



Palestine Economic Policy Research Institute (MAS)

Roundtable Briefing Paper

**The Future of UNRWA in the Face of Financial
Challenges and Political Pressure**

Prepared by Professor:

Mick Dumper, Department of Politics, University of Exeter, UK

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Context of Current Crisis

The current crossroads at which the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) finds itself arises from a conjunction of many crises in the Middle East region. The Syrian and Yemen civil war, the paralysis of the Lebanese state – both resulting in large refugee flows to neighbouring states - the escalating stand-off between Israel and Iran and the deferment of the establishment of a Palestinian state are all major crises in themselves but which are given additional salience by the erosion of the hitherto hegemonic influence of the US in the region.

This period, therefore, is as profoundly disruptive to the regional order and to the resolution of the Arab-Israeli conflict as the previous turning points in 1948, 1967, 1982 and 1993. The impact of the COVID19 pandemic on the needs of the refugees and of the international community's ability to meet them is still unclear, but it will be far-reaching.

The decision by the current US Administration of President Trump both to cease funding UNRWA in 2018 and to try and impose on the international community a new legal definition of Palestinian refugees is an attack not only upon the existence of UNRWA but also on the Palestinian political leadership.¹ The funding crisis in 2018 severely affected the ability of the agency to fulfil its mandate. In itself it may not be the most devastating crisis it has faced in its 70 year history but what is ultimately more damaging is the combination of this funding crisis with the complete lack of a political horizon for the establishment of a Palestinian state.

In this context, the possible failure of UNRWA to continue to provide core services to over 5.6 million Palestinian refugees present heightened dangers to the host countries of Palestine, Lebanon, Jordan and Syria and the region in general. One important result of this conjunction of crises is the emergence of UNRWA as a key, if reluctant, player in the political discussions concerning the future of the region, which in turn has triggered greater scrutiny and political criticism of its perceived mandate, role and performance.

Implications of US funding cuts for refugee assistance and protection

One way of understanding the impact of the US Administration's decision to de-fund UNRWA is to sketch out what a cessation of its activities would mean, not only in moral and political terms, but in the material conditions of millions of refugees. Most dramatic would be the fact that half a million children in the Gaza Strip, West Bank, Jordan, Syria and Lebanon would be without schools, consigning them to the already volatile streets at a time when extremist political groups are in full recruitment mode; nine million health consultations which UNRWA doctors provide each year would have to cease; 1.7 million refugees who lack basic needs would be left without food and cash assistance and 40,000 refugees with disabilities would be without support. Further 38,000 microfinance clients working to provide an independent livelihood for their families would be without loans. On top of this, 30,000 teaching staff,

¹ US Department of State, *On US Assistance to UNRWA*, 31st August, 2018. <https://www.state.gov/on-u-s-assistance-to-unrwa/>; A good overview of the impact of these cuts can be found in Palestine Economic Policy Research Institute (MAS) (2019) *Termination of US Aid to Palestine: Social and Economic Repercussions and Ways Forward*, Background Paper, Roundtable 2. February.

doctors, nurses, social workers, sanitation laborers and engineers employed by UNRWA would be out of a job.²

The impact of a termination of UNRWA on the politics of the Middle East is incalculable. Jordan, for instance, has been touted as a beacon of stability in a region that is still reeling from the convulsions of the Arab spring, the Syrian civil war and the Saudi Arabian-Iranian proxy wars. Yet Jordan is host to 2 million Palestinian refugees registered with UNRWA. It would be unable to cope with replacing the services provided by UNRWA, with the result that its already high unemployment rate would rocket; poverty – already widespread – would accelerate and, with school-age children on the streets, social unrest would inevitably ensue. Similar scenarios play out in other countries where UNRWA also has responsibilities: in the occupied Palestinian territory (oPt) there are nearly 3 million Palestinian refugees; in Syria, UNRWA serves, despite the civil war and under dangerous conditions, about half a million Palestinian refugees.

While one can argue that the US cuts still leave 70% of UNRWA's budget intact, it is also clear that the cuts would not only result in a serious reduction in services but may also require the total cessation of some services in UNRWA's areas of operation. Given the critical role that UNRWA plays in the lives of Palestinian refugees, the pushback by the refugees would be considerable.

