



United Nations

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

**Financial report and audited
financial statements**

**for the biennium ended
31 December 2003 and**

Report of the Board of Auditors

**General Assembly
Official Records
Fifty-ninth Session
Supplement No. 5C (A/59/5/Add.3)**

General Assembly
Official Records
Fifty-ninth Session
Supplement No. 5C (A/59/5/Add.3)

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

**Financial report and audited
financial statements**

for the biennium ended 31 December 2003 and

Report of the Board of Auditors



United Nations • New York, 2004

Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

Contents

| <i>Chapter</i> | <i>Page</i> |
|--|-------------|
| Letters of transmittal | vi |
| I. Financial report for the biennium ended 31 December 2003 | 1 |
| A. Overview | 3 |
| B. Activities of the United Nations Relief and Works Agency for Palestine Refugees in the Near East | 3 |
| C. Financial results | 10 |
| D. Microfinance and microenterprise programme | 11 |
| E. Area Staff Provident Fund | 11 |
| II. Report of the United Nations Board of Auditors | 12 |
| A. Introduction | 13 |
| 1. Previous recommendations not fully implemented | 14 |
| 2. Main recommendations | 14 |
| B. Financial issues | 15 |
| 1. Financial overview of the United Nations Relief and Works Agency for Palestine Refugees in the Near East | 15 |
| 2. United Nations system accounting standards | 16 |
| 3. Presentation and disclosure of the financial statements | 16 |
| 4. Cash management | 19 |
| 5. Accounts receivable | 20 |
| 6. Fixed assets | 20 |
| 7. Liabilities | 21 |
| 8. End-of-service benefits | 21 |
| 9. Write-offs of losses of cash, receivables and property | 22 |
| 10. Ex gratia payments | 22 |
| C. Management issues | 22 |
| 1. Treasury review | 22 |
| 2. Microfinance and microenterprise programme | 27 |
| 3. Area Staff Provident Fund | 30 |

| | | |
|------|---|-----|
| 4. | Audit and Inspection Committee | 36 |
| 5. | Audit and Inspection Department | 38 |
| 6. | Third-party reviews | 39 |
| 7. | Human resources management | 41 |
| 8. | Training | 44 |
| 9. | Asset management | 45 |
| 10. | Procurement | 45 |
| 11. | Information and communication technology | 46 |
| 12. | Fraud and related matters | 50 |
| D. | Acknowledgements | 51 |
| | Annex | |
| | Summary of status of implementation of recommendations for the financial period ended 31 December 2001 | 52 |
| III. | Audit opinion | 53 |
| IV. | Certification of the financial statements | 54 |
| V. | Financial statements for the biennium ended 31 December 2003 | 55 |
| A. | Financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the biennium ended 31 December 2003 | 56 |
| | Statement 1. Statement of income, expenditure and changes in working capital and fund balances | 56 |
| | Statement 2. Assets and liabilities statement | 57 |
| | Statement 3. Cash flow statement | 58 |
| | Statement 4. Budget and expenditure | 59 |
| | Statement 5. Statement of working capital and fund balances | 60 |
| | Statement 6. Non-regular funds — projects: statement of income, expenditure and changes in fund balances | 61 |
| | Statement 7. Non-regular funds — projects: assets and liabilities statement | 62 |
| | Notes to the financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East | 63 |
| B. | Appendices and annex to the financial statements | 71 |
| | Appendix 1. Regular budget expenditure | 71 |
| | Appendix 2. Expenditure breakdown | 74 |
| | Appendix 3. Statement of income, expenditure and fund balances by project | 75 |
| | Appendix 4. Donor contributions and outstanding confirmed pledges | 103 |
| | Annex | |
| | General Fund production units and canteen revenues | 108 |

| | | |
|----|--|-----|
| C. | Financial statements of the microfinance and microenterprise programme | 109 |
| | Statement A. Balance sheet | 109 |
| | Statement B. Statement of operating activities | 110 |
| | Statement C. Statement of activities in restricted funds and changes in net assets | 111 |
| | Statement D. Statement of cash flow | 112 |
| | Notes to the microfinance and microenterprise programme financial statements | 113 |
| D. | Financial statements of the Area Staff Provident Fund | 130 |
| | Statement of financial performance | 130 |
| | Statement of net assets | 131 |
| | Statement of changes in members' credits and income | 132 |
| | Cash flow statement | 133 |
| | Statement of investments and investment income | 134 |
| | Percentage breakdown of investment balances | 135 |
| | Percentage breakdown of investments by type | 135 |
| | Administration expenses | 136 |
| | Notes to the Provident Fund financial statements | 137 |

Letters of transmittal

1 March 2004

Pursuant to financial regulations 11.4 and 12.1 of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), I have the honour to submit the accounts of UNRWA for the biennium ended 31 December 2003, which I hereby approve. The financial statements have been prepared and certified as correct by the Comptroller.

