

**Seventy-first session**

Agenda item 49

**United Nations Relief and Works Agency for
Palestine Refugees in the Near East****Operations of the United Nations Relief and Works Agency
for Palestine Refugees in the Near East****Report of the Secretary-General***Summary*

In paragraph 32 of its resolution [71/93](#) on the operations of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the General Assembly requested the Secretary-General to facilitate broad consultations with Member States, notably host countries, members of the Advisory Commission of UNRWA and other donors, as well as with international financial institutions, to explore all potential ways and means, including through voluntary and assessed contributions, to ensure that the Agency's funding is sufficient, predictable and sustained for the duration of its mandate.

In the same resolution, the Secretary-General was also requested to report to the General Assembly on the conclusions of those consultations and recommendations by March 2017 for its consideration.

In keeping with the request of the General Assembly, the present report summarizes the findings of the consultations and presents the conclusions and recommendations of the Secretary-General, including requests for action to address the financial crisis of the Agency that gave rise to the request, for the consideration of the Assembly.



I. Introduction and context

1. The financial insecurity of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) has been a matter of long-standing, serious concern to the General Assembly. In recent years, the Agency's financial crises have worsened dramatically and, every year since 2013, funding shortfalls of growing magnitude have persisted into the fourth quarter. The Agency's reserves have long been depleted, and repeated stop-gap measures, from the suspension of vendor payments to borrowing from the Central Emergency Response Fund, do not offer sustainable recourse.

2. The Agency's recurring financial crises threaten to disrupt the provision of services to a vulnerable population of 5.3 million refugees, including 500,000 pupils in its schools and a large maternal and child health caseload in and around 58 refugee camps, and to intensify the deep uncertainty that this population is exposed to. In 2015, for example, the Agency came within days of suspending general education for its half a million refugee pupils. Although the coordinated mobilization of donors rescued that school year, two years later, funding remains precarious for the Agency's basic service delivery.

3. In an effort to decisively address the Agency's financial situation, on 6 December 2016, the General Assembly, in paragraph 32 of its resolution [71/93](#), requested the Secretary-General to facilitate broad consultations with Member States, notably host countries, members of the Advisory Commission and other donors, as well as with international financial institutions, so as to explore all potential ways and means, including through voluntary and assessed contributions, to ensure that the Agency's funding is sufficient, predictable and sustained for the duration of its mandate, and also requested the Secretary-General to report on the conclusions of those consultations and recommendations to the General Assembly by March 2017 for its consideration, without prejudice to the advice of relevant committees.

4. In a letter dated 1 February 2017, I informed the President of the General Assembly that, in order to fulfil that request, I had decided to establish a Steering Committee to carry out the consultations. Switzerland, in its capacity as Chair of the Advisory Commission of UNRWA, served as the Chair of the Steering Committee, and Turkey, in its capacity as Chair of the Working Group on the Financing of UNRWA, served as its Vice-Chair.

5. The Steering Committee issued a guidance and briefing note to all Member States on 6 February, outlining the consultation process and the elements to be explored in searching for a solution to the funding crises facing UNRWA. The Committee launched its consultations with a briefing, which was convened by the President of the General Assembly and open to all Member States, on 13 February. Between 13 February and 9 March, 54 Member States, intergovernmental bodies and international financial institutions were consulted in bilateral and multilateral settings and in written format. Members of every regional group were included, as well as host States, members of other relevant groupings (Group of 77 and China, Movement of Non-Aligned Countries and Organization of Islamic Cooperation), the Advisory Commission and the Working Group. The consultations, which were held in New York, as well as in Amman, Geneva, Jeddah and Riyadh, Saudi Arabia, and

Washington, D.C., were the broadest and most comprehensive consultations to date on the topic of the financing of UNRWA. I wish to express my deep appreciation to Switzerland and Turkey for their extraordinary dedication and engagement in bringing the consultations to a successful conclusion.

6. The Steering Committee shared its findings and conclusions with me on 15 March 2017.

II. Background

7. The United Nations Relief and Works Agency was established in accordance with General Assembly resolution 302 IV of 8 December 1949, with a mandate to promote the human development of the Palestine refugees. The General Assembly renews the Agency's mandate periodically, most recently in resolution 71/91, in which the mandate was extended until 30 June 2020.

