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United Nations Relief and Works Agency for Palestine Refugees in the Near East

Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

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Summary

The present report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) describes the activities of the Group during 2007 and provides a detailed outline of the current financial situation of UNRWA. The Working Group unanimously adopted the report at its meeting on 19 September 2007. As in previous reports of the Working Group, the present report closes with a number of concluding remarks addressed to all Member States.



I. Introduction: origin and background of the Working Group

1. The Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly under resolution 2656 (XXV) to study all aspects of the financing of the Agency. In that resolution, the Assembly requested the Working Group to assist the Secretary-General and the Commissioner-General of UNRWA in reaching solutions to the problems posed by the Agency's financial crisis.

2. At the twenty-fifth session and all subsequent sessions, the General Assembly has considered the reports submitted to it by the Working Group (most recently, A/61/347)¹ and adopted resolutions commending the efforts of the Working Group and requesting it to continue them for a further year (most recently, resolution 61/114).

3. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Chairman of the Working Group is Baki Ilkin of Turkey.

II. Activities of the Working Group during 2007

4. During the year, the Working Group held two meetings, the first on 4 September 2007, in which the Director of the UNRWA Representative Office, Andrew Whitley, briefed the Working Group on the Agency's financial situation and developments facing the Agency. At the second meeting, on 19 September, the report was agreed upon and adopted.

III. Financial situation of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

5. The Agency's cash and in kind regular budget for the biennium 2008-2009 was \$1,093.2 million, of which \$544.6 million was for 2008 and \$548.6 million for 2009. Against its \$994.2 million budget for the biennium 2006-2007, the Agency in 2006 received \$371.5 million in income for its cash and in kind planned expenditure, leaving a large funding gap of \$117.1 million for the year. The anticipated funding gap for 2007 as at 27 August was \$91 million. The Agency's regular budget income for 2007 was expected to be \$414.6 million (\$365.2 million in financial contributions, \$20.3 million in kind, \$20.1 million in transfers from the United Nations "assessed contributions" budget to cover the costs related to 113 international posts and \$9 million in forecast interest income and exchange rate gains).

6. The Working Group noted the \$74.6 million deficit against the Agency's \$150.4 million project budget for 2006. The deficit against the 2007 project budget of \$135.8 million was expected to reach \$84.4 million. The capital requirements of UNRWA programmes, as well as the costs related to environmental health

¹ For the report of the Fourth Committee on its consideration of the report of the Working Group contained in document A/61/347, see document A/61/407.

improvements and shelter rehabilitation, are contained chiefly in the project budget. Those requirements include construction and expansion of schools, health centres, water and sanitation facilities, and camp improvement activities. The Working Group was concerned that the large project budget deficits would adversely affect the Agency's regular programme services for the refugees.

7. The Working Group was informed by UNRWA at its meeting on 4 September that the \$1,093 million budget for the 2008-2009 biennium had been submitted to the Advisory Committee on Administrative and Budgetary Questions; its report was expected by the end of October. The budget describes the programme activities through which the Agency invests in the human development and well-being of the approximately 4.6 million registered Palestine refugees and its plans to improve the quality of services provided to them within the Agency's resources. The budget also describes the strengthening of results-based management and programme delivery that UNRWA seeks to implement in line with the Agency's organizational development reform programme.

8. Contributions to the UNRWA regular budget in 2007 fell far short of budgeted expenditure for that year. The Agency appealed to donors to fully fund the biennium budget as a whole, on the grounds that UNRWA represents the principal source of general education, primary health, social, relief and microfinance services for the refugee population. The Agency's cost-effective services constituted a vital investment in the human development and well-being of the refugees by the international community. Declining educational performance among refugees in UNRWA schools in 2006 and 2007, notably in the Gaza Strip, provided alarming evidence of the results of, inter alia, under funding of the Agency's core services. The continued commitment of the international community to the refugees remained essential in the absence of a just and durable solution to their problem and in light of the continuing conflicts in the region, which have had devastating economic and social consequences for them.