The fact that many of the Arab Gulf states, the UK, Germany and Sweden as well as the EU all stepped in during 2018-2019 to replace the US contribution to UNRWA points not only to their understanding of the stabilizing role that UNRWA plays in the region but also of its capacity to deliver services efficiently relative to other agencies and programs. Nevertheless, this last minute and possibly temporary rescue of the Agency does not disguise the very grave crossroads at which UNRWA finds itself and the increasingly difficult challenges it faces in the coming years. And a US Administration hostile to UNRWA creates an overall environment of political pressure on the Palestinian leadership, the refugee populations and even the sympathetic donors whose regional or global diplomatic interests may need to accommodate US policies.

Challenges

One of the most important challenges facing the agency is the demographic one. UNRWA estimates that the growth of eligible registered refugees will reach 6.46 million in 2021.³ This is a 17.1 percent increase on the 2014 figure. Based on this rate of growth, by 2030 we can expect approximately 8.5 million eligible refugees – almost double that of the 2014 figure.⁴

In addition, the profile of the refugee population is changing which poses more demanding needs. Of great concern is the increase in the absolute numbers of middle-aged Palestinian refugees who will require different kinds of healthcare: more non-communicable diseases

² All figures in this section derived from UNRWA website: <https://www.unrwa.org/what-we-do>

³ UNRWA Department of Planning (2016). *Medium Term Strategy 2016-2021*, p. 9. Available at: <https://www.unrwa.org/resources/strategy-policy/medium-term-strategy-2016-2021>

⁴ Dumper, M, (2009.) "Future Prospects for the Palestinian Refugees", *Refugee Survey Quarterly* 28: 561-587.

(NCDs) such as hyper-tension, diabetes, obesity, and mental disorders.⁵ The challenge of addressing these needs will only increase over the years as the population ages and as the volatility of the region exacerbates stress-related physical and mental illnesses.

A third, even more problematic area is the 'youth bulge' in the overall refugee profile. Over 50 percent of Palestinian refugees are under 24 years of age and by 2021, over 1 million will be in the age bracket of 15-24.⁶ Sometimes characterized as 'the ticking bomb' in media representations, the youth bulge poses serious challenges to UNRWA. In the light of the collapse of the Lebanese and Syrian economies and prolonged recession in Jordan, Gaza and the West Bank, employment opportunities for this age group are drastically reduced. This is likely to worsen in a post-COVID19 situation.

In addition, the lack of progress in the political domain, the absence of democratic and participatory Palestinian political structures and the lack of opportunities for refugee youth to participate in political life in a meaningful way, all combine to create a momentum towards radicalism and nihilism that can be easily exploited by political factions turning Palestinian youth against the current Palestinian leadership, the host countries and, ultimately, against UNRWA.

Funding UNRWA

Against this uncertain and fraught backdrop, the central and most immediate challenge remains, however, the funding model for the agency. This is currently based on annual estimates of program expenditures which are then submitted to UN member states for voluntary contributions. It is a model which may have been appropriate when UNRWA was first established on a temporary basis in 1949, but after 70 years of existence it is no longer fit for purpose.

There has been an increasingly large divergence between the annual funding model and the Agency's multi-year planning needs related to education, health care and infrastructure management. Consistent underfunding has led to the erosion of infrastructure and the quality of services provided. The model now causes expensive short-term programming, as well as being inefficient in the use of UNRWA's capacity and time in last minute fund-raising efforts. The constant uncertainty in UNRWA's ability to fulfil its mandate also adds to the political volatility of the region.

In addition to the most recent US cuts in 2018, there have been similar financial crises in the past: most recently in 2012 - when Canada, a significant contributor, terminated its aid - and in 2015, when the US reduced its contribution by \$40 million. These actions highlighted the vulnerability of UNRWA to sudden reductions by major contributors. At the same time, UNRWA has also built up considerable experience in managing erratic flows of funding. To

⁵ Dumper, M.,(2016) *Challenges facing UNRWA in an Uncertain Future*, (DFID, March, London) Unpublished, p. 35.

⁶ UNRWA (2016), Medium Term Strategy 2016-2021, p. 16. Available at: <https://www.unrwa.org/resources/strategy-policy/medium-term-strategy-2016-2021>

some extent, there always has been a funding gap between the projected expenditure of the Agency and donor contributions.

It is also evident that in recent years the senior management of the Agency has chosen to articulate this gap more explicitly and, one can argue, to “instrumentalize” it: by presenting the shortfall as a calamitous crisis, UNRWA is able to catalyze the international community and donors to confront, first, the unsustainability of its funding model and, second, the absence of political progress which entraps Palestinian refugees into a state of perpetual limbo. Re-establishing the need for a political solution has been a key objective of successive UNRWA Commissioner-Generals.

