State. We found no clear cut instances of U.N.-funded activities related to political support of the PLO which were not identified by State. For example, we reviewed the program budgets of WHO, ILO, and FAO and were unable to identify any PLO-related activities. For the most part, State interpreted cost data by using higher numbers whenever a dispute of appropriate costs occurred. For example, as we noted earlier, State withheld funds for conference servicing costs based on estimated full costs which both U.N. and State Department officials believe are usually greater than actual expenditures.

## Conclusion

We believe State is reasonably complying with legislative restrictions on U.S. contributions to the United Nations and its specialized agencies for PLO-related activities. Accordingly, we are not recommending any changes in the way State determines amounts to be withheld.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,



Frank C. Conahan  
Director