9. As at 31 December 2006, the Agency was due \$12.8 million in value-added tax reimbursements from the Palestinian Authority (up from \$8.2 million at 31 December 2005). As at 30 June 2007, the figure had risen to \$17.4 million. While regrettable in light of the Agency's financial constraints, the inability of the Palestinian Authority to make good on past commitments to eliminate the long-standing debt was understandable, considering the Authority's own straitened financial circumstances in 2006.

10. UNRWA was also concerned about port and related transit charges, which had been exacerbated by security procedures imposed on humanitarian goods it imported through Israel. Until the second half of 2007, when designated crossing points changed, UNRWA was required to route most of its shipments of humanitarian goods and supplies into the Gaza Strip through the Karni crossing. The Israeli authorities continued to impose transit charges on containers moving through Karni, obliging UNRWA to pay \$108,486 in 2006 and \$62,131 from 1 January to 30 June 2007. In the Agency's view, the charge is a direct tax from which it ought to be exempted under the 1946 Convention on the Privileges and Immunities of the United Nations. In 2006, the Karni crossing was closed to containers for 139 of 270 working days and in the first six months of 2007, it was closed to containers for 38 of 150 working days. Even when the crossing was open, UNRWA was prevented from moving containers in sufficient numbers to avoid incurring excess charges for

storage, demurrage and transportation. From late March to the end of the reporting period, there was a constant backlog of empty containers stuck inside the Gaza Strip. Of the \$2.1 million incurred in charges for storage, demurrage and transportation during the calendar year 2006, total excess charges amounted to \$1.4 million (of which \$1.1 million was for excess demurrage charges). In the first six months of 2007, total excess charges for storage, demurrage and transportation costs amounted to some \$300,000 (of which \$100,000 was for excess demurrage charges). The Agency considers that, for substantial periods, the throughput of goods was not consistent with Israel's obligations under the Comay-Michelmores Agreement of 1967 and under article 59 of the 1949 Geneva Convention relative to the Protection of Civilian Persons in Time of War (the Fourth Geneva Convention). In this regard, the Working Group calls upon all parties concerned to facilitate the fulfilment of the mission of UNRWA to provide humanitarian assistance to the Palestine refugee population.

11. Given the importance of ensuring that scarce resources are used as effectively and efficiently as possible, the Working Group acknowledged with appreciation the leadership of Commissioner-General Karen Koning AbuZayd and Deputy Commissioner-General Filippo Grandi, who oversaw the increasingly vigorous process of reform in UNRWA. On 19 and 20 June 2006, the Advisory Commission endorsed the Agency's organizational development strategy, a comprehensive reform programme which built on the outcomes of the June 2004 Geneva Conference and subsequent reforms, and benefited from substantive input from UNRWA stakeholders. The organizational development programme seeks to strengthen the Agency's management and human resources capacity, enhance its effectiveness through improved planning, needs-assessments and programme evaluations, and further the implantation of a results-based management and programme culture in UNRWA. The Working Group acknowledged with satisfaction the progress made during 2006 and 2007 in implementing the three-year organizational development programme. As at 27 August 2007, bilateral pledges to the programme totalled \$14.3 million, of which UNRWA had received \$11.6 million of an anticipated requirement of \$28.5 million. Noting the importance of the programme for the Agency's managerial transformation, the Working Group urged Member States to continue to provide financial support for its implementation, both through bilateral contributions and support in the General Assembly for the additional resources to cover the cost of new international staff posts required to implement the programme sought over the next two bienniums. It also urged UNRWA to continue to cooperate closely with other United Nations agencies which have been through similar reform efforts in order to benefit from their experiences and obtain possible synergies, with a cost-saving potential. The Working Group noted that in the course of 2007, the Agency had made further progress in the development of a programme management cycle which would enhance the current budget preparation process and establish strategic goals, including standards-setting in UNRWA core programme areas, improvement of the Agency's social safety net for the poorest refugees and a review of UNRWA food aid programmes. The new programme strategy would build on the existing medium-term plan. Noting that those far-reaching reforms would have budgetary implications, the Working Group expressed the hope that the Agency would accelerate its efforts in addressing the reforms.

