



THE REPRESENTATIVE
OF THE
UNITED STATES OF AMERICA
TO THE
EUROPEAN OFFICE OF THE UNITED NATIONS
GENEVA

PD-ABC-114

August 28, 1985

His Excellency
Poul Hartling
United Nations High Commissioner
for Refugees
Centre William Rappard
154 rue de Lausanne
Geneva, Switzerland

Dear Mr. High Commissioner:

I am pleased to inform you that, pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, and subject to the terms and conditions set forth herein, the Government of the United States, acting through the Agency for International Development (A.I.D.), hereby grants to the United Nations High Commissioner for Refugees (UNHCR) the equivalent of \$7,500,000 to be used for UNHCR's program in Cyprus (the grant). Our objectives are to contribute to the efforts of UNHCR to assist local authorities in the North and South of Cyprus, to relieve the plight of displaced and needy persons particularly those affected by the civil strife and dislocations of July-August 1974, and to promote cooperation between the Greek and Turkish Cypriot communities.

Based upon requests submitted by the authorities of Cyprus, and after consultations between and among these authorities, UNHCR and the United States Embassy in Cyprus, it is anticipated that the funds provided under the grant will be used toward the financing of a program of assistance composed of activities described in attachment (A) to this letter (the program).

With the prior approval of A.I.D., UNHCR may use the proceeds of the grant through other channels or organizations as well as other United Nations agencies should it feel that the funds made available under the grant can be effectively used in that fashion.

The grant is effective as of the date of this letter and is subject to the terms and conditions set forth below.

The proceeds of grant shall be available for commitments made by UNHCR in support of its program in Cyprus from the date of this letter through September 30, 1988. Unless otherwise agreed in writing by A.I.D., any proceeds of the grant which remain uncommitted by UNHCR at the end of this period shall be refunded to A.I.D. within thirty days after that time.

It is understood that financial records, including documentation to support entries on accounting records and to substantiate changes against the grant, shall be maintained in accordance with UNHCR's usual accounting practices which shall follow generally accepted accounting practices. All such financial records shall be maintained for at least three years after final disbursement of funds under the grant.

UNHCR confirms that projects carried out in whole or in part with funds made available under the grant will be subject to an independent audit. UNHCR is advised that, for this purpose, an audit carried out in accordance with established procedures under the appropriate provisions of the financial regulations and rules of the United Nations will be acceptable to A.I.D. A.I.D. will be provided, as soon as published, with copies of the accounts and reports of the United Nations Board of Auditors relating to all voluntary funds administered by UNHCR, including those relating to this grant.

Funds made available under the grant shall be disbursed in accordance with the procedures described in attachment (B) to this letter.

Although it is understood that a question concerning interest generated by the funds made available under the grant will probably not arise with respect to UNHCR itself, UNHCR agrees that, if interest accrues to UNHCR through its use of grant funds in carrying out the purpose of the grant, UNHCR shall refund to A.I.D. the interest earned. UNHCR agrees to include in all grant agreements or similar instruments pursuant to which it makes grant funds available to any other person or organization, a provision stating that A.I.D. shall have the right to recover all interest accruing to that person or organization as a result of its use of grant funds; provided, however, that UNHCR shall not be responsible for recovering interest on behalf of A.I.D. from any such person or organization.

It is agreed that the grant and the activities financed under it shall be managed by UNHCR in accordance with its established policies and procedures and in accordance with the terms of the grant.

The proposed budget for the grant is set forth as attachment A to this letter. To permit maximum flexibility in the use of grant funds, UNHCR may deviate from this budget by increasing certain planned expenditures or reducing others, if agreed in writing by UNHCR and the Embassy of the United States in Cyprus (with the concurrence of A.I.D.'s Bureau for Asia and Near East in Washington).

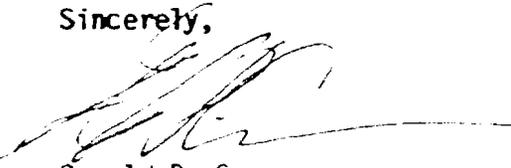
UNHCR shall prepare semi-annually a consolidated report describing the financial status of each project financed in whole or in part with funds made available under the grant, including an itemized report of all such projects completed during the period covered by the report. In keeping with the reporting requirements for previous grants to UNHCR for its Cyprus program, the first report under this grant shall be due on October 1, 1985. UNHCR will provide five copies of each of the reports to A.I.D., addressed to Office of Project Development, Bureau for Asia and Near East, Agency for International Development, Washington, D.C. 20523, U.S.A.