For example, in 2015, the agency declared it was unable to open UNRWA schools as there were insufficient funds to complete the school year. The ensuing headlines and crisis talks in the region led to additional emergency funding by the donor community to fill the gap. It could be argued that since UNRWA rarely has more than 3 months of its salary bill available at any one time, there have never been sufficient funds to complete the school year in advance of the school year starting. However, the crisis usefully served notice that that funding model could not be preserved indefinitely.

The crisis of 2018-2019 was of a different nature and scale. It was in effect two related crises more attributed to politics than to budgetary problems. The 2018 US cuts amounted to a mammoth 30% reduction in UNRWA’s budget for 2018-19. Although this was eventually replaced by additional contributions from the donor community, this financial crisis folded into the subsequent investigations into senior management practices which led to the departure of the Commissioner-General, Pierre Krahenbuhl. Whatever management weaknesses there may have been, the investigation provided the US administration and supporters of Israel with exactly the kind of opportunity to erode the standing of the Agency in the international and donor community.

As a result, there was a long delay in the release of the pledged funds for 2019 as donors waited to see the report of the UN Secretary-General into the management investigation. Thus UNRWA entered 2020 with both liabilities from 2019 and reduced pledges from the donor community. However, by bringing forward some contributions and by obtaining significantly increased contributions by other donors, notably Germany, UK, UN-OCHA, and key Arab Gulf states, UNRWA’s financial position for 2020 is in a less critical condition than originally feared.

[The search for a new funding model?](#)

Yet the challenge of its inefficient and uncertain funding model still remains. It is now clear to the UN, the donor community, policy-makers and some refugee activists that, in the absence of a political solution to the Palestinian refugee issue, the financial burden on UNRWA will increase exponentially. In the light of the other global challenges facing the international community - such as the COVID-19 pandemic, climate change and other triggers for forced migration - the prospect of the funding continuing at the same level as in the past decade looks increasingly remote. The pre-existing model of supplying the needs of an ever-increasing number of Palestinian refugees urgently requires an overhaul.

At the same time, it should be recognized that for some parties the existing model remains acceptable as its “temporariness” ensures that the Agency’s work is continually under scrutiny and subject to debate and pressure. In this view, prioritizing the operational needs of UNRWA over the importance of ensuring that a solution to the Palestinian refugee question remains high up on the international agenda is a political position, and possibly a strategically -mistaken one.

The prevailing strategy to dealing with the underfunding, urged upon UNRWA by its long-term donors, has been to diversify its donor base.⁷ The long-held perception that its main funders are OECD countries and the EU is now only accurate in terms of contributions to the Program Budget (formerly known as the General Fund). Non-OECD countries, particularly of the Arab Gulf, are now major funders of projects and emergency assistance.

Nevertheless, meeting the needs of a growing refugee population means that even more efforts will need to be expended in diversification and more staff time and resources allocated. In addition, there are fears that contributions from the Arab states of the Gulf should not be relied upon due to falling oil prices, to conflicts nearer to home and the to the future cost of the reconstruction of Syria and Yemen which is likely to be laid upon their shoulders. In any case, most Arab states have long contended that the refugee problem is a creation of Israel and its supporters in the West, who have a political and moral responsibility to bear the financial burden of an international obligation to Palestine refugees.

A renewal of the US contribution to UNRWA is also a possibility if the Democratic contender, Senator Joe Biden is elected President.⁸ At the same time, such a prospect should not be overplayed as Congressional skepticism of the value of supporting Palestinians and UNRWA is largely bi-partisan and renewed US contributions can be expected to provide an impetus for additional “reforms” and “efficiencies” imposed on UNRWA by the donor community in general.⁹ Even sympathetic EU donors have not been able to resist ordering temporary budget cuts and other sanctions against UNRWA in the wake of anti-UNRWA campaigns, usually spearheaded by the US or pro-Israeli lobbies.¹⁰

Some options

A number of courses of action which UNRWA can adopt have been discussed in the past. The most drastic and politically risky is to reduce “demand”, that is, to jettison some or all the services supplied by UNRWA, such as education, medical care, infrastructure development and maintenance and transfer them to the host countries who would be recompensed by donors through a different funding stream. In fact UNRWA long ago abandoned the “Works” part of its original mandate as it concentrated on ensuring core social service functions, and even its health services have over time been reduced from their earlier comprehensiveness.

