Understanding the political underpinnings of UNRWA’s Chronic Funding Crisis

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Introduction

This Bulletin outlines BADIL’s position on the ongoing chronic financial crisis of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), highlighting structural obstacles in UNRWA’s funding framework, together with concerted and strategic political efforts by Israel and the United States (US) Administration to delegitimize and dismantle the Agency resulting in the present financial deficit.

UNRWA began 2018 with a shortfall of $150 million following a $126 million deficit in 2017. The Agency’s financial stability was further jeopardized earlier this year following a decision by the US administration to cut its contribution by half, transferring only $60 million of a planned $125 million grant to UNRWA.

Concerns about UNRWA’s deteriorating financial situation were raised at UNRWA’s Advisory Committee meeting earlier this month, as well as at the Pledging Conference for UNRWA held in New York. In light of recent events, BADIL aims to highlight the responsibility of the international community vis-à-vis Palestinian refugees, and by extension UNRWA.

The Agency’s short-term but renewable mandate and the absence of mechanisms to address the natural growth of the Palestinian refugee population, together with the predominately voluntary funding system which is adversely susceptible to world politics, have resulted in a chronic funding crisis for UNRWA and decreases in the quality and quantity of services provided to refugees.

Underlining the responsibility of the international community to ensure Palestinian refugees receive the humanitarian assistance and rights-based protections to which they are entitled, this Bulletin enumerates a number of steps to achieve a sustainable resolution to UNRWA’s predicament. BADIL imperatively recommends that: United Nations (UN) Member States ensure sufficient funding for the financing of UNRWA’s essential services and programs and, in cases where voluntary donations are insufficient, the
UN General Assembly (UNGA) compel Member States to contribute to the funding of UNRWA’s budget.

UNRWA’s funding crisis is of grave concern and must be adequately and resolutely resolved by the international community. This Bulletin is published amid a number of BADIL initiatives and interventions to address the negative politicization of the Palestinian refugee issue, with specific attention to the underpinnings of the UNRWA funding crisis.
UNRWA’s Mandate

UNRWA supports more than five million registered Palestinian refugees in Jordan, Lebanon, Syria, the Gaza Strip and the West Bank, including East Jerusalem. Originally established by UN Resolution 302 of 1949 to carry out direct relief and works programs for Palestinian refugees, UNRWA’s mandate has been repeatedly renewed in light of the ongoing Palestinian refugee question. UNRWA provides a range of services – including education, health care, relief and social services, camp infrastructure and improvement, microfinance and emergency assistance – funded almost entirely by voluntary contributions from UN Member States. These services are available to all those living in UNRWA’s areas of operation who meet its definition, which identifies Palestine refugees as “persons whose normal residence was Palestine during the period 1 June 1946 to 15 May 1948, and who lost both home and means of livelihood as a result of the 1948 conflict” (including internally displaced Palestinians (IDPs)).¹ In order to access these services, Palestinian refugees must register with UNRWA in the area of operation where they reside.

Unlike the 1951 Refugee Convention, which clearly establishes to whom the term ‘refugee’ should be applied in Article 1(A)(2),² UNRWA’s definition fails to delineate who constitutes a refugee, only outlining the criteria for receiving assistance. Thus, the main factor determining whether a Palestinian falls under UNRWA’s definition is the need for assistance (as the individual needs to have lost both their home and means of livelihood) and not their forcible displacement. This definition, moreover, does not fully encompass the whole range of displaced Palestinians today, including only those Palestinians who were displaced during the 1948 War and reside in one of UNRWA’s five areas of operation.


² According to this Article, the status of refugee will be accorded to persons who “owing to well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence as a result of such events, is unable or, owing to such fear, is unwilling to return to it.”
UNRWA’s original mandate applied to the needs of around 750,000 Palestinian refugees; in the seven decades since its establishment, this number has increased by over 600 percent. At the start of 2017, there were approximately 5.9 million registered Palestinian refugees and 58 official camps serviced by UNRWA. This represents a two percent increase in registered persons on the previous year. The graph below displays this growth over the last seven years, from 4,966,664 refugees in 2011 to 5,869,733 in 2017. As the pool of UNRWA beneficiaries has expanded, so too has reliance on the Agency’s key programs. According to UNRWA’s records, the year 2016 saw 8,852,252 visits to UNRWA’s health care facilities, 515,260 pupils enrolled in the Agency’s schools, and 3,310 jobs created for Palestinian refugees as a result of UNRWA’s Infrastructure and Camp Improvement program.

