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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 provides a description of the activities of the Group in 2013 and a detailed outline of the current financial situation of the Agency. The Working Group unanimously adopted the report at its meeting on 17 September 2013. As in previous reports of the Group, the present report closes with a number of concluding remarks addressed to all Member States.

* A/68/150.



I. Introduction

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. UNRWA was established under Assembly resolution 302 (IV), and its mandate was renewed most recently by the Assembly in its resolution [65/98](#).

2. 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 Working Group is currently chaired by Y. Halit Çevik of Turkey.

3. At its twenty-fifth session and all those that followed, the General Assembly considered the reports submitted to it by the Working Group (in 2012, [A/67/382](#)) and adopted resolutions taking note with appreciation of the efforts of the Working Group (resolution [67/116](#)).

II. Activities of the Working Group in 2013

4. The first regular session of the Working Group was convened on 24 June 2013. The Working Group then met at the expert level at its second to fifth sessions, on 2 July and 6, 13 and 16 August, and agreed upon and adopted the present report on 17 September. The Director of the UNRWA Representative Office in New York provided updates on the Agency's grave financial situation and the situation in the UNRWA fields of operation.

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 portions of the General Fund for the biennium 2012-2013 amount to \$1,330.2 million, of which the cash component for its programme requirements is \$653.1 million for 2012 and \$673.4 million for 2013. In addition, the programme budget for 2012 and 2013 includes in-kind assistance amounting to \$1.8 million and \$1.9 million, respectively. The cash budget of \$673.4 million for 2013 includes funding of \$29.1 million from United Nations assessed contributions to cover the cost of 146 international posts funded from the regular budget for the biennium 2012-2013. As at August 2013, UNRWA expected a cash deficit at year-end of \$53.4 million. With great concern, the Working Group notes that, with the aforementioned expected cash deficit representing approximately one month's operating costs of \$51.7 million, the Agency will not be in a position to fund the November and December 2013 payroll or other projected operational activities.

6. The Agency provided details to the Working Group on the extent and nature of the funding crisis that it faced and on the renewed efforts that it was making to address the issue. It expressed its deep gratitude to its donors for their generous

contributions, in particular given the financial crisis worldwide. In 2012, donors came forward with substantial contributions, which allowed UNRWA to close its financial gap. As an example, UNRWA was able to fully pay December 2012 salaries thanks to an advance of \$16 million from the Government of the United Kingdom. Approximately 80 per cent of the Agency's General Fund expenditure relates to staff costs, including teachers, doctors, nurses and social workers, which tend to increase as the refugee population grows each year. Other increasing cost factors, including salary increases comparable to those granted in the public sector in the host countries in which UNRWA operates, have made it difficult to reduce spending to meet short-term cash-flow requirements and the medium-term funding shortfall. As a result of chronic funding shortfalls, the Agency implemented austerity measures in 2012, including reductions in travel and a tightening of criteria for internal approval of construction and the procurement of vehicles, equipment and information technology assets. As in 2012, the Agency has been warned that many of its traditional donors will not be able to step in to fund the deficit owing to their own budget constraints. This is of great concern to UNRWA, given that it relies almost entirely on voluntary contributions to fulfil its mandate and meet the basic needs of a growing and increasingly marginalized Palestine refugee population, now numbering 4.9 million people.¹ Higher and more predictable income remains essential if the Agency is to continue providing services. Shortfalls have become structural, however, and have continued in 2013. Increased funding is required, especially during the first quarter of the year, when the inflow of donor contributions is traditionally low while the Agency's costs are structurally high and fixed. The Agency has renewed its appeals to donors to make additional efforts to fully fund the General Fund budget, recalling that UNRWA represents the principal source of basic services for the Palestine refugee population. The continuing commitment of the international community to the refugees remains essential in the absence of a just and durable solution to their plight and in the light of the continuing conflicts and rising instability in the region, which have had devastating economic and social effects.