⁷ Figures for 2019 are available on: <https://www.unrwa.org/how-you-can-help/government-partners/funding-trends>

⁸ “Joe Biden pledges to restore US assistance to Palestinians if elected president,” *Middle East Eye*, 6th May, 2020. Available at: <https://www.middleeasteye.net/news/joe-biden-says-he-would-restore-us-aid-palestinians>

⁹ A conclusion arrived at in a simulation run by the Academic Friends of UNRWA on possible scenarios following US elections in 2020. Unpublished report, December 2018, copy in the author’s possession.

¹⁰ As witnessed during the recent UNRWA management crisis

In the most dystopic version of this scenario UNRWA would continue with the maintenance of refugee registrations, providing legal representation and documentation where required, and perhaps support for extreme hardship cases. It would exist then as a rump administrative structure coordinating the integration of refugees into the education, health and welfare systems of the host countries.

It is not clear whether UNRWA can continue to function if some of the services were jettisoned. More importantly, however, is that the transfer of this responsibility from UNRWA to the host countries would relieve the international community and Israel of their responsibilities to solve the refugee question and effectively eliminate the Palestinian refugee issue as an international responsibility.

A second equally drastic option would be to acknowledge that nearly all Palestinian refugees in Jordan are Jordanian citizens. Since they pay taxes to the Jordanian government, there is an Israeli and donor argument that Jordan should be responsible for their education and welfare. The possibility that donors would continue to contribute at the same level and allow UNRWA to redirect the Jordan part of the budget to other areas is very unlikely so that the advantage for UNRWA is small.¹¹

Neither of these options are free of extreme political risk for the host countries concerned and of course are rejected by the Palestinian people and leadership; as a result, they have not been considered or adopted by the General Assembly. These options, however, will continue to be put forward by critics of the Agency as a way of reducing UNRWA's role and reducing support for refugees, so more effective and credible Palestinian advocacy against them is badly needed.

Less contentious but also strewn with pitfalls is the question of asking the UN General Assembly to amend UNRWA's mandate so that it can receive funds from the UN assessed dues.¹² While there is logic and clarity to this proposal, in that UNRWA's onerous mandate has been and will likely continue to be the responsibility of the international community for many years, key states, such as the US and the UK, oppose it mainly on the grounds that it will set a precedent for other UN agencies to make similar demands for their budgets. Furthermore, given the constraints on the UN budget in general, additional funds directed to UNRWA would mean cuts to other UN agencies who would, understandably, resist such a move.

Two further options that have been put forward require an even more favorable political environment for Palestinian refugees than is currently the case. The first is to hold Israel accountable for the dispossession of the Palestinian refugees. Funds obtained by Israeli Custodian of Absentee Property through its acquisition of Palestinian refugee property and

¹¹ In March 2013 a simulation on possible funding cuts carried out by the Academic Friends of UNRWA network concluded that the "major realignment/service cuts in Jordan" option was viewed as too risky and the "muddling through/gradual decline" option seemed the least bad of the options available. Unpublished report, March 2013, copy in author's possession.

¹² UN General Assembly, 2016. UN General Assembly (2016, 22 August). *Report of the Working Group on the Financing of UNRWA*. Document A/71/350; 2016: Dumper, M., *Challenges facing UNRWA in an Uncertain Future*, (DFID, March, London) Unpublished. pp1-60.

other assets should be made available to the international community to continue to fund UNRWA pending a peace agreement.¹³

The second is to link the funds that in the event of a peace agreement the international community has discussed as being required for refugee repatriation and resettlement to the operations of UNRWA. These putative funds would be used to establish a Palestine Refugee Trust Fund and the interest accruing to them during the period leading up to a peace agreement directed towards the support of UNRWA.¹⁴

Internal UNRWA Discussion on Funding

Nevertheless, given the absence of a political solution to the refugee issue, and the high moral and political ground that that UNRWA and the Palestine refugee issue together maintain despite all the pressures and the inexorable attrition of history, the prospect remains that UNRWA, having just marked its 70th anniversary in 2019, will, in 2029, be also marking its 80th anniversary and perhaps its 90th in 2039. If the alternatives outlined above are not politically feasible, the cupboard is pretty bare of alternatives.