8. The Agency delivers essential services, which are ordinarily provided by a Government, directly to registered Palestine refugees in its five areas of operation: Jordan, Lebanon, the Syrian Arab Republic, the West Bank, including East Jerusalem, and the Gaza Strip. The core of the Agency's services comprises its education and primary health-care systems and the assistance it provides to strengthen resilience and mitigate the worst effects of poverty.

9. The Agency also helps with post-conflict recovery, including through the rehabilitation of infrastructure in camps that are damaged by conflict and through a microfinance programme. The Agency's role, mandate and operations are relevant to the three pillars of human rights, peace and security and development. In order to discharge its responsibilities, the Agency works in an integrated manner across the pillars and in a range of different sectors.

10. The growth in demand for services is driven by multiple factors, including social and economic exclusion. Poverty levels are elevated, and unemployment is severe in several areas. There has been a widespread loss of coping mechanisms among the Palestine refugees.

11. In the absence of a just, lasting and comprehensive solution to the Arab-Israeli conflict, the Agency's mandate remains vital to the refugees and other stakeholders in the region and beyond. Host States, which have shouldered enormous responsibilities in accommodating the refugees for almost seven decades, consider UNRWA vital to the well-being of the refugees, as well as to stability and security. The recurrent financial crises facing UNRWA represent political, humanitarian and security risks.

12. Some 94 per cent of the Agency's core funding is voluntarily contributed. Roughly 4 per cent is received from the United Nations regular budget. Donors give generously to the Agency, but voluntary contributions have not been predictable or sustained. They have also not been sufficient, over time, to meet increasing needs of refugees, which outpace the resources received by the Agency for its three funding portals: the programme budget, projects (largely infrastructure-related) and emergency appeals.

13. Amid severe financial crises in recent years, UNRWA moved forward with robust and far-reaching internal measures to contain costs and reduce funding shortfalls while at the same time taking all measures considered possible to protect and improve the quality and availability of core programmes. The Commissioner-General continues to appeal to stakeholders to uphold their collective responsibilities towards the refugees, including by promoting their human rights and sustaining the quality and scope of the Agency's core services in accordance with the mandate it receives from the General Assembly.

14. Notwithstanding the actions taken by UNRWA in the past three years, the Agency currently projects income for 2017 to be \$115 million below its minimum operating requirements and \$160 million below the amount required to deliver the results demanded by the Agency's medium-term strategy for the period 2016-2021. The Agency's current situation is as critical as it was in 2015 and 2016.

III. Findings of the Steering Committee: the role, impact and value of the Agency

15. The consultation process thus presented a unique opportunity for Member States and other stakeholders to convey key perspectives on UNRWA. An overarching theme was the indispensable role that UNRWA plays and its essential function on account of its impact in the context of the unresolved Arab-Israeli conflict. The Agency was described as "unique" and "special", and its contribution to political stability in a region experiencing significant volatility was highlighted by a broad cross section of Member States. The historic responsibilities of the General Assembly with regard to the question of Palestine, including the refugees and UNRWA, were also recalled.

16. The Agency's role as a quasi-governmental service provider was underscored. Member States further emphasized its hybrid humanitarian and development functions, which enabled it to lead emergency responses while continuing human development work. Risks are inherent, as illustrated in recent years by the devastating loss of 32 UNRWA humanitarian workers in the Syrian Arab Republic, the Gaza Strip and the West Bank.

17. Other features of the Agency that were highlighted included its mitigation of extremism, its stabilizing influence and its contribution to peace and security in the Middle East region. A permanent member of the Security Council and a traditional donor described the Agency as a potential "common denominator" in a region where such actors are urgently needed. A number of host States described the Agency as being central to efforts to improve the living conditions and livelihoods of Palestine refugees.

18. The Agency's relevance to the Sustainable Development Goals and the New York Declaration for Refugees and Migrants was underscored, in particular by Member States of the global South. Agency programmes promote 10 of the 17 Sustainable Development Goals and are closely aligned with various commitments in the New York Declaration, in which it was noted that "United Nations entities such as the Office of the United Nations High Commissioner for Refugees and the United Nations Relief and Works Agency for Palestine Refugees in the Near East

and other relevant organizations require sufficient funding to be able to carry out their activities effectively and in a predictable manner” (see General Assembly resolution 71/1, para. 86). The Agency's contribution to the Sustainable Development Goals in a fragile region, in which some Goals are being set back by conflict and its consequences, should be supported actively.