This growing strain on service provision has been exacerbated by the ongoing crises in Syria and the Gaza Strip. Since the start of the Syrian conflict in 2011, around 400,000 Palestinian refugees in Syria have been displaced – over 95 percent of them remain in continuous need of humanitarian aid to meet their most basic needs. In the Gaza Strip – home to 1.3 million UNRWA registered refugees – three military assaults and an 11 year closure have left 80 percent of the population dependent on humanitarian assistance.

UNRWA’s limited financial resources, coupled with a growing refugee population, have placed a massive strain on its services, which have been further jeopardized by recent funding cuts. This has had tangible effects on the Palestinian refugee population, impacting key areas of UNRWA’s work, especially in the education and health sectors. While the former has been adversely impacted by reductions in teachers’ wages, limitations on fuel allowances for schools, as well as the closing and merging of schools, the latter has suffered from the cancellation of specialized contracts for a

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5 UNRWA, “UNRWA in Figures 2017”.
number of clinics and the termination of employment contracts for health workers.\textsuperscript{9}

The resultant deepening poverty and increased vulnerability of the Palestinian refugee population has highlighted the protection gap suffered by Palestinian refugees. Although the United Nations Conciliation Commission for Palestine (UNCCP) was established in 1948 to provide protection and promote a durable solution for Palestinian refugees, it has failed to provide the basic international protection

accorded to all other refugees and has been effectively defunct since the early 1950s.10

The inactivity of UNCCP has forced UNRWA to incorporate some protection activities within its mandate in order “to safeguard and advance the rights of Palestine refugees under international law.”11 UNRWA first engaged in ‘passive’ protection with the promulgation of UN Resolution 37/120 of 1982. Its limited ‘protection framework’ has since developed in response to a lack of alternative mechanisms for the protection of Palestinian refugee rights.12

However, despite some progress in this area, UNRWA is not explicitly mandated to seek the just and durable rights-based solution to which Palestinian refugees are entitled. Moreover, in light of the growing refugee population and increasing strain on services, the Agency lacks the funds to even fulfil its mandated objectives: to provide essential services and implement key programs for Palestinian refugees. For as long as UNRWA continues to be financed almost entirely by voluntary contributions, outpaced by growing demands, the essential needs and fundamental rights of Palestinian refugees will remain unrealized.13

UNRWA’s Funding Crisis

On 16 January 2018, the Trump administration signalled it would be transferring only $60 million of a planned $125 million payment to UNRWA, jeopardising the total $350 million donation UNRWA had projected from the US and budgeted for this year." Even before the US announced it would be contributing less than 20 percent of expected donations, UNRWA began 2018 with a deficit of $150 million following a $126 million aid gap in 2017.

Amid this unprecedented financial crisis, the UNRWA Advisory Committee called a meeting on 18 June 2018 to discuss international support for the Agency. At this meeting, UNRWA Commissioner-General, Pierre Krähenbühl, stated that the Agency requires more than $250 million in further support if UNRWA’s budget for core and emergency assistance is to be preserved for the second half of this year. He emphasized, “at stake is access to schooling for a generation of Palestine refugee youth; access to essential health care in and around 58 refugee camps; and emergency assistance to millions of insecure refugees in an unstable region.” One week later, at the Pledging Conference for UNRWA held in New York on 25 June, Krähenbühl reiterated his concern that given the current shortfall “we do not have income to ensure the schools will open on time in August.”

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16 Ibid.


The circumstances in which UNRWA’s funding structure were designed to function have changed drastically and unpredictably during its 68 years of operation. Originally intended to be only temporary in nature, Israel’s denial of Palestinian refugees’ rights, in particular their right to return, and the absence of a solution to the Palestinian refugee question, have necessitated the repeated renewal of UNRWA’s mandate every three years, most recently extending it to 2020.\footnote{Riccardo Bocco, “UNRWA and the Palestinian refugees: a history within a history,” Refugee Survey Quarterly, 23, 2-3 (26 March 2010): 229-252, available at: https://academic.oup.com/rsq/article/28/2-3/229/1584825} While the Palestinian refugee population has increased more than five-fold in the period 1950-2014, the Agency’s funding structure remains unchanged.\footnote{Maya al-Orzza, “UNRWA has been in crisis since its inception.”} The result is an outdated financial system that fails to meet the growing needs of those for whom UNRWA is mandated to provide.\footnote{Rex Brynen, “Donor Contributions to UNRWA”; Annie Slemrod, “What you need to know now about cuts to the UN’s agency for Palestine refugees”; Palestinian Human Rights Organizations Council (PHROC), “Position Paper on the Current Funding Crisis of UNRWA, International Responsibility and a Framework of Short and Long-term International Interventions Necessary for Maintaining the Functioning of UNRWA, and Ensuring Fundamental Rights of Palestine Refugees,” 11 August 2015, available at: http://www.badil.org/phocadownloadpap/badil-new/resources/human-rights-org/phroc/PHROC-PositionPaper-UNRWA-Crisis-eng.pdf}