Under discussion for some years has been the establishment of an endowment possibly in connection with the World Bank or one of the major Islamic *zakat* foundations. Negotiations with the World Bank have been fruitful but have paused due to both antipathies from the current US Administration but also over the investigations into UNRWA management. The attractiveness of a World Bank loan or grant would be that it would offer access to long-term development funding and thus could be used to leverage other funds from other financial institutions.

One use for these funds from the World Bank would be to invest in on a massive scale in vocational training of young Palestinian refugees.¹⁵ The purpose of this would not only be a way of reducing long-term commitments to providing services but also as a way of empowering and fostering independence in a new generation of refugees. It has also the additional advantage of preserving the obligation of the international community to seek a resolution of the refugees' situation. However, progress in discussions with the World Bank will have to wait until there is a change in the White House. Its success is also contingent on a return to regional economic growth.

Current internal UNRWA discussions and discussions between UNRWA and its largest donors are based on a more incremental option. This is to build upon the model of multi-year financial contributions. Multi-year agreements have been an approach to humanitarian assistance adopted by many donors, notably in the case of UNRWA, by the UK's Department for

¹³ See Badil, (2018) *Confronting the Campaign Targeting the United Nations Relief and Works Agency (UNRWA)*, p20. <http://www.badil.org/en/publication/press-releases/87-2018/4900-pr-en-021018-30.html>.

¹⁴ Dumper, M., *Challenges facing UNRWA in an Uncertain Future*, (DFID, March, London) Unpublished, pp41-42.

¹⁵ See *Statement of UNRWA Commissioner-General to the Virtual Advisory Commission*, 1st July 2020. <https://www.unrwa.org/newsroom/official-statements/statement-unrwa-commissioner-general-virtual-advisory-commission>

International Development (DFID).¹⁶ It is a template highly valued by UNRWA as it assures the Agency that its programs and projects will be funded on a medium-term basis with all the benefits of having recognized procedures, training, security of employment, evaluation and lessons learned, etc., utilized to optimize its services. After all, keeping UNRWA funding on a one-year funding leash for 70 years has not been very successful in preventing it from either playing its social service role or in diminishing the demands for Palestine refugee rights. So perhaps a bit more political realism on behalf of donors would help in sustaining UNRWA finances at least in short-to medium term.

With the DFID precedent available, senior UNRWA managers have been talking in terms of a “social compact” with member states.¹⁷ The idea is to capitalize the strong support that the Agency received from member states during the General Assembly debate on the renewal of its Mandate in 2019 and construct a series of ten-year agreements of budgetary assistance with a range of donors. In essence, the intention is to ensure that this political support in the General Assembly is more than a cosmetic exercise and to transform it into a sustainable revenue flow.

However, this approach will encounter a serious obstacle in that it is unlikely that democratic governments will commit themselves to policies that extend beyond an electoral cycle. In essence, a ten-year commitment may remain a hypothetical commitment and be difficult to deliver. A five-year social compact may be more realistic but it also, in a post-COVID19 pandemic situation, will be a challenge to obtain.

In addition, there is a (somewhat perverse) view that such a longer-term commitment could “normalize” the refugee situation and feed the tendency to defer an international solution, while the constant state of crisis keeps the issue alive.¹⁸ But it is important for UNRWA and its defenders to recognize that a more stable funding model is an operational priority but may not be the most optimum political one in the eyes of the refugee community.

Mapping the Way Forward

Analysing the changes in the regional balance of power and the emergence of new alliances and policy directions, it may be seen that a large UN agency of UNRWA’s longevity and scope will play a pivotal role in the dynamics unfolding in the Middle East. The failure to establish an internationally recognized and functioning Palestinian state leaves the Agency as one of key actors left standing in a fraught arena where many of the other protagonists are on their knees.

¹⁶ At time of writing, there is no indication that DFID’s commitment to UNRWA will be affected by its planned incorporation into the Foreign and Commonwealth Office.

¹⁷ Press Conference following the Extraordinary Virtual Ministerial Pledging Conference on UNRWA, 23 June, 2020. Contribution by Philippe Lazzarini, Commissioner-General, UNRWA.
<https://www.unrwa.org/newsroom/videos/press-conference-following-extraordinary-virtual-ministerial-pledging-conference-0>

See also Statement of UNRWA Commissioner-General to the Virtual Advisory Commission, 1st July 2020.
<https://www.unrwa.org/newsroom/official-statements/statement-unrwa-commissioner-general-virtual-advisory-commission>

The role of UNRWA in the governance of the Gaza Strip, for example, is clear evidence that UNRWA, by default rather than by design, holds the position of a prime political player with perhaps more experience, capacity, funding and political capital than others in the field. Much of the increased scrutiny and criticism directed at UNRWA flows from this greater salience in regional affairs.