19. A number of Member States addressed the neutrality challenges and the risk of politicization that the Agency faces, which served as reminders of the polarized environment through which the Agency must navigate while maintaining its credibility as a neutral actor. Two traditional donors stated that the robust steps taken by the Agency to ensure its neutrality were a central criterion enabling it to sustain funding. The Agency engages actively with stakeholders in order to maintain neutrality and continues to endeavour to strengthen its role as a neutral actor.

IV. Voluntary contributions

20. Voluntary contributions currently account for 94 per cent of income to the Agency's programme budget. Member States conveyed strong support for UNRWA and highlighted the importance of meeting its financial requirements in accordance with the terms set out in resolution 71/93. I note the importance of capitalizing on the process of consultations in order to achieve an increase in voluntary contributions to the Agency.

21. The expansion of the Agency's donor base was referred to as essential in almost every consultation. Stakeholders, including traditional donors, host States and members of all five regional groups, as well as the Group of 77 and China and the Non-Aligned Movement, encouraged greater sharing of the financial burden of providing support to Palestine refugees.

22. The Agency was also encouraged to strengthen outreach to new and existing partners. The appointment of a senior envoy to engage at the regional level on behalf of the Agency was recommended. In that regard, regional partners,¹ in particular Arab States of the Gulf, emerged as a group with the potential to further strengthen support for the Agency's core operations. The deeper engagement of a handful of large Arab donors over the past decade, mainly in projects relating to construction and the post-conflict rebuilding and rehabilitation of infrastructure, was recognized. Following coordinated engagement and advocacy at high levels, the large contributions made late in both 2015 and 2016 by three Gulf donors — Kuwait, Saudi Arabia and the United Arab Emirates — were central to addressing the shortfalls in the Agency's programme budget.

23. Noting that one of the Agency's Arab donors ranks as its third largest donor overall, a collective approach by regional partners may help sustain its strong performance. Due regard should be given to the view held by many Member States

¹ The Agency currently identifies 17 regional partners: Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Saudi Arabia, the Syrian Arab Republic, Tunisia, the United Arab Emirates (including the ruler of Shariqah) and the State of Palestine, as well as the Arab Authority for Agricultural Investment and Development and the Arab Fund for Economic and Social Development (Kuwait).

in relation to the continuing responsibility of the international community as a whole to assist the refugees and ensure balance in donor commitments.

24. Traditional donors remain the Agency's resource foundation, and the maintenance of their funding levels is a first priority. Increasing such support, however, will be a challenge. The Steering Committee engaged with all 18 stakeholders that UNRWA identifies as traditional donors.² While reaffirming strong support for the Agency, the overall message was that the possibility of increasing their established annual voluntary contributions was currently limited. Many traditional donors emphasized their large annual transfers to the Agency, tightening aid budgets and the current humanitarian overstretch.³ Although a number of traditional donors did not foresee the possibility of providing additional support in the near term, the impression of the Steering Committee was that increases could be contemplated beyond that time frame.

25. Many traditional donors spoke of shouldering their responsibilities towards UNRWA and encouraged other stakeholders to deepen their financial commitment. Diplomatic and technical support was offered, including engagement with international financial and development institutions.

26. A number of traditional donors recommended that, in all contact with all stakeholders of UNRWA, reference should be made to the Grand Bargain on humanitarian financing. They noted that donors had committed themselves to provide more cash, more local aid, less earmarking, more multi-annual funding and more harmonized reporting, and that the Grand Bargain's paradigm of efficiency and effectiveness could encourage greater, as well as more predictable, voluntary support.

27. In addition to the quantitative aspects of the sustainability of the Agency's work, qualitative ones were also raised. Multi-year arrangements and payments of annual contributions as early as possible were flagged as necessary for the Agency's ability to plan and implement with a greater degree of assurance about resource flows. A small but growing number of stakeholders are converting from an annual to a multi-year commitment, and others indicated that they would make efforts to do so or consider doing so.