7. The Agency informed the Working Group that the lack of funding undermined the quality of UNRWA services. It also jeopardized the ability of the Agency to fully implement the major management reforms begun in 2006 and continued under the "Sustaining change" initiative, in particular in the areas of health, education and social services. Building on these basic management reform and strategic planning measures, the focus of the reform efforts over the coming years has become programmatic. The Agency's current education reforms seek to improve the capacity of teachers to deliver high-quality education to refugee children, and to ensure that refugee children acquire the knowledge and skills that they need to lead more secure and productive lives. In the UNRWA health programme, a reform package introducing the "family health team" approach was adopted in late 2011. The family health team model provides comprehensive and holistic primary health care for the entire family, emphasizing long-term provider-patient/family relationships. The package of health reforms will help to contain the growth in some health costs by improving the effectiveness of primary care and, as a result, reducing costly referrals for hospital treatment and by lowering the quantity of drug prescriptions. UNRWA is also taking forward-looking steps in order to address poverty among Palestine refugees. The Relief and Social Services Department is currently

¹ See www.unrwa.org/userfiles/2013042435340.pdf.

developing a poverty alleviation approach based on voluntarism, youth mobilization and greater involvement of the community in efforts to combat poverty. At the meeting of the Advisory Commission of UNRWA on 16 and 17 June 2013, the members stated that they remained seriously concerned about the severe and chronic shortfall that UNRWA was facing and the negative consequences thereof on the services delivered to Palestine refugees.

8. The Agency informed the Working Group of the fundraising challenges that it faced, which included the need to: (a) increase the funds received from existing donors in order to maintain the requisite services provided under the Agency's General Fund, while expanding the donor base and increasing funding to projects and emergency appeals, including through partnerships with the private sector and foundations; (b) restore the financial health of the Agency by ensuring predictable and sustainable funding at appropriate levels; (c) re-establish an adequate working capital reserve; (d) communicate more strategically with external stakeholders through the development of a stronger single corporate identity and make use of innovative technology; and (e) reorganize resource mobilization and strategic communications structures, so as to seize opportunities more systematically and conduct outreach and appeals for support for the Agency more proactively and creatively.

9. UNRWA updated the Working Group on some of the steps that it had taken to improve its strategic approach to resource mobilization in line with resolution [65/272](#), in which the General Assembly urged the Commissioner-General to continue the efforts to sustain and increase support of traditional donors and to enhance income from non-traditional donors. Seeking to enhance its partnership capacity with a range of governmental, non-governmental and private-sector actors, in line with current global United Nations practices, the Agency has established a partnership unit based in the External Relations and Communications Department and adopted a resource mobilization strategy in 2011. As part of the strategy, the Agency has put in place action plans for countries with emerging markets, as well as individual philanthropists and other private partners, with a view to broadening the donor base further. This move has resulted in increased contributions from emerging markets, with generous contributions from Brazil, India, Malaysia and the Russian Federation, among others; Arab partners, in particular Kuwait and Saudi Arabia; and the private sector. Owing to the economic crisis, several donors were unable to renew their multi-year agreements with UNRWA, although most were able to maintain their funding levels. The Agency's two largest donors remain the United States and the European Union.

10. The Agency's working capital, which had to be used in the past to compensate for shortfalls of income against expenditure, is now substantially exhausted. The working capital deficit according to the International Public Sector Accounting Standards as at 1 January 2013 was estimated at \$49.7 million (one month's expenditure). If the forecast cash deficit of \$53.4 million were to materialize at the end of 2013, UNRWA would be faced with a working capital deficit of some \$119.7 million. The working capital reserve therefore needs to be replenished as a matter of high priority. Given its cost structure, unpredictable funding environment and reliance on voluntary contributions, UNRWA estimates that, to be in line with common best practices in the public and private sectors, it would be prudent to maintain the equivalent of at least three months' cash requirement. With a monthly cash outflow of some \$51.7 million (comprising \$40.9 million in staff costs and

\$10.8 million in non-staff costs) and an expected working capital deficit of approximately \$119.7 million, an injection of some \$155 million in working capital is required to create a safety cushion for the Agency's finances.

