



General Assembly

Distr.: General
26 June 2009

Original: English

Sixty-fourth session

Item 31 of the preliminary list*

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

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

Rapporteur: Mr. Jonas Jølle (Norway)

Summary

The present report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) explains the reasons for the holding of an extraordinary meeting on 19 May 2009 and sets out the conclusions of the Working Group with respect to information provided by UNRWA to its members concerning resources made available to the Agency from the regular budget of the United Nations. The Working Group adopted the present report at its meeting on 25 June 2009.

* A/64/50.



Contents

	<i>Page</i>
I. Introduction: origin and mandate of the Working Group	3
II. Reasons for holding an extraordinary meeting of the Working Group in 2009	3
III. Financial support for the United Nations Relief and Works Agency for Palestine Refugees in the Near East from the regular budget of the United Nations	4
IV. Management reform at UNRWA	6
V. Conclusions	7

I. Introduction: origin and mandate of the Working Group

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

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

3. At its twenty-fifth and at all subsequent sessions, the General Assembly considered the reports submitted to it by the Working Group¹ and adopted resolutions commending the efforts of the Working Group and requesting it to continue for a further year.²

4. In the intervals between its regular annual meetings, the Working Group is tasked by the General Assembly with following up, as necessary, with other Member States on the implementation of its recommendations. In this context, in May 2009 the members agreed to hold an extraordinary meeting to assess the adequacy of resources provided to UNRWA from the regular budget of the United Nations.

II. Reasons for holding an extraordinary meeting of the Working Group in 2009

5. In the Working Group's most recent report to the General Assembly, the importance of UNRWA's organizational development programme, the centrepiece of its management reform efforts, and the need for the Assembly to provide the Agency with adequate financial support were highlighted (A/63/375, paras. 11 and 12). In this regard, the Working Group stressed the importance of the overall institutional strengthening of the Agency over the coming years. The Special Political and Decolonization Committee (Fourth Committee) endorsed these recommendations in October 2008. In its resolution 63/93, entitled "Operations of the United Nations Relief and Works Agency for Palestine Refugees in the Near East", the Assembly requested the Secretary-General to support the institutional strengthening of UNRWA through the provision of sufficient financial resources from the regular budget of the United Nations. The Assembly adopted the resolution on 5 December 2008 by a recorded vote of 172 to 6, with 1 abstention.³

6. The organizational development programme, budgeted at \$27.3 million for the period from January 2006 to December 2009, has been funded voluntarily on a bilateral basis. Funding was provided to the Agency by a group of donors on the understanding that management reforms instituted would be sustainable over the

¹ See most recent report A/63/375.

² See most recent resolution 63/93, para. 4.

³ See *Official Records of the General Assembly, Sixty-third Session, Supplement No. 49 (A/63/49)*, chap. III, resolution 63/93

medium term. However, as of the date of the present report, the Working Group notes that, despite its earlier recommendation, funding for only 6 of 20 new international posts requested by UNRWA in the 2008-2009 and 2010-2011 bienniums have been approved by the General Assembly. Meanwhile, other essential management tools required to modernize the Agency's capacity to utilize funds effectively and to provide high levels of programme supervision and reporting cannot be acquired or implemented owing to the continued serious underfunding of its General Fund. At present, UNRWA anticipates a shortfall between planned expenditure and voluntary contributions of approximately \$120.5 million in 2009, the latest deficit in an annual series that has seen contributions fall steadily behind vis-à-vis the needs of the refugee population.⁴

7. On 13 April 2009, the Commissioner-General of UNRWA, Karen Koning AbuZayd, wrote to the Chairman of the Working Group seeking his assistance in drawing to the attention of members the resource crisis faced by the Agency as the end of the organizational development programme approached in December 2009. The Commissioner-General advised the Working Group of the urgency of the situation, warning that, after the end of 2009, it would not be able to sustain the many improvements made in its management functions and practices unless significant additional resources were provided out of the regular budget for the forthcoming biennium.