The grant may be terminated in whole or in part by either party upon thirty days written notice. Termination of the grant shall terminate any obligation by either party to make further contributions pursuant to the grant, except for payments or other commitments which either party is obligated to make pursuant to non-cancellable commitments entered into with third parties prior to the termination of the grant. The A.I.D. office responsible for monitoring the grant is the Office of Project Development, which is a component of A.I.D.'s Bureau for Asia and Near East. The terms of the grant, as set forth herein, may be revised only by written mutual consent of the parties thereto.

Please indicate your acceptance of the grant by signing the original and four copies of the letter in the space provided below, and return the original and two copies to office of Project Development, Bureau for Asia and Near East, Agency for International Development, Washington, D.C. 20523, United States of America.

Two copies may be retained for your files.

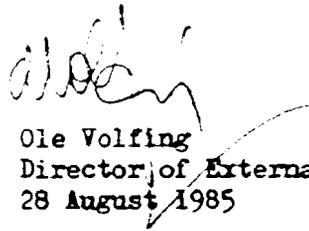
Sincerely,



Gerald P. Carsten
Ambassador

Attachments: as stated

ACCEPTED:
THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES



Name: Ole Volting
Title: Director of External Affairs
Date: 28 August 1985

Attachment A

UNHCR PROGRAM FOR CYPRUS PROPOSED FISCAL YEAR 1985 BUDGET
All figures in thousands of dollars.

<u>Activities</u>	<u>South</u>	<u>North</u>	<u>Total</u>
Bicomunal	1,230	250	1,480
Health	3,200	530	3,730
Education	800	275	1,075
Agriculture	--	160	160
Red Cross	345	90	435
Contingency	253	67	320
Sub-total:	5,828	1,372	7,200
UNHCR			300
Total:			7,500
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Attachment B

PAYMENT PROVISIONS

A) Funds granted herein will be provided to the UNHCR as an amendment to the existing Federal Reserve Letter of Credit (FRLC) (No. 72-00-1046), against which the UNHCR may draw cash only for immediate disbursing needs. The term "immediate disbursing needs" when applied to FRLC's is defined as the cash requirements for a three-day period. Any sub-grantee funded by the UNHCR from funds provided by this grant, shall obtain such funds from the UNHCR only as needed for disbursement.

B) FRLC Operational Requirements:

- (1) As funds are required for immediate disbursement needs, the UNHCR will submit a properly completed payment voucher (Form TFS-401) to the Commercial Bank for transmission to the Federal Reserve Bank or Branch. The Commercial Bank may at this time credit the account of the UNHCR with the amount of funds being drawn down. Payment vouchers shall not ordinarily be submitted more frequently than daily and shall not be less than \$5,000 or more than \$5,000,000. In no event shall the accumulated total of all such payment vouchers exceed the amount of the FRLC.
- (2) In preparing the payment voucher, the UNHCR shall assign a voucher number in numerical sequence.
- (3) After the first payment voucher (Form TFS-401) has been processed, succeeding payment vouchers shall not be presented until the existing balance of previous drawdowns has been expended or is insufficient to meet current needs.

C) FRLC Reporting:

For each calendar quarter, UNHCR shall submit to A.I.D. a report showing for that quarter, the amount of cash drawn under the FRLC and the amount of project disbursements.

D) Suspension of FRLC:

If at any time the A.I.D. controller determines that the grantee has failed to comply with the terms and conditions of the FRLC, the A.I.D. controller shall advise the grant officer who may cause the FRLC to be suspended or revoked.

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, ANE BUREAU

FROM: *m* ANE/PD, Peter Bloom *W*

SUBJECT: Authorization for FY 1985 Grant to the United Nations High Commission for Refugees (UNHCR) for Cyprus, 233-0001, Relief and Rehabilitation Activities

Problem: Your approval of a \$7.5 million ESF grant to the United Nations High Commission for Refugees (UNHCR) to support costs incurred in its relief and rehabilitation program for people in Cyprus is requested.