11. The capital requirements of UNRWA programmes, in addition to expenditure relating to environmental health improvements and shelter rehabilitation, are contained mainly in the Agency's project budget. These requirements include construction and expansion of schools, health centres, water and sanitation facilities and camp improvement activities in general. The project budget was set at \$322.3 million for 2013, of which \$52.9 million (16.4 per cent) had been pledged by donors as at 31 August 2013. Funds received amounted to \$11 million, leaving a deficit of \$269.4 million in terms of pledges and \$311.3 million in terms of contributions received. The Working Group is concerned about the inadequacy of project funding in view of the Agency's urgent need to construct new facilities and upgrade existing ones that would enable it to meet the needs of a growing population, arrest the deterioration of old installations and deliver high-quality services to refugees.

12. The Agency expressed its concerns to the Working Group regarding the unfunded provision of severance payments, estimated to be \$463.0 million as at 31 December 2012 (an increase of \$50.4 million compared with \$412.6 million as at 31 December 2011) on the basis of the current costs and the UNRWA Staff Regulations and Rules. If UNRWA in the future is required to show greater flexibility in the efficient use of staff, an immediate requirement will be the availability of sufficient funds to effect severance payments. UNRWA, in the context of resolution [65/272](#), which pertains to the strengthening of its management capacity, thus wishes to bring to the attention of the General Assembly the need to identify potential sources of funding that could be made available to finance UNRWA severance payments, on a standby basis and if required.

13. The Working Group recalled its conclusion at its extraordinary meeting in June 2009 (see [A/64/115](#)), in which it highlighted the inadequacy of the current levels and scope of funding from the United Nations regular budget to meet contemporary demands on the Agency's management. Subsequently, the Secretary-General, in his report on strengthening the management capacity of UNRWA ([A/65/705](#)), proposed that funding for UNRWA from the regular budget should be augmented incrementally over the coming four bienniums, beginning with an increase of \$5 million for the biennium 2012-2013. The General Assembly, in its resolution [65/272](#), stressed that approval of funding for the biennium 2012-2013 and for future bienniums, taking into consideration the recommendations in the report of the Secretary-General, was subject to justification in the context of the proposed programme budget for the relevant bienniums and consideration thereof by the Assembly. The Working Group welcomed the positive consideration by the Assembly of the request of the Secretary-General and the increase in funding from the regular budget by \$5 million. The Working Group encourages the Assembly to carefully examine the proposed programme budget for the biennium 2014-2015 and its prospective effects on the overall budget of UNRWA, including whether it will harm the Agency's ability to deliver vital services to the Palestine refugees.

14. In Gaza, during the eight-day escalation of violence that began on 14 November 2012, hundreds of Palestinians were injured or killed, thousands of houses and refugee shelters were destroyed or sustained damage, and incidences of

psychological trauma and post-traumatic stress disorder increased dramatically, in particular among children. UNRWA has received \$10 million for the repair of UNRWA installations and reconstruction of Palestine refugees' homes in response to the appeal for \$17.7 million.

15. As at 31 May 2013, the total amount of value-added tax due to the Agency regarding services and goods procured for the West Bank and Gaza stood at some \$83 million, the largest amount ever owed by the Palestinian Authority to the Agency. The Working Group was also informed by UNRWA that it continued to be concerned about port and related transit charges and the financial burden caused by Israeli security procedures for the access of humanitarian goods destined for the Agency and imported through Israel. The lengthy approval process and the reduction of crossing points from four to one led to an increase in costs for UNRWA amounting to \$5.8 million in 2012. Israel continued to impose transit charges on shipments entering the Gaza Strip, obliging UNRWA to pay \$199,942 in 2012. In the Agency's view, the charges are a direct tax from which it ought to be exempt under the Convention on the Privileges and Immunities of the United Nations of 1946. Furthermore, for substantial periods, the throughput of goods was not consistent with the obligations of Israel under the Comay-Michelmores Agreement of 1967 and its obligations under international humanitarian law. In this regard, the Working Group calls upon all parties concerned to facilitate the mission of UNRWA to provide humanitarian assistance to the Palestine refugee population and to minimize the cost of providing such services.²