28. Many traditional donors considered efficiency and cost management to be inseparable from financial sustainability. Traditional donors emphasized the high level of efficiency at which the Agency was operating, and many noted the decisive steps taken over time that had contributed to that result. At the same time, they encouraged UNRWA to implement additional efficiency measures.

29. The question of placing financial conditions on membership of the Advisory Commission drew different responses. One traditional donor agreed with the principle. Another traditional donor did not oppose it. A third was of the view that underperforming members should be encouraged to contribute more without losing their membership. Some donors, including host States, expressed concern that such

² The 18 partners identified by UNRWA as traditional donors contributed \$526 million to the Agency's programme budget in 2016 (84 per cent of the total voluntary income).

³ Including current level 3 crises in Iraq, the Syrian Arab Republic and Yemen and the ongoing famine crises in Nigeria, Somalia and South Sudan.

an approach could discourage potential new members from joining the Advisory Commission or result in some current members reconsidering their membership.

V. United Nations regular budget

30. A key element in the consultations concerned the possibility of a larger allocation to UNRWA from the United Nations regular budget. Although many Member States seek to cap the regular budget, many also advocated robustly that it should be one of a combination of means to stabilize the Agency's finances as a predictable and sustained funding source. Greater stability of funding was recognized as critical to the Agency's responsibilities as a provider of essential services to a large refugee population, the attainment of the Sustainable Development Goals and the delivery of the commitments of the New York Declaration. Although accessing a greater share of the regular budget is a sensitive issue, the varied views of Member States on that approach warrant close consideration by the relevant committees.

31. The Agency currently receives some \$28 million each year from the United Nations regular budget, equivalent to about 4 per cent of the Agency's programme budget income and less than 1 per cent of the United Nations regular budget. The subvention to UNRWA covers the costs and emoluments of 155 international staff posts, in accordance with General Assembly resolution 3331 (XXIX) B, adopted on 17 December 1974 for the purpose of reducing the shortfalls in the Agency's voluntary income. The Agency does not have the flexibility to use that support for purposes other than covering the costs and emoluments of international staff. The Agency meets the associated costs of supporting such staff, their administration and related management functions from voluntary contributions.

32. In addition to the costs of international staff, the Agency estimates that up to \$100 million of its annual expenditure is for essential operating costs associated with maintaining the operational architecture, systems and structures necessary to enable it to carry out its core programmes.

33. The majority of Member States, including 7 of the Agency's 10 largest overall donors, expressed support for, or openness to, considering a greater commitment of the United Nations regular budget for the Agency's operational needs. No Member State advocated a substantial increase in the overall United Nations regular budget on account of additional funding for UNRWA.

34. Some host States stressed that an increase in the Agency's share of the United Nations regular budget should not adversely affect the existing level of voluntary contributions. They also indicated that they would not support any change to the terms of resolution 3331 (XXIX) B that would affect the Agency's mandate or the authorities vested in the Commissioner-General to make decisions on financial allocations. Some host States emphasized that their expenditures for the benefit of refugees exceeded the Agency's programme budget and that they were unable to absorb additional costs for the assistance that UNRWA is mandated to deliver.

VI. International financial institutions and multilateral funds

35. The Steering Committee explored, with the World Bank Group, possible ways of establishing financing mechanisms so as to fund the public services delivered by UNRWA. The World Bank Group's sovereign-only financing was identified as a challenge requiring the engagement of member countries of the World Bank. The Committee took note of instances in which United Nations entities had received financing, including most recently the United Nations Development Programme, delivering through the cluster system in Yemen. The Committee also discussed the World Bank Group's Concessional Financing Facility, which enables middle-income countries to obtain loans at low rates, an arrangement usually limited to low-income countries. In the context of the ongoing crisis in the Syrian Arab Republic, Jordan and Lebanon had become eligible for the Concessional Financing Facility in order to mitigate the fiscal impact of assisting Syrian refugees. Adapting the model in such a way as to enable UNRWA to receive World Bank Group funds, including under the provisions of International Development Association 18, for delivering public services to the Palestine refugees was an issue that could be explored further. The main challenge identified was that the majority of donors that traditionally contributed to World Bank Group trust funds were already donors to UNRWA.