Background: Since the July 1974 coup and the subsequent military intervention, Cyprus has been, de facto, a divided country. The military situation has stabilized, but little progress has been achieved toward a negotiated settlement between the two Cypriot communities.

The UNHCR has played a major role in the administration and coordination of assistance with funds provided by the U.S. Through FY 1984, A.I.D. relief and reconstruction assistance totalled \$152 million. In discussions with the U.S. Embassy, it was decided that the UNHCR was the implementing agency of choice to carry out a program which has to be carried out in both northern and southern Cyprus. It alone has the ability to work in both communities and has the best chance of promoting bicomunal activities. The UNHCR will continue to operate its programs in 1985. Assistance is divided according to population, with 19.05% joint to the Turkish Cypriot North and 80.95% to the Greek Cypriot South.

Based on consultations between the UNHCR and the U.S. Embassy in Cyprus and UNHCR coordination with the Red Cross in both

communities, we propose that the FY 1985 funds be used to provide assistance in the following categories:

<u>Activities</u>	<u>South</u>	<u>North</u>	<u>Total</u>
BiCommunal*	\$1,230,000	\$ 250,000	\$1,480,000
Health	3,200,000	530,000	3,730,000
Education	800,000	275,000	1,075,000
Agriculture		160,000	160,000
Red Cross	345,000	90,000	435,000
Contingency	253,000	67,000	320,000
SUB-TOTAL	\$5,828,000	\$1,372,000	\$7,200,000
UNHCR			300,000
TOTAL			\$7,500,000

*The bicomunal activities will consist primarily of the construction of a third phase of the Nicosia Sewer System which extends into both communities.

As in the past, we propose that FY 1985 funds be made available to the UNHCR via a Federal Reserve Letter of Credit.

Congressional leaders requested A.I.D. to do its utmost to insure that U.S. funds are used to "buy America" even though a) the funds are granted to the UNHCR, b) A.I.D. Handbook 1, Supplement B, Chap. 16.C.3 stipulates that the policies and procedures of an international agency donee will be followed in regard to procurement and c) that the restricting of international procurement to one member country is against the policy of the UNHCR and not subject to negotiation. A.I.D. officials met with UNHCR representatives to resolve this issue. Negotiations resulted in the understanding that the U.S. Embassy in Cyprus will work with the local implementing agencies to introduce U.S. specifications on as much of the procurement as practical. UNHCR will accept these specifications as written.

In addition, the UNHCR has undertaken to allow A.I.D. to review proposed projects prior to approving them so that A.I.D. may raise technical, engineering, environmental or other implementation concerns. The language of the Letter of Pledge has been approved by AID/W, the Embassy in Nicosia, and the UNHCR in Geneva and is included in Attachment A. We have transmitted a Congressional Notification informing Congress that we plan to obligate \$7.5 million available for Cyprus in

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FY 1985 for the above use. The waiting period expired, upon removal of a "congressional hold", without objection on August 1, 1985. Funds have been apportioned and allowed for this purpose.

There are no current human rights issues under Section 502b of the FAA that would preclude provision of this assistance to Cyprus.

You have authority to authorize this grant under Delegation of Authority No. 133, Section 4a(1)(a). You also have authority to execute, or to delegate authority to execute, this grant under Delegation of Authority No. 38. It is proposed to delegate authority to sign the grant agreement to the Chief of Party in the U.S. Mission in Geneva.

Recommendation: That you sign the attached cable which authorizes the \$7.5 million grant from FY 1985 funds to assist the UNHCR to carry out the above program and delegate authority to sign the grant to the Chief of Party of the U.S. Mission in Geneva.

CLEARANCES:

ANE/PD:RVenezia	(Sub)	Date 8/29/85
ANE/PD/MEDNE:MSinding	(Draft)	Date 08/26/85
ANE/PD/ENGR:RBird	(Draft)	Date 08/26/85
ANE/PD/ENV:SLintner	(Draft)	Date 08/26/85
ANE/MENA:MSterne	(Draft)	Date 08/26/85
ANE/TR:KSherper	(Subs)	Date 08/26/85
ANE/DP:BSidman	(Draft)	Date 08/27/85
GC/ANE:SNarkin	(Draft)	Date 08/26/85
DAA/ANE:RHBell	Sub	Date 8/29/85

ANE/PD/MEDNE:AMethanielsz:anf:x27327:08/13/85:39207

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