16. To respond to the construction needs in the Gaza Strip, in particular the damage caused by the Israeli military operation that began in December 2008 and the fighting in Gaza that continued until 18 January 2009, UNRWA, in March 2009, prepared a recovery and reconstruction plan that included the construction of 100 schools and 10,000 shelters in order to ensure universal access to education for refugee children and to provide new shelters to those who had lost their homes or lived in unsafe and unhealthy conditions. The plan also involved building five health centres (four of which have already been completed) and critical water and sanitation infrastructure. The total cost of the plan is currently estimated at \$677 million and includes projects frozen since 2007. Those projects are essential for the rehabilitation and expansion of the Agency's education, health and sewage infrastructure, and for rehousing refugees who lost their homes and are living in unacceptable conditions. The information above was recently integrated into a report entitled "Gaza in 2020: UNRWA operational response", which provides a summary of the challenges and trends in Gaza, how they will affect the refugee population and how the Agency will have to respond not only through enhanced regular services, but also with interventions above and beyond the provision of core services. As at August 2013, 103 UNRWA construction projects (44.6 per cent of the recovery and reconstruction plan) worth \$302 million had been approved. Of 97 school projects, 65 had been approved. Of the approved projects, 69 had been completed, while the 34 remaining were either under way (15) or scheduled to begin (19) in the coming weeks or months. Another 37 UNRWA projects worth \$92 million were under the review of the Coordinator of Government Activities in the Territories, including the extension of phase two of the Saudi housing project

² For more information on the economic and social repercussions of the Israeli occupation, see the note by the Secretary-General of 8 May 2013 (A/68/77-E/2013/13).

and the construction of the solid waste collection and transfer station, 32 schools, two health centres and a logistics base.

17. The Working Group takes note of the approval by the Government of Israel of all projects halted in 2007, including the housing project in Khan Younis funded by the United Arab Emirates. The delay in receiving approval for the implementation of the projects has resulted in a greater requirement for funding, however. The housing project will cost an additional \$5.5 million to complete owing to the delays. While the Working Group acknowledges that the decision of the Government of Israel allowed the situation to be resolved, concerns remain over the timing of receipt of approvals to implement projects halted in 2007 (38 weeks on average). The Working Group reiterates its concern about the lack of progress in lifting the remaining restrictions, and urges Israel to expedite its efforts to ease restrictions, increase the amount of goods entering Gaza and authorize exports from Gaza to the outside world. The Working Group once again stresses that progress is needed to address the overall situation in Gaza and underscores the importance of the full implementation of Security Council resolutions 1850 (2008) and 1860 (2009). Emphasizing the need to ensure the sustained and regular flow of goods and people through the Gaza crossings and the unimpeded provision and distribution of humanitarian assistance throughout Gaza, the Working Group highlights that the import and export restrictions render the population even more reliant on the services of the Agency and increase the burden on its already strained resources and capacity. The Working Group recognizes the vital role played by UNRWA in providing humanitarian and development assistance in Gaza.

18. UNRWA informed the Working Group that Palestine refugees continued to suffer from the effects of the policies and practices of the Government of Israel in the West Bank. Access and movement restrictions imposed by the Government of Israel continue to limit the movement of people, goods and services. This state of affairs has not only hampered economic development, but has also contributed directly to high rates of unemployment and food insecurity for refugees.³ Furthermore, the number of forcibly displaced families suffering from house demolitions or Israeli settler violence remains high, especially in Area C. Settler violence increased by 25 per cent between 2011 and 2012. In the first eight months of 2013, there were 413 incidents relating to settler activity. In 2012, 40 per cent of those displaced by administrative demolitions were Palestine refugees, compared with a rate of 25 per cent in 2011. During the period from January to August 2013, at least 745 Palestinians were displaced, of whom at least 203 were registered refugees. Settlement expansion plans, including east of Jerusalem, have caused grave concern for the Palestine refugee community, including for some 2,300 Bedouin Palestine refugees who are at risk of further displacement.⁴

19. The Working Group noted that, in February 2013, UNRWA had launched an emergency appeal for \$300 million, of which 81 per cent would cover activities in the Gaza Strip and just under 19 per cent would cover activities in the West Bank. As a result of the funding shortfall under the emergency appeal in 2012 (only 48 per cent was funded) and in view of the expected shortfall for the 2013 appeal, UNRWA

³ Palestinian Central Bureau of Statistics, data gathered from a 2012 workforce study and a socioeconomic and food security survey.