III. Financial support for the United Nations Relief and Works Agency for Palestine Refugees in the Near East from the regular budget of the United Nations

8. In the light of UNRWA's chronic financial shortfalls and the diversion of scarce donor resources away from programme activities entailed in paying international staff salaries from voluntary contributions, in December 1974 the General Assembly decided that the salaries of international staff should be funded from the regular budget of the United Nations.⁵ Since the adoption of resolution 3331 (XXIX) B by the Assembly, the level of resources it has provided to the Agency has grown only slowly, at a rate below the needs of the Agency and well behind the overall growth of the regular budget during this period. In 1975, funding was provided for 89 positions. By the 2006-2007 biennium, at the start of the organizational development management reform programme, the number of established positions had reached 113. This growth represented a modest annual increase of just over one post a year. Separately, between 1977 and the current biennium, 26 international posts provided to UNRWA on a non-reimbursable loan basis by the World Health Organization (WHO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO), have been discontinued by those specialized agencies. While member States have also provided UNRWA with temporary resources in the form of junior Professional Officers, short-term specialists and volunteers, the Working Group agrees that, given the nature of UNRWA services, which are in many respects equivalent to those normally provided

⁴ Regular budget income per registered refugee has fallen from \$100 a year in 1990 to \$66.5 in 2007, a drop of a third overall. Equivalent declines in real terms of public expenditure by Governments responsible for services similar to those provided by UNRWA are rare.

⁵ Resolution 3331 (XXIX) B.

in the public sector, temporary international staff of this nature cannot be an adequate substitute for established posts.

9. The Working Group thus concludes that the real value to UNRWA of the funding arrangements established by the General Assembly has declined, leading to a management deficit that cannot be ignored. A manifestation of this deficit is the under-grading of many senior management positions at the Agency, which has contributed to the difficulty observed by the Agency in recruiting and retaining well-qualified international staff members, a matter to which the Working Group drew attention in its report last year. International staff currently supervise over 28,000 locally recruited staff, delivering combined regular programme and emergency budgets in excess of \$1 billion a year.⁶ In the meantime, the Agency's tasks and the level of expectations of key stakeholders, including donors, host authorities and the Palestine refugees themselves, have grown more complex and challenging. Noting with appreciation the responsibilities undertaken by UNRWA, especially its contribution to regional stability and to the human development of 4.6 million refugees, the Working Group recalls that the Agency's share of the regular budget in the 2008-2009 biennium amounted to only 1 per cent.⁷

10. As noted above, the General Assembly, in its resolution 3331 (XXIX) B, in agreement with the Secretariat, limited costs to the regular budget to coverage of the salaries of international staff. The Secretariat has interpreted this provision to include directly related costs such as standard staff benefits and entitlements, while excluding essential expenditure items incurred by the Agency, such as training or improvements in staff safety to enable UNRWA to meet the minimum operating security standards mandated by the Assembly. Together with responsibility for other administration support services, without which the international staff could not function adequately, these costs have fallen on the Agency's General Fund. A central requirement under the organizational development programme, for example, is the introduction of an enterprise resource planning system. The early introduction of the system would enable the Agency's management to maintain greater, real-time oversight over programme expenditure and identify gaps and would bring UNRWA in line with other United Nations bodies. The Working Group was advised by UNRWA that, according to current forecasts, it is impossible to finance this costly but essential modern management tool from its General Fund, given the higher priority that must be given to the needs of the refugees. Training in, and implementation of, the International Public Sector Accounting Standards, another requirement mandated by the Assembly, has also not been possible thus far owing to the lack of funds. The Working Group agreed that the Assembly should seize on this moment of transformational change at UNRWA to "right-size" its small complement of international staff and provide it with the additional resources required to complete its reform programme.

⁶ Emergency programmes currently include a major recovery effort in the Gaza Strip to repair extensive damage to Agency installations, basic infrastructure in the camp areas and refugee shelters inflicted by Israeli forces during military activities in December 2008 and January 2009.