To some extent UNRWA has been able to use the withdrawal of US funding to turn the situation to its advantage. It is freed from some of the onerous reporting burdens and internal scrutiny regarding the requirement to comply with US laws on neutrality and terrorism. In addition, the withdrawal of support from the US has also encouraged other funders to come forward as they no longer perceive UNRWA as being a vehicle for US foreign policy. In this sense the international political support for UNRWA is broader and stronger than in the period leading up to 2018. Furthermore, Palestinian refugees from Islamist and left-wing factions have begun to view UNRWA as less of a US tool, leading to a very welcome improvement in relations between UNRWA unions and management which have witnessed episodes of contention.

If this is the case - that UNRWA's humanitarian and protection mandate has been increasingly supplemented by the political role it has been obliged to fill as a result of the in the contradictory policies of its main donors and the vacuum in Middle East politics - then what of its future? Where does it go from here?

Two major challenges are emerging as game-changers: the scenario of termination of the PNA and the impact of the COVID-19 pandemic on UNRWA's budget.

Future of the PNA and its Impact on UNRWA

The role of the PNA in the oPt is subject to increasing Israeli restrictions and a creeping annexation of the West Bank. Nevertheless, even now, despite the efforts of the US administration and Israel, it is unlikely that the PNA will be abandoned by the rest of the international community. Too much has been invested in it already. This means that, in the absence of a credible alternative, funds will still be made available to it. What is more likely to happen is the gradual decline in funding as projects are completed and new ones are not embarked upon for fear of an unstable situation rendering the tracking of funds difficult.¹⁹

What this means for UNRWA is that the tide which was flowing gradually one way, with more and more refugees accessing PNA services, will start to flow the other, back towards UNRWA and its services. (Roughly 30% of the West Bank Palestinians are refugees, and of those roughly 30% live in camps.) While all refugees are entitled to UNRWA services, there has been an increasing trend of refugees who have moved out of the camp turning to PNA schools and health centres. In a situation where PNA ministries are running out of funds, those who

¹⁹ Abu Amer, A, "Why donor countries are giving less to the Palestinians", *al-Monitor*, (24th February 2016) Available online at <<http://www.al-monitor.com/pulse/originals/2016/02/palestinian-authority-reduce-foreign-aid.html>>

can, will return to UNRWA services, thus putting an even greater strain upon the Agency's resources and capacities.

In addition, in the event of an increasingly weak PNA, a breakdown in law and order may be witnessed in the West Bank. In this scenario, Tulkarm, Hebron, Nablus and Ramallah, etc., will increasingly operate as enclaves all striving for ascendancy as the PNA struggles to maintain equitable services in all regions. This could impact on UNRWA's ability to offer consistent protection and services.

Another consequence of the erosion of the role of the PNA and possible PLO infighting is that Palestinians and particularly refugee groups will turn to UNRWA to be their main advocate to articulate their concerns foisting upon the Agency and more representative role that it may be able to adopt. At the same time, it is clear that as well as much greater demands being made on UNRWA, it is also likely that in the event of a cessation of the PNA, a broader UN response will be triggered: it will not just be UNRWA that will have to expand its role but also a number of other UN agencies such as UNDP and OCHA will be involved.

COVID19 Pandemic

The impact of the COVID19 pandemic will be equally profound. The IMF estimates that the advanced economies are expected to suffer a loss of 8% of GDP this year. These are the countries which constitute the main donors to UNRWA. At the same time, the Middle East and North Africa region should expect a drop of 4.7%. An economic bounce-back in 2021 is contingent on a second outbreak not taking place in the region.²⁰ What this means is that not only will donor budgets will be under huge pressure and the same level of contribution to UNRWA is unlikely to continue, but also that the region's economies will not be able to absorb the growing numbers of refugee youth requiring employment.