⁴ See UNRWA and BIMKOM, "Al Jabal: A study on the transfer of Bedouin Palestine refugees". Available from www.unrwa.org/userfiles/201305293270.pdf.

has been compelled to prioritize and has improved efficiency in the implementation of its emergency activities. UNRWA Gaza has been compelled to prioritize the limited emergency funding available to cover part of the cost of the regular food distribution to refugee families but, unfortunately, has had to suspend the school feeding programme benefiting 225,000 pupils. As at 31 August 2013, UNRWA had received pledges totalling only \$127 million (42 per cent of the emergency appeal target). That amount falls short of what is required to meet the basic needs of 2 million registered refugees (approximately half of the total population of Gaza and the West Bank), whose living conditions have continued to decline. Considering the deterioration of the socioeconomic conditions in Gaza and the West Bank, the donor response to date has been insufficient. The lack of funding jeopardizes other programmes such as food aid, psychosocial assistance and job creation, all of which are needed to mitigate the worst effects of the protracted crisis on poor families. Through systematic monitoring and reporting of conditions, the emergency programmes also address human rights concerns and attempt to ensure that there is no abuse of UNRWA facilities.

20. The catastrophic conflict in the Syrian Arab Republic has unravelled the fabric of the Palestine refugee community there and exacerbated refugees' vulnerability. UNRWA explained to the Working Group that, since December 2012, all 12 Palestine refugee camps in the Syrian Arab Republic had been overwhelmed by the conflict or its consequences. The Agency stated that the point had been reached at which it needed to assist the entire Palestine refugee population from the Syrian Arab Republic of 529,000 persons, including the 65,000 persons estimated to have fled the country, mostly to Lebanon (some 50,000 persons as at August 2013). UNRWA has continued its programme of humanitarian assistance in the Syrian Arab Republic through its 11 international and 3,700 area staff. Area staff have become the backbone of the UNRWA response and work at great personal risk. Eight had been killed and 15 had been detained or were missing as at the end of August 2013. UNRWA operations in the Syrian Arab Republic provide a critical programme of humanitarian assistance to Palestine refugees, whose options for refuge and relief are limited both within and outside the country. Some 50,000 Palestine refugees from the Syrian Arab Republic have been displaced to Lebanon, and some 8,800 have approached UNRWA in Jordan, where the Government maintains a policy of denying entry to Palestinians fleeing the Syrian Arab Republic. The Working Group calls upon all parties to the conflict to preserve the neutrality of the camps and the security of the Palestine refugees in the Syrian Arab Republic. It also calls upon neighbouring countries to maintain open borders for Palestine refugees fleeing the Syrian Arab Republic and thanks those countries that are doing so.

21. In September 2012, UNRWA launched the Syria Humanitarian Assistance Response Plan for the amount of \$53.8 million. The appeal covered the requirements for activities in the Syrian Arab Republic, Jordan and Lebanon from September 2012 to February 2013. UNRWA received pledges in the amount of \$28.9 million, of which \$27 million has actually been received. In January 2013, UNRWA launched its Syria Crisis Response Plan for \$91.2 million to cover the expected needs for the period from 1 January to 30 June 2013. To cover the needs of the second half of 2013, UNRWA launched a second appeal for \$199.6 million in June 2013. The overall combined budget for 2013 is \$290.8 million. Of the total budget for 2013, \$225.1 million was for programmes inside the Syrian Arab Republic, \$57.9 million in Lebanon, \$7.1 million in Jordan and \$700,000 for

regional management and emergency response outside the above-mentioned three fields of operations. As at 31 August 2013, against the total 2013 budget requirements, UNRWA had received pledges in the amount of \$144.6 million, of which \$110.8 million had been disbursed. To date, the Agency's needs have doubled every six months.