12. The Working Group was informed at its meeting on 4 September that the Agency's emergency appeal for \$246 million to cover needs in the occupied Palestinian territory in 2007 had received total pledged contributions of \$123.3 million as at 27 August, approximately 50 per cent of the amount requested. The appeal, which provides, *inter alia*, for badly needed food aid, emergency job creation and cash assistance, aims to alleviate the dire humanitarian conditions in the territory, which worsened dramatically in 2007. Following the outbreak of serious internal Palestinian violence between Hamas and Fatah in June 2007, the economic collapse in the Gaza Strip deepened when the Karni commercial crossing, through which the overwhelming majority of Palestinian exports and imports must pass, was closed. Ninety per cent of the Gaza Strip's export-dependent firms shut down and 70,000 Palestinians were made jobless within weeks, pushing the unemployment and poverty rates to approximately 50 and 80 per cent, respectively. Noting with deep concern the fact that 80 per cent of registered refugees in the Gaza Strip were currently dependent on UNRWA food aid for their essential sustenance and that the degree of their vulnerability and dependence has heightened sharply compared with 2006 and previous years, the Working Group called for the appeal to be fully funded by donors and invited non-traditional donors in particular to contribute towards that aim.

13. The Working Group noted with approval that, in 2006, the Agency had prepared a comprehensive development plan for the 12 refugee camps located in Lebanon. The plan called for an investment of \$50 million in refugee housing, sanitation and social services. Lebanese Prime Minister Fouad Siniora had officially endorsed the plan as part of a welcome government initiative to improve the overall living conditions and economic prospects in Lebanon of the refugees. As at 27 August 2007, donors had pledged \$24.1 million to this initiative, of which \$8.5 million had been received. Following the adoption of resolution 1701 (2006) by the Security Council and the cessation of hostilities in the summer 2006 war with Israel, as part of its national, early recovery programme, the Government of Lebanon allocated \$3 million to UNRWA to carry out urgent infrastructure repair in war-affected refugee camps.

14. In May 2007, conflict erupted in and around the Nahr el-Bared refugee camp in northern Lebanon between the Lebanese Army and a militant Islamist group identifying itself as Fatah al-Islam. The clashes deepened into the worst violence in Lebanon since the end of the civil war in 1990. By the end of August, almost 150 soldiers had been killed along with an unknown number of Islamist fighters and civilians. Much of the camp's housing and infrastructure, including UNRWA facilities, was either destroyed or badly damaged. Over 31,000 Palestine refugees fled to the nearby Beddawi camp, imposing great strain on its residents and limited resources; others fled to other areas in Lebanon. Donors responded generously to a flash appeal for \$11.5 million launched in June by UNRWA, as the lead body in a coalition of United Nations agencies and major non-governmental organizations, to cover the needs of those displaced for the first 90 days. A second emergency appeal, for \$54.8 million, to meet the unanticipated humanitarian burden for a further 12 months as well as the cost of preparing to rebuild the entire camp, was issued by Prime Minister Siniora on 10 September. Acknowledging the significance for the Government and the future well-being of Lebanon of how the post-conflict situation is managed, the Working Group urges all potential donors to respond promptly to the new appeal so as to ensure that it is fully funded.

IV. Concluding remarks

15. The Working Group notes with concern the large funding gap for the Agency's regular budget in 2007 and reiterates that it is the responsibility of the international community to ensure that UNRWA services are maintained at an acceptable level in quantitative and qualitative terms and that funding keeps pace with the changing needs of the refugee population.

