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Palestine Refugee Perspectives on Options for Sustainable Financing of UNRWA

The Palestine Economic Policy Research Institute (MAS) regularly publishes applied and scientific studies, in addition to brief research papers, as part of an annual series of roundtable sessions on important economic topics of interest to the public and decision-makers. The policy briefs outline the key recommendations of selected scholastic activities, in order to disseminate this information and maximize the benefits derived from this series of sessions. This Policy Brief was prepared with the support of Heinrich Boll Stiftung (HBS Jordan and Palestine)

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Palestine Refugee Perspectives on Options for Sustainable Financing of UNRWA

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 **HEINRICH BÖLL STIFTUNG**
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The views, interpretations and conclusions expressed in this paper are those of the authors and do not necessarily reflect the views of Heinrich Boll Stiftung (Palestine and Jordan).

1. Background

The Fifth MAS Roundtable session of 2023 presented a Background Paper prepared by MAS and Professor Micheal Dumper provides an overview of the findings of three years of in-depth consultations between Palestinian and international experts and the relevant stakeholders – UNRWA, donors, Palestine refugees and Palestinian civil society. It synthesizes the papers and documents that were circulated and presented and updates them as relevant. It also includes an update of other contributions since then, including three important new reports published in late 2022: the first commissioned by UNRWA, the second by the Norwegian Ministry of Foreign Affairs, and the third by the International Crisis Group in September 2023.

The Background Paper focused in greater depth and with the benefit of hindsight, on some of the options that were examined in previous work. In particular, it explores the role of international financial institutions (IFIs), Islamic philanthropy, the Green Economy and the link between UNRWA funding, Palestine refugee rights and their confiscated assets. The advantages of each option are assessed. The main purpose of this Policy Brief is to suggest pathways to reassert the Palestine refugee voice in discussions on future options regarding the financing of UNRWA.

2. Challenges

MAS research confirms that there is an understanding in the refugee communities and Palestinian civil society that none of the options of refinancing UNRWA examined are “game changers”. Corporate loans and donations, a World Bank loan, zakat donations and a waqf, the green economy are all urgently needed but they will not meet the current and project budgetary requirements of UNRWA.

Even if these options meet their hoped-for targets, they will not exceed more than 15% of UNRWA’s annual budget and therefore, they can only supplement rather than replace the existing model of UN member state voluntary contributions. This model will remain the core of UNRWA funding. At the same time, for Palestinians, the constant engagement with the member states over funding is not all negative. It keeps the Palestinian refugee issue visible and is thus important politically.

Yet, if voluntary contributions are reduced and additional sources of funding do not meet the gap, then, from a Palestinian perspective, the option which seems to be most promising, and least controversial, is that of expanding UNRWA’s involvement in the Green Economy. The prospect of greater use of renewable energy, introducing a circular economy with a resulting healthier environment offers the prospect of financial savings for UNRWA and individuals, greater resilience and operational autonomy for the Agency.

Nevertheless, the research carried out also reiterates that these options will continue to be short-term solutions which will not dodge the impending financial crisis. The US Republican Party’s antipathy towards UNRWA is well-established and we can say, definitely, that if there is not another serious financial crisis for UNRWA as a result of the 2024 US elections, then there could well be one after the subsequent elections in 2028. UNRWA therefore has 1 or 5 years to resolve this issue.

It is for this reason that longer-term solutions also need to be considered urgently alongside the need to fill the annual budget gaps. The Palestine refugee issue is not going to disappear if UNRWA's managed decline is implemented, and any future policy must also factor in the fact that Palestinians will not willingly be absorbed into neighbouring states or forego the reparation they are entitled to.

3. Policy Recommendations

1. For mainly political and financial stability considerations, the existing funding model of UN member states voluntary contributions should remain the basis of funding for UNRWA for the foreseeable future. Alternative sources of funding should continue to be sought but these will be supplementary.
2. Policymakers and UNRWA should adopt a twin-track approach to the funding crisis: a) continue attempts to cover the budgetary gaps through increases in voluntary contributions and alternative sources of funding, b) embark on longer-term strategies focused on linking the funding of UNRWA to the durable solutions which will be the basis of a peace agreement.
3. The increase in allocations from the UN Regular Budget (assessed dues) to UNRWA is a welcome sign of the seriousness of the UN's ongoing commitment to the Palestine refugees and also as a means of assisting UNRWA in its planning and achieving efficiencies in its operations. Nevertheless, it is recommended that it should not be to the detriment of engaging member states in supporting UNRWA directly as this represents a political commitment which is also of great value whilst a political solution for the refugee situation is being sought.
4. The possibility of additional funds from the private sector to supplement the core activities of UNRWA is also welcomed. But any shift away from member state funding should be balanced by greater pressure on member states to find more durable solutions for Palestine refugees.
5. Islamic Philanthropy is viewed as a positive way to tap into an extensive funding source. At the same time, it should not result in any dilution of UNRWA's adherence to universal values including inclusivity and equality. Similar to the points above, it should not lead to any abandoning of a durable solution for Palestine refugees.
6. Investment by UNRWA and donors into the Green Economy points to an effective way of not only cutting costs and safeguarding a degree of operational autonomy but also providing opportunities for a healthier environment. Nevertheless, a more ambitious and more comprehensive plan of action should be envisaged.
7. Linking the confiscation of refugee assets to the funding of UNRWA should be subject to greater research and feasibility studies making use of international and historical precedents. While the Agency providing for refugees suffers under funding constraints, Israel's illegal confiscation and subsequent sell-off of Palestine refugee assets is a major violation of Palestinian rights that demands historic resolution. It should be given more prominence as it has great advocacy value in framing the growing needs of Palestinian refugees within the context of their dispossession that took place in 1948.
8. In the absence of political solutions, other mechanisms need to be explored in more detail and in conjunction with the relevant stakeholders. These include the possibility of amassing the political will and identifying legal and diplomatic entry points to reassert the validity of UNCCP, the application of the Global Compact on Refugees to the Palestinian case and the relevance of a UN non-territorial Trusteeship for Palestine Refugees.

4. Policy Recommendations

1. The focus of MAS's work on this topic has been on the possible alternative sources of funding for UNRWA with an emphasis on Palestinian refugee perspectives. The contribution of MAS has been valuable and valued. The financial and economic focus can be paused for two or three years while UNRWA and the donor and host countries implement the options outlined.
2. Research in the coming period should be on strategic, nonetheless urgent, issues that include economic as well as legal and political analysis:
 - a) A stock-taking exercise which reviews the data on Palestinian refugee assets held by UNRWA, UNCCP, Institute of Palestine Studies, PLO (NAD-NSU) the Israeli Custodian of Absentee Property and independent researchers. The purpose of such a review would be to link this data to the international precedents regarding refugee assets and their contribution to reparations.
 - b) That data could contribute to an updating of the pathbreaking work of Atef Kubursi and Sami Hadawi in the 1980s and further documentation, on the cost to the Palestinian people of the Nakba and the current value of confiscated and transferred Palestine refugee property.
 - c) An examination of the practical diplomatic paths towards re-activation of the UNCCP and its important legal mission as a safeguard of Palestine refugee property.
 - d) An assessment of the advantages and disadvantages of Palestine being accorded Trusteeship status. In this scenario, donors could engage with UNRWA as a non-territorial Trustee of the human development and welfare of the refugees funded by a multi-year trust fund administered by key donors or the World Bank