22. The Agency also provided an update to the Working Group on the situation and financial challenges that it was facing in Lebanon. The fierce conflict from May to September 2007 in the vicinity of the Nahr el-Bared refugee camp in northern Lebanon resulted in the destruction of the entire camp, leaving 27,000 people displaced and homeless. Severe damage was also caused to adjacent areas. The task of rebuilding the camp and assisting the 27,000 displaced refugees was one of the largest ever undertaken by the United Nations. Most of the displaced continue to live in temporary accommodation. Most are renting their own accommodation, supported by UNRWA rental subsidies. While donors have responded relatively generously to six appeals launched to date by UNRWA to support those displaced, UNRWA was left with a shortfall of \$2.4 million for relief services at the end of 2012. By the end of August 2013, the shortfall was \$8.2 million (of the total \$14.7 million), which included the carry-over from 2012. UNRWA is committed to providing relief support to the displaced families until full reconstruction is completed. Because of the continued shortfall in funding, UNRWA is engaging with the community and leadership of the local Palestinian political factions to agree on ways to reduce service costs.

23. The total amount needed for the reconstruction of the camp is \$345 million. As at June 2013, including funds received through the multi-donor trust fund administered by the World Bank, firm pledges totalled \$188 million. The reconstruction project is divided into eight phases or "packages". While the amount contributed to date is sufficient to cover the construction of residential and commercial units and related infrastructure outlined in packages 1, 2, 3 and most of package 4, in addition to five of six school buildings and a health centre within the UNRWA compound, the balance of \$157 million needs to be raised to complete all eight packages (45 per cent of the total amount required). As at June 2013, 1,252 families had received the keys to their reconstructed homes in packages 1, 2 and 3 and 282 shop owners had been able to return to their stores, while a total of 2,381 families were expected, on the basis of currently available funding for reconstruction, to return to their homes in the camp by the end of 2014.

24. The Working Group encourages UNRWA to continue with its comprehensive camp improvement initiative, which is intended to upgrade living conditions in the other 11 Palestine refugee camps in Lebanon, a project fully supported by the Government. In December 2010, a socioeconomic survey of Palestine refugees in Lebanon conducted by UNRWA in partnership with the American University of Beirut revealed that two thirds of Palestine refugees in Lebanon were poor and 7 per cent were extremely poor. While the Working Group welcomes the amendments to the labour and social code already agreed on by the Parliament of Lebanon in 2010, it urges the Lebanese authorities to fully implement those amendments. Full implementation would facilitate the access of Palestinian workers to the Lebanese labour market, pending a just and durable solution to the plight of Palestine refugees.

25. In common with other neighbouring countries, Lebanon has experienced a growing influx of refugees from the Syrian Arab Republic since the summer of

2012. The number of Palestine refugees from the Syrian Arab Republic in Lebanon rose from a handful in July 2012 to some 50,000 in June 2013. The influx has put enormous strain on UNRWA operations and poses a major challenge for the Agency, given that it is already struggling to maintain services for Palestine refugees in Lebanon. Palestine refugees from the Syrian Arab Republic fall under the mandate of UNRWA and have no access to public health, education or relief services. UNRWA provides the same services to refugees from the Syrian Arab Republic as those received by Palestine refugees established in Lebanon. In addition, they receive food and cash assistance for housing. In September 2012, UNRWA launched an appeal for \$8.3 million for its response in Lebanon. By 31 December 2012, it had received \$1.7 million. The regional response plan for the period from January to December 2013 requires \$65 million for activities to serve up to 80,000 Palestine refugees from the Syrian Arab Republic. As at 5 September 2013, \$42.9 million had been received or committed since January 2013, although some of the contributions go beyond the appeal's time frame. The most recent appeal, launched jointly with the Office of the United Nations High Commissioner for Refugees on 7 June 2013 for the period January-December 2013, asked for \$45 million for UNRWA Lebanon, with the planning assumption that 80,000 Palestine refugees from the Syrian Arab Republic would be in Lebanon by the end of 2013.