⁷ For the 2008-2009 biennium, the General Assembly approved funding of approximately \$42 million, which represented 4 per cent of UNRWA's regular budget requirements for the period.

IV. Management reform at UNRWA

11. Management reform at UNRWA has accelerated over the past five years, starting with the Geneva Conference, held in June 2004. The Conference brought together all donors and host authorities in a tripartite partnership with the Agency aimed at strengthening stakeholder relations, improving programme planning, monitoring and evaluation and delivery and strengthening management capacity at the field and headquarters levels. With the financial support of donors and strong support from the Advisory Commission, the organizational development programme was launched in January 2006. New international positions identified as essential were funded bilaterally on the premise that after its close, in December 2009, they would be mainstreamed under the regular budget. Given that 14 out of the 20 new functions created have yet to be funded, the Agency's hopes have thus far been disappointed. Noting that UNRWA proposes inclusion of 14 international posts in the 2010-2011 regular budget, the Group renews the call made in its 2008 report for the "institutional strengthening" of UNRWA, calling for concrete measures from the General Assembly during its sixty-fourth session.

12. The organizational development programme, "Serving Palestine refugees more effectively: strengthening the management capacity of UNRWA", represents a far-reaching reform process in the following six areas: organizational design; programme management; human resources management; leadership and management; organizational processes and systems; and maintaining the momentum of change. Key results and achievements to date include: (a) a change in the Agency's organizational design to facilitate decentralization of functions and processes, and the delegation of decision-making authority to empowered managers; (b) establishment of strategic planning processes and programme cycle management, notably a six-year medium-term strategy covering the three bienniums from 2010-2015, field and headquarters implementation plans based on needs assessments and a revamped budget development and management process; (c) re-engineering of key processes to increase efficiency in programme delivery; and (d) greater scope for innovation in programming throughout the Agency.⁸ Relations with stakeholders in the Advisory Commission have also been transformed over the past four years, leading to a reinvigorated partnership with donors and hosts.

13. The Working Group welcomes the comprehensive transformation of the way in which UNRWA conducts its business, a process which could serve as a model for other field-based organizations. At the same time, it recognizes the fragility of these achievements and the risk of these gains being reversed if adequate resources are not made available to ensure that they are firmly embedded in UNRWA's organizational structure over the coming years. To avoid a piecemeal approach to the allocation of resources from the regular budget and to provide Member States with a comprehensive overview of the organizational challenges it faces, the Group calls on the Secretary-General to provide a report to the General Assembly on strengthening the management capacity of UNRWA at the earliest possible date. It also recommends that, at its next opportunity, the Assembly review the continuing validity of its decision during its twenty-ninth session to provide funding to

⁸ A June 2009 progress report on the organizational development programme, results achieved and remaining objectives was shared with the Working Group.

UNRWA from the regular budget, so as to assume responsibility for other management costs related to the effective functioning of its complement of international staff.

V. Conclusions

14. The Working Group:

(a) Draws attention to the fact that the real value of the funding arrangements for UNRWA agreed upon by the General Assembly in 1974 has declined over the past 35 years and is no longer in line with the Agency's contemporary needs;

(b) Notes with concern that, considering the responsibilities they carry and the difficult operational environment in which the incumbents work, many senior management posts at UNRWA are undergraded;

(c) Welcomes the comprehensive transformation of the way in which UNRWA conducts its business carried out over the past three years under its organizational development programme and expresses serious concern about the risk that these achievements could be reversed if adequate additional resources from the regular budget of the United Nations are not provided to the Agency;

(d) Recommends that the General Assembly review, at its next session, the basis for its decision in its resolution 3331 (XXIX) B to provide funding to UNRWA for international posts so as to enable the Agency to meet contemporary demands from stakeholders and the Assembly itself;

(e) Calls on the Secretary-General to provide a report on strengthening the management capacity of UNRWA to the relevant bodies of the General Assembly at the earliest possible date.

15. The present report was adopted at a formal meeting of the Working Group on the Financing of UNRWA, chaired by Ambassador Baki İlkin of Turkey, on 25 June 2009.