In terms of UNRWA operations, with MAS projecting a recession at the scale of no less than 21% decline in GDP, it is likely that some costs will go down as the lockdown imposed in host countries have drastically reduced UNRWA activities such as schooling. At the same time, costs may increase in the future as a result of precautionary measures such as social distancing leading to smaller class sizes and more teachers. It is also quite likely that refugee expectations of UNRWA may be higher as host states across the board are not able to offer additional support against the pandemic. It should be noted that, due to the restricted availability of suitable wifi and hardware, online delivery of education is not an option for the greater proportion of refugee children stuck in their homes. The most recent outbreak of Covid-19 in Gaza Strip, if not contained, will put to the test UNRWA's ability to help refugee communities there and its ability to attract international funding for emergency operations in a time of severe crisis.

²⁰ International Monetary Fund (2020), *World Economic Outlook Update*, June 2020; available at:

<https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>

Despite these considerations, the pandemic has created an even more competitive environment for funding and it may be the case that the budgetary squeeze that UNRWA has already been experiencing over the past decade will be accelerated.

Conclusions

Bringing together these points, one can see the difficulties that UNRWA faces in securing its future funding. All options appear to be either politically risky in the extreme or unfeasible in the current political and fiscal environment. At the same time, the support for UNRWA as a symbol of the international community's commitment to Palestinian refugee rights remains relatively high. In this context, the most likely scenario will be a mixture of "muddling through", that is continuing the attempts to increase annual contributions and to diversify the donor base, *and* pushing the social compact/multi-year agreement approach. As suggested, this will be at the expense of a concerted effort to finally resolve the refugee issue.

The future of UNRWA is a question that not only faces the donor community and member states in the UN General Assembly but also refugees and their leadership. However regrettable and shameful it is, expecting an improvement in the prospects for a political agreement that complies with UN resolutions flies in the face of the experience of the past 70 years. If anything, the prospects for Palestinian refugees are going to deteriorate as the situation in Syria worsens and other calls on the attention and funds of the international community, such as climate emergency and the pandemic, eclipse the position of the Palestinian refugees on the international agenda.

On the positive side, despite the efforts of the current US administration and the Israeli government, there is little support in the international community for the rights of the Palestinian refugees to be suspended or terminated. The problem is that these rights will not be given the salience they have received hitherto. In this scenario, it is of utmost urgency that Palestinian initiatives regarding the future of UNRWA are developed alongside those in the General Assembly and elsewhere to counter future arrangements being foisted upon Palestinian refugees that they have not been either party to or consented in.²¹

The role of the Palestine Economic Policy Research Institute (MAS) and other similar research centers and civil society groups are important for developing practical ideas and a political consensus over the future of UNRWA as the protector of Palestinian rights. The issues in this Background Paper may be difficult and painful to accept as they point to the abdication of the role of international community in ensuring that the Palestinian voice is heard in the deliberations over the way UNRWA is run and mandated in the coming decade.

There is a danger that unless Palestinian voices are presented effectively and in a way which engages with the concerns of the donors and the UN, they will be sidelined. In this scenario, instead of a focus on the responsibility of the international community to implement UN resolutions regarding Palestinian refugees, operational and financial considerations will be given greater weight. The current conjunction of crises confronting Palestinian refugees points

²¹ UNRWA is also committed to engaging with refugee views in its proposal for greater consultation. See UNRWA, *Medium Term Strategy 2016-2021*, p. 57-8. Available at: <https://www.unrwa.org/resources/strategy-policy/medium-term-strategy-2016-2021>

to a need for a refocused Palestinian strategy which both re-affirms their rights in international law but also acknowledges the difficulties of the member states and donors.

The current balance of power in the region is weighted heavily in favour of Israeli policies so a practical accommodation with this situation is understandable, but it is possible to identify a strategic pathway which protects Palestinian refugee rights and embed it into such pragmatism. Much more effort needs to be expended in delineating short-term and long-term Palestinian responses to the political and funding crises experienced by UNRWA. Otherwise, the most like scenario is one of continued “muddling through” accompanied by gradual reductions to services and protections as other issues take centre stage.

Some questions for discussion:

1. If the Palestine refugees are being impeded in their right to return to their original homes is the international community prepared to continue to fund UNRWA indefinitely?
2. And if it is not, then what steps will it take to either wind down the Agency and replace it with another mechanism for protecting the rights of Palestinian refugees?
3. What steps will it take to empower them to such an extent that reliance on international financial support is not so critical?
4. What should the PLO be doing better in advocating for the indispensability of UNRWA among public opinion in the donor countries and in mobilizing international diplomatic support for the inalienability of Palestine refugee rights?