IV. Concluding remarks

26. **The Working Group reiterates its belief that UNRWA plays a vital role in providing assistance to the Palestine refugees and in contributing to the stability and security of the region. To assist in meeting this strategic goal, adequate multinational 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. In this regard, the Working Group welcomes the Agency's efforts to build on the programmatic and management reforms and to pursue a more aggressive resource mobilization strategy.**

27. **The Working Group notes with grave concern the large funding gap anticipated for the UNRWA General Fund in 2013 and reiterates that it is above all the responsibility of the international community to ensure that the Agency's services are maintained at an acceptable level, in quantitative and qualitative terms, and that funding keeps pace with the changing needs and growth of the refugee population.**

28. **In addition, the Working Group notes with serious concern the structural nature of the Agency's financial crisis whereby its General Fund is underfunded year after year. This has led the Agency to finance its annual deficit partly by spending its working capital, which in turn is now virtually depleted. The Working Group also welcomes the approval of the increase of \$5 million in funding from the United Nations regular budget, as recommended by the Secretary-General in his report on strengthening the management capacity of UNRWA (A/65/705) and endorsed by the General Assembly in its resolution 65/272. However, the Working Group encourages the Assembly to carefully examine the proposed programme budget for the biennium 2014-2015 and its prospective effects on the overall budget of UNRWA, including whether it will harm the Agency's ability to deliver vital services to the Palestine refugees. In**

this regard, the Working Group calls upon the Assembly to continue supporting the strengthening of UNRWA. The Working Group reiterates its serious concern that, if adequate resources are not provided to the Agency, not only will achievements from the comprehensive reforms of the Agency's work be put at risk, but also the capacity of UNRWA to fully implement its mandate will be in jeopardy.

29. The Working Group recognizes the Agency's efforts to improve its efficiency and urges the Agency to continue its management reform process in order to enhance its ability to efficiently use resources and implement change for more effective delivery of services to its beneficiaries. As recommended by the Advisory Commission at its most recent meeting, on 16 June 2013, the Working Group commends UNRWA for the recent steps to monitor and evaluate these reforms against value for money indicators, which will help to show that UNRWA is delivering services as effectively and efficiently as possible. The Working Group also encourages UNRWA to continue to implement its resource mobilization plan for greater financial sustainability. The Agency's commitment to implementing its resource mobilization plan and achieving efficiencies is key to addressing its financial issues, along with the commitment of donors to maintaining their share of the burden.

30. In June 2013, the Advisory Commission recommended that UNRWA should develop and present at the meeting in November 2013 financial projections of costs and income, based on different scenarios, and present consequences of financial gaps to core programme delivery. In addition, it should take account of the recommendations from the midterm evaluation of the current medium-term strategy in the elaboration of the new medium-term strategy (2016-2021), including analysing the effectiveness of the existing activities and programmes and the level of services provided. The Working Group notes the importance of this work, for it will be an essential tool for effectively mobilizing donor funding and for helping to plan services more sustainably.

31. In view of the difficult humanitarian conditions in the occupied Palestinian territory, the Working Group recognizes the essential humanitarian role played by the Agency's emergency operations in alleviating the hardship of the refugees and in mitigating further decline in their living conditions, in particular in times of increased instability and crisis. It urges all potential donors, traditional and non-traditional, to redouble their efforts to fully respond to the Agency's emergency appeal for 2013.

32. The Working Group reiterates its concern about the continued tight restrictions on the movement of UNRWA staff and humanitarian goods into and out of the occupied Palestinian territory, between Gaza and the West Bank and within the West Bank. It calls upon the Government of Israel to accord the Agency free and unfettered access and underlines the need to further simplify the approval process by which the Agency transports humanitarian materials into Gaza. The Working Group supports the further opening of Gaza crossings to allow the unimpeded flow of humanitarian aid, commercial goods and persons to and from Gaza, consistent with Security Council resolution [1860 \(2009\)](#).