The fundamental problem with UNRWA’s funding structure is its heavy reliance on donor States as a result of minimal input from the main UN budget: 96 percent of the Agency’s budget – equivalent to $1,194.18 million in 2016 – is dependent on voluntary contributions and grants from governments, intergovernmental organizations and non-governmental organizations.\footnote{UN General Assembly, UNRWA Financial report and audited financial statements for the year ended 31 December 2016 and Report of the Board of Auditors, A/72/S/Add.4, 2017, 16, available at: https://undocs.org/A/72/S/Add.4; PHROC, “Position Paper on the Current Funding Crisis of UNRWA”}
The other 4 percent – $47.84 million in 2016 – comes from the UN regular budget and other UN agencies, and primarily covers international staffing costs. UNRWA’s reliance on voluntary funding is comparable to that of other UN agencies. In 2016, the proportion of voluntary contributions to the total budget for UNHCR was 99 percent, for UNICEF was 97 percent, and for UNDP was 93 percent. Given the heavy reliance of UN agencies on voluntary contributions, the UN General Assembly (UNGA) must ensure its Member States provide sufficient funds for the fulfilment of their mandates – particularly with regard to agencies vulnerable to political influences such as UNRWA.

When UNRWA was established as a temporary agency, UN Member States deemed it to be in the interests of both UNRWA and Palestinian refugees for the Agency to be able to collect voluntary contributions of any amount from Member States. However, the way in which funds are donated to UNRWA not only sets limits on how funds can be spent, but also leaves UNRWA vulnerable to political pressure and interference from Donor States. While contributions to the general fund can be applied to everyday services such as schools and health clinics, those directed to specific project or emergency funds must be used for those specific purposes. The ability of UNRWA to deliver essential services is thus dependent on the allocation of contributions to the general fund by Donor States. This can vary significantly year upon year, as the graph below illustrates. UNRWA’s annual budget has fluctuated by over $400 million in the last seven years, with considerable variance between program (general) and non-program (project and emergency). The uncertain and unpredictable nature of UNRWA’s funding is key to its present unstable financial position, leaving the Agency vulnerable to political interference.

26 Annie Slemrod, “What you need to know now about cuts to the UN’s agency for Palestine refugees”; Maya al-Orzza, “UNRWA has been in crisis since its inception”; Rex Brynen, “Donor Contributions to UNRWA”.
27 Rex Brynen, “Donor Contributions to UNRWA”.


The redirection of funds from UNRWA’s general budget to projects and emergencies is a tactic used by Donor States to exert political pressure on the Agency, with grave consequences for Palestinian refugees. In 2016, UNRWA spent $1.3 billion on education, its largest area of spending, followed by relief and social services, all needs falling within its general fund. The diversion of donations away from this fund necessarily limits UNRWA’s ability to perform its primary functions, as does the capping of contributions more generally.

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28 Maya al-Orzza, “UNRWA has been in crisis since its inception”.
29 Annie Slemrod, “What you need to know now about cuts to the UN’s agency for Palestine refugees”.

The political underpinnings of such measures are multifarious. Israel, responsible for the initial displacement of Palestinians and which continues to deny refugees their rights, is keen to limit the capacity of UNRWA’s general fund in order to see the gradual transfer of essential services, and eventually refugees, to host countries, in turn, imposing involuntary integration on both. This is an attractive scenario for Israel, minimizing its responsibilities vis-à-vis Palestinian refugees under international law.30 It is a stance recently mirrored by the Swiss Minister of Foreign Affairs, Ignazio Cassis, who, on 17 May 2018, claimed that UNRWA actively hinders the integration of Palestinian refugees into their host countries, criticizing the Agency for impeding resettlement.31 A year prior to this, Israeli Prime Minister Benjamin Netanyahu had called for the termination of UNRWA altogether.32