16. The Working Group commends the Commissioner-General and all UNRWA staff for their tireless efforts over the past year to maintain the services of the Agency under very difficult operational circumstances. Among the diverse obstacles faced were the humanitarian consequences of the continuing conflict in the West Bank and Gaza Strip, the reduction of important aspects of international assistance to the Palestinian Authority following the elections in January 2006, as well as the eruption of violence in Nahr el-Bared, in Lebanon. It also encourages the Commissioner-General to continue her fund-raising efforts and her commitment to keeping major donors and host authorities informed and involved, opening new avenues of support and funding and seeking a broader base of support among non-traditional donors. The Working Group is pleased to note that first fruits of that diversification strategy are appearing and encourages UNRWA to continue its efforts to widen the donor support base.

17. The Working Group calls for the early and complete fulfilment of outstanding pledges and other commitments to UNRWA. It notes the importance for the Agency's planning purposes of early payment of pledges, coupled, where possible, with multi-year commitments.

18. The Working Group notes with regret that the budget for the biennium 2006-2007 was seriously underfunded. In 2006, contributions only reached \$371.5 million, 76 per cent of a budget totalling \$488.6 million. This year, aided by favourable exchange rate movements, the Agency projects its income at \$414.6 million, still 18 per cent below the required amount.

19. In preparation for the new biennium, commencing 1 January 2008, the Working Group continues to vigorously urge the donor community to meet its commitments to UNRWA in full. In this regard, the Working Group welcomes the Agency's strengthened focus on strategic planning, monitoring and evaluation of programmes and its commitment to results-based management, ensuring the most effective use of donor funds and a stronger emphasis on well-defined outcomes. The Working Group continues to believe that UNRWA plays a vital role in preserving the stability and security of the region. To assist in meeting that strategic goal, adequate funding of the Agency's programmes, in accordance with the changing needs of the refugee community and in line with the comparable level of services provided by host authorities to their own citizens, is essential.

20. In view of the deepening humanitarian crisis in the occupied Palestinian territory, the Working Group recognizes the essential humanitarian role played by UNRWA emergency operations in alleviating the hardship of the refugees and preventing an even greater decline in their living conditions. It thus urges the international community to fully fund the Agency's emergency appeal for 2007, to which pledges have so far only reached the halfway mark.

21. The Working Group called upon the Israeli Government to accord free and unfettered access to the Agency, in particular in the Gaza Strip, where regular and prolonged closure of the limited number of commercial crossings had hampered UNRWA humanitarian operations. The Working Group also endorsed the Secretary-General's call, on 13 July 2007, for the Karni commercial crossing to remain open so as to prevent a worsening of the humanitarian crisis in Gaza.

22. The humanitarian problems faced by the Palestinian refugees currently must be addressed as a shared international responsibility pending a final and comprehensive settlement of the Israeli-Palestinian conflict in accordance with international legality, including relevant United Nations resolutions. The services provided by UNRWA must be viewed as the minimum required to enable the refugees to lead productive lives. Any reduction in those services, in combination with the constantly increasing number of the refugees, would not only unfairly deprive them of the minimum level of support to which they are entitled as basic human rights, but could also have a destabilizing effect on the entire region. Above all, the Working Group expresses the hope that the international support for UNRWA embodied in the resolutions adopted each year by the General Assembly, in which the Assembly recognizes the importance of the work of the Agency, will be translated in practice into increased support to ensure the continuation of the Agency on a sound financial basis.

23. The Working Group strongly urges all Governments to bear in mind the foregoing considerations when deciding upon the level of their contributions to UNRWA for 2007 and the forthcoming biennium, and once again:

(a) Urges those Governments that have not yet contributed to UNRWA to do so on a regular basis;

(b) Urges Governments that have so far made only relatively small contributions or contributions that have not kept up with increased needs to raise the level of their contributions;

(c) Urges Governments that in the past have made generous contributions to UNRWA to continue to do so in a timely manner and to strive to increase them;

(d) Urges Governments that traditionally have shown special interest in the welfare of the Palestine refugees, both in the region and beyond, to begin contributing or to increase their contributions;

(e) Urges Governments to fully fund the Agency's budget for the biennium 2008-2009, to consider making special contributions in support of the organizational development plan and to ensure that donor support of emergency-related and special programmes does not in any way decrease or divert contributions to the Agency's regular programme.