36. The Organization of Islamic Cooperation underscored Palestine as a core priority of its 57 member States. Notwithstanding the strong support for the work of UNRWA, only a small number of those member States contributed to the Agency's programme budget. The possibility of securing additional financial support from member States of the Organization of Islamic Cooperation through an endowment, or *waqf*, administered by the Islamic Development Bank was discussed. A significant injection of upfront capital would be required in order to enable reinvestment in the capital and the generation of meaningful annual income. Recent drops in oil prices and the increasing number of conflicts in the Arab world were cited as challenges to such a mechanism. At the same time, the idea of a revolving fund that could generate income for UNRWA might represent an attractive alternative for providing financial support to the Agency for those member States of the Organization of Islamic Cooperation that were not traditional donors. Support would be needed at the political level to mobilize the required capital without reducing the voluntary contributions of existing donors in the region.

37. In respect of both the World Bank Group and the Islamic Development Bank, considerable technical work will be required to design successful mechanisms. UNRWA does not currently possess such expertise. Furthermore, establishing such mechanisms will take time and is unlikely to represent a significant element in responding to the Agency's short-term financial difficulties.

VII. Other avenues

38. A number of Member States shared their experiences and expressed interest in expanding other avenues of assistance as complementary sources for the Agency's programmes. The following were mentioned several times during the consultations.

39. Given the close alignment between the services of the Agency and the 2030 Agenda for Sustainable Development, some Member States recommended that

UNRWA should be eligible for different financing avenues in relation to the implementation of the Sustainable Development Goals. The Global Partnership for Education was also cited as a potential opportunity for UNRWA.

40. Most Member States expressed support for increasing the private sector's contribution to UNRWA through enhanced collaboration between the Agency and companies that could provide financial or in-kind assistance for Palestine refugees.

41. Furthermore, some Member States highlighted the importance of expanding the Agency's resource mobilization efforts in reaching out to Palestinian diaspora communities, for example in Latin America, improving the Agency's social media and online presence to increase individual (private) donations, improving collaboration with international non-governmental organizations and investing more in UNRWA national committees. It was noted that UNRWA did not have the expertise within the 155 international staff posts funded from the United Nations regular budget to explore such opportunities.

VIII. Recommendations

42. I am conscious of the critical role that UNRWA continues to play in providing indispensable support to Palestine refugees. At a time when the region hosting the refugees is witnessing conflict and significant volatility, the Agency remains an important provider not just of critical services but also of stability.

43. Against this background, I am committed to providing support and further leadership to ensure actionable follow-up to the consultations with Member States. In particular, I intend:

(a) To work with Member States, including relevant committees, to ensure that, to the greatest extent possible with the resources vested in the United Nations, the Agency's financial requirements are supported;

(b) To work with the leadership of international financial institutions to increase efforts to establish financing mechanisms that can provide assistance to refugees and in fragile contexts and to advocate for the inclusion of the short-, medium- and long-term needs of Palestine refugees in such efforts;

(c) To work to ensure that Palestine refugees are not left behind in efforts to mobilize more support for the implementation of the 2030 Agenda for Sustainable Development.

44. I also call upon Member States:

(a) To provide greater financial support through voluntary contributions to UNRWA, in particular to its programme budget;

(b) To make voluntary contributions early in the year;

(c) To make multi-year financial commitments to UNRWA that allow the Agency to meet the increase in the needs of the Palestine refugees and in the associated cost of operations;

(d) To take all actions recommended herein that are necessary to ensure that UNRWA is properly resourced to fulfil the mandate given to it by the General Assembly.

45. I urge those Member States that are traditional donors to the Agency's programme budget to actively explore whether opportunities exist within their foreign aid budgets, including sources that are earmarked for international human rights, peace and stability, development and humanitarian efforts, to provide additional support to the Agency's operations in the light of its multisectoral and quasi-public service character.

46. I urge non-traditional donors of UNRWA to increase their voluntary contributions to the Agency's programme budget to a level, in percentage terms, that is at least equivalent to the percentage that they contribute to the United Nations regular budget.

47. I urge Member States of the Organization of Islamic Cooperation to consider whether more can be done collectively to provide sufficient, sustainable and predictable financial support to the Agency's core programmes. One idea that could be further explored is the establishment of an Islamic financing mechanism, such as a *waqf*.