33. The Working Group commends the Commissioner-General and all UNRWA staff for their tireless efforts over the past year to maintain the regular and emergency services of the Agency under very difficult operational circumstances.

In particular, it commends the Commissioner-General for the Agency's fundraising efforts, and his commitment to keeping major donors and host authorities informed and involved, which has opened new avenues of support and funding. The Working Group is gratified by the increased General Fund contributions of a growing number of non-traditional donors, in particular Brazil, the Russian Federation, Saudi Arabia and Turkey. The Advisory Commission, in the recommendations of its meeting on 16 June 2013, also urged UNRWA to continue deepening efforts to reach out to emerging economies and regional donors, and to continue exploring partnerships with other stakeholders, which would address a major concern of the Advisory Commission that UNRWA income remains vulnerable to shocks among a small group of donors who contribute to a high percentage of the UNRWA overall budget.

34. The Working Group calls for the early and complete fulfilment of outstanding donor pledges to UNRWA. It also takes note of the importance for the Agency's planning purposes of early payment of pledges, coupled, where possible, with multi-year funding commitments.

35. The Working Group continues to welcome the Agency's financial reforms and increased transparency, which have placed UNRWA at the forefront of the United Nations agencies implementing change. UNRWA is one of the few that has introduced a rigorous closure of monthly accounts, a step forward acknowledged by the Board of Auditors. The Working Group also commends the Agency for the implementation of the International Public Sector Accounting Standards and takes note that the Agency's reports became compliant with those standards as from 1 January 2012.

36. The Working Group notes with concern the lack of funding for the Agency's projects, which constitute the third portal through which the Agency receives funding (along with the General Fund and emergency appeals). It encourages all Governments to increase their funding to all portals. In particular, the Working Group is alarmed by the inadequate funding of the reconstruction of Nahr el-Bared camp in Lebanon, the Agency's largest project ever. The Working Group calls upon all donors, including countries in the Middle East, to lend their full support to reconstruction and relief operations until the camp is rebuilt, given that failure to do so risks having serious consequences for the security of refugees and the stability of Lebanon and of the region.

37. The Working Group also thanks UNRWA staff in the Syrian Arab Republic for their efforts to maintain service delivery and UNRWA operations despite being affected by the conflict and taking on great personal risks. The Working Group expresses serious concern about the situation of Palestine refugees in the Syrian Arab Republic. It condemns all forms of violence against this vulnerable community and encourages the international community to fund, to the greatest extent possible, the requirements stated in the Agency's response plans to support the Palestine refugees inside and outside the Syrian Arab Republic. It also encourages all parties to the conflict to preserve the neutrality of the Palestine refugee community in the Syrian Arab Republic.

38. The Working Group reiterates that the humanitarian problems faced by the Palestine refugees today must be addressed as a shared international responsibility pending a just, 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 healthy and productive lives. Any reduction in the services could have a destabilizing effect on the entire region. 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 into increased financial support to ensure the continuation of the Agency's work on a sound financial basis.

39. 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 2012 and 2013. The Working Group once again:

(a) Urges those Governments that have not yet contributed to UNRWA, in particular to its General Fund, to do so on a regular basis;

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

(c) Urges Governments that in the past have made generous contributions to the UNRWA General Fund and emergency budget 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 contribute to UNRWA or to increase their existing contributions, in particular to the UNRWA General Fund;

(e) Urges Governments to fully fund the UNRWA General Fund for the biennium 2012-2013, to ensure that the real value of contributions to the Agency is maintained and that donor support for emergency-related and special projects in no way decreases contributions to the General Fund;

(f) Urges donor Governments, where possible, to put in place increased multi-year funding to allow UNRWA to better plan its activities;

(g) Encourages all Member States to consider the report of the Secretary-General ([A/65/705](#)) and all resolutions relating to the financing of UNRWA;

(h) Highlights the need to identify potential sources of funding to meet the severance payment obligations of UNRWA.