Netanyahu’s announcement reflects a desire to put an end to international responsibility regarding Palestinian refugees; eliminate the question of refugees from final negotiations; and release Israel from future claims concerning refugee rights and the issue of return. Perhaps unsurprisingly, it is a position ostensibly endorsed by the international community. The post-Oslo shift in funding from UNRWA to the Palestinian Authority (PA) saw the transfer of additional resources to the West Bank and Gaza Strip rather than the other regions of UNRWA’s operations.33 This reduced UNRWA’s capacity to provide essential services in Jordan, Lebanon and Syria, constituting a step towards the integration of Palestinian refugees into their host countries and ultimately the termination of UNRWA.34

Some Arab states have advanced the political argument that it is the responsibility of the broader international community to bear the financial burden of the Palestinian refugee issue, given its role in the creation of the problem. This was the rationale behind the creation of a special protection regime for Palestinian refugees in 1948, when Arab states did not contribute to UNRWA’s budget.35 Several Arab states have since donated to UNRWA,

30 Maya al-Orzza, “UNRWA has been in crisis since its inception”.
33 Maya al-Orzza, “UNRWA has been in crisis since its inception”.
34 Riccardo Bocco, “UNRWA and the Palestinian refugees”.
through urgent appeals from the Agency, but would consider sustained and regular contributions an abandonment of their initial position, or to some degree a manifestation of the transfer of responsibility from the international community to Arab host countries. The added sentiment of Arab host countries that they have already borne a disproportionate onus for the Palestinian refugee issue, in light of Israel’s unwillingness to contribute any meaningful amount to the UNRWA budget, has only heightened Arab unwillingness to contribute.\textsuperscript{36}

The concept of ‘burden sharing’ has also been adopted by members of the international community to justify limitations on funding.\textsuperscript{37} UNRWA’s major donors, the top ten together providing around 88 percent of donations, have drawn upon this concept to justify their progressive abandonment of funding to the Agency.\textsuperscript{38} The desire to maintain relative stability in the region has also been utilized by some states, principally the US, to curb funding to a level sufficient to maintain the status quo of Palestinian refugees but inadequate to secure any substantial improvement to their situation.\textsuperscript{39} These policies reflect the international community’s historically ambivalent position vis-à-vis Palestinian refugees, at the same time as tacitly strengthening its support for Israel.

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\textsuperscript{36} Rex Brynen, “Donor Contributions to UNRWA”.
\textsuperscript{37} Ibid.
\textsuperscript{38} Annie Slemrod, “What you need to know now about cuts to the UN’s agency for Palestine refugees”.
\textsuperscript{39} Colum Lynch and Emily Tamkin, “U.S Vows to Fund a U.N. Agency For Palestinian Refugees Israeli Leader Wants Shuttered”; Maya al-Orzza, “UNRWA has been in crisis since its inception”.
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Potential Solutions

As stated, UNRWA was intended to be a temporary agency for the work and relief of a Palestinian refugee population a fraction of the size it is today. The exponential growth of this population and the repeated renewal of UNRWA’s mandate on an ad hoc basis have pushed the Agency to its limits of service provision. Growing demand for the provision of schools, healthcare facilities, relief and other services, combined with a chronic lack of funding, have left UNRWA in a state of protracted financial crisis and incapable of fulfilling its mandate.

This crisis requires urgent action from the UNGA and the wider international community. A reasonable proportion of contributions towards the funding of UNRWA’s general budget must be made a mandatory obligation of third party states. The Agency must also be granted greater flexibility in the allocation of its funds. Without sufficient and stable financial resources, UNRWA is unable to secure key services for Palestinian refugees, and without the freedom to direct these funds to priority areas, significant improvements to the situation of Palestinian refugees cannot be realized.

While enforcing both UNGA Resolution 194 of 1948 and UN Security Council (UNSC) Resolution 237 of 1967 as the keystone for solving the Palestinian refugee question, it is the responsibility of the international community to ensure the provision of humanitarian assistance and rights-based protections to Palestinian refugees and to act with immediate effect to resolve the present funding crisis of UNRWA. Financing UNRWA’s essential programs to ensure basic human rights must be made a mandatory obligation of the international community. In cases where voluntary donations are insufficient, the UN must compel Member States to contribute to the funding of UNRWA’s budget.

The Palestinian Liberation Organization (PLO) must take a leading role in demanding such a change. As the representative of the Palestinian people, the PLO has a responsibility to advocate for the rights of Palestinian
refugees before the international community; ensuring funding for UNRWA and protection for all forcibly displaced Palestinians is an essential step in this direction.
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