48. I urge member States of the League of Arab States to find ways to ensure greater predictability in meeting their collective target of funding 7.8 per cent of the Agency's programme budget and to explore the feasibility of increasing the collective target they have commendably set themselves.

49. I urge those Member States that are members of the relevant international financial institutions to support efforts to establish mechanisms that can contribute to short-, medium- and long-term support for the delivery of human development services, including those provided by UNRWA, to Palestine refugees.

50. I urge those Member States that are members of the boards of humanitarian, development and peace and security trust funds to take active steps to enable UNRWA to be a recipient of grants in support of its core operations and to deliver services that meet the needs of Palestine refugees.

51. I urge the General Assembly and its relevant Committees to consider potentially increasing the support provided to UNRWA from the United Nations regular budget, beginning with the regular budget for the biennium 2018-2019, in such a way as to maximize the support given to the Agency's core operations and in a manner that is consistent with the broad discretionary powers vested in the Commissioner-General, pursuant to General Assembly resolution 302 (IV), to make financial apportionment decisions in respect of the Agency's operations. In that regard, I urge the General Assembly and its relevant Committees, during the seventy-second session of the Assembly, to consider ways in which the United Nations regular budget can be used to support more of the Agency's essential operating costs than just its international staff requirements. I further urge the General Assembly and its relevant committees to give favourable consideration to requests from UNRWA that will improve its capacity to mobilize sustainable, sufficient and predictable resources in line with the recommendations set out herein.

52. I urge the members of the Advisory Commission of UNRWA to provide technical and financial assistance to the Agency so as to help it address the resource mobilization challenges identified in the present report, including by providing the expert technical assistance needed for UNRWA to be able to work with international financial institutions to establish funding mechanisms that will provide support for the delivery of crucial public services to Palestine refugees, including those programmes that are delivered by UNRWA.

53. I invite the members of the Advisory Commission to review the criteria for membership of the Commission. Those could include greater geographical diversity and representation and/or introduction of a regular membership fee for members of the Advisory Commission (excepting the host countries). I suggest that, in order to expand its current membership and/or to attract participation at a more senior level, the Advisory Commission consider organizing meetings once a year in Geneva and/or New York. I also suggest that the Advisory Commission consider establishing terms of reference for the Chair and Vice-Chair of the Commission that include systematic outreach and advocacy activities for the duration of their mandates, in collaboration with UNRWA.

54. I encourage the Chair of the Advisory Commission to ensure that the letter from the Chair to the Commissioner-General accompanying the Commissioner-General's annual report includes a section regarding:

(a) The advice given by the Advisory Commission to the Commissioner-General on the specific actions that he or she can take to address the sustainability, sufficiency and predictability of funding for the Agency's operations;

(b) The extent to which members of the Advisory Commission are actively assisting the Commissioner-General in efforts to create sustainable, sufficient and predictable support for the Agency's operations, in accordance with resolution [71/93](#).

55. I recommend that the Working Group on the Financing of UNRWA give due consideration to the recommendations contained herein in its deliberations and in its reports to the General Assembly.

56. In parallel with the course of action outlined above, I have asked the Commissioner-General of UNRWA:

(a) To continue to take action and implement measures to maximize the quality, accessibility and impact of the Agency's programmes for the benefit of Palestine refugees;

(b) To continue to prudently manage the resources made available to the Agency for the benefit of Palestine refugees;

(c) To actively seek out and take advantage of opportunities to improve the sustainability, sufficiency and predictability of financial support, including in ways that may not have been covered in the present report;

(d) To work with Member States, as envisaged by the present report, to ensure financial support for the Agency's operations, including through the re-establishment of an operational reserve to enable it to respond to risks that materialize in the course of each year;

(e) To include in the Commissioner-General's annual report to the General Assembly an analysis and assessment of the efforts made by UNRWA, Member States and others to implement the measures set out in the present report and related efforts.

57. Until such time as the financial challenges of UNRWA have been overcome, I have requested the Commissioner-General to submit a report to me in June of each year, starting in 2017, on the Agency's financial situation as at 31 May of that year, with an explanation of the resource mobilization efforts under way to overcome any operational shortfalls and of how I can provide assistance in those efforts. I am committed to doing my part to support those efforts and to help ensure that UNRWA enjoys predictable, sustained and sufficient funding for the duration of its mandate.