I would like to take this opportunity to also confirm to you and to the stakeholders of the Agency that UNRWA has:

(a) An established and defined culture of accountability, an organizational architecture commensurate with the complexity faced in UNRWA operations, an internal control structure that is sound and functioning and a managerial structure that is transparent and is utilized to keep managers informed of UNRWA activities, challenges and developments;

(b) Reporting processes that provide reasonable assurance that the UNRWA financial statements present fairly, in all material aspects, the results of operations and the financial position of UNRWA in accordance with generally accepted accounting principles;

(c) Cost-effective control systems, which provide reasonable assurance that the Agency's operational and quality objectives will be achieved. Those objectives include but are not limited to reliable external disclosures, safeguarding of assets, prevention of fraud, compliance with the rules and regulations, elimination of unnecessary costs and maximization of income;

(d) Ongoing assessment and oversight processes, which review the significant internal control and risk issues identified by UNRWA internal and external auditors. UNRWA has initiated steps to adjust or add controls in areas where the risks associated with the non-achievement of UNRWA operational and quality objectives were considered to be excessive and/or unacceptable.

Yours faithfully,

(Signed) Peter **Hansen**
Commissioner-General
UNRWA

The Chairman of the Board of Auditors
United Nations
New York

9 July 2004

I have the honour to transmit to you the financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the biennium ended 31 December 2003, which were submitted by the Commissioner-General. The statements have been examined by the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts, including an audit opinion thereon.

(Signed) **Shauket A. Fakie**
Auditor-General of the Republic of South Africa and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Financial report for the biennium ended 31 December 2003

Summary

For the biennium 2002-2003 the budget deficit of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was \$32.2 million, as the Agency received only \$634.6 million in income against its General Assembly approved cash and in kind budget (referred to as the regular budget) of \$666.8 million. However, UNRWA ended the biennium with a net excess of income over expenditure of \$29.0 million for its regular budget activities. The major factors contributing to the surplus were extraordinary exchange rate gains amounting to \$17.0 million during the biennium and accrued contribution income of \$10.2 million at the end of the biennium. An adjustment of the financial results for those two items would result in an excess of income over expenditure of only \$1.8 million arising from normal operations during the biennium owing to the cost-containment measures and strict financial management implemented to bring expenditures in line with anticipated income. As a result of the exchange rate gains during the biennium, a reserve of \$10.0 million has been established to protect the Agency from any future exchange-rate losses. The closing balance of the Agency's working capital in respect of its cash regular budget activities amounted to \$32.3 million, as compared with \$9.1 million as at 31 December 2001.

The consolidated cash balance, which was \$56.5 million at the beginning of the biennium, increased to \$140.6 million as at 31 December 2003. Of that total, \$57.6 million was committed for the emergency appeal, \$3.3 million for the purchase of basic commodities, \$23.1 million for funding project activities and \$6.3 million for the microfinance and microenterprise programme, leaving a balance of \$50.3 million available for regular budget operations. The significant exchange-rate gains realized (\$10.9 million), the receipt of outstanding value-added tax reimbursements (\$14.0 million) during the biennium and income received during the last quarter of 2003 (\$62.2 million) contributed to the improvement in the cash balance.

The Agency's total regular and non-regular budget for the biennium was \$1,050.8 million. Against that, UNRWA received total income, including other income, of \$846.0 million during the biennium and spent \$820.6 million, resulting in a total excess of income over expenditure of \$25.4 million.

As in the past, the education programme accounted for a major portion of the expenditure under the regular budget, accounting for 59.8 per cent of total expenditure. The health programme was next with 17.5 per cent, followed by operational and common services with 13.2 per cent and relief and social services with 9.5 per cent, as shown in the following table (amounts in United States dollars):

| <i>Programme</i> | <i>Approved budget</i> | | <i>Actual expenditure</i> | | <i>Variance in expenditure</i> | |
|----------------------------|------------------------|-------------------|---------------------------|-------------------|--------------------------------|-------------------|
| | <i>Amount</i> | <i>Percentage</i> | <i>Amount</i> | <i>Percentage</i> | <i>Amount</i> | <i>Percentage</i> |
| Education | 351 321 000 | 52.7 | 360 134 299 | 59.8 | (8 813 299) | (2.5) |
| Health | 119 573 000 | 17.9 | 105 338 960 | 17.5 | 14 234 040 | 11.9 |
| Relief and social services | 68 538 000 | 10.3 | 57 036 825 | 9.5 | 11 501 175 | 16.8 |
| Operational services | 39 435 000 | 5.9 | 38 718 068 | 6.5 | 716 932 | 1.8 |
| Common services | 87 903 000 | 13.2 | 40 437 419 | 6.7 | 47 465 581 | 54.0 |
| Total | 666 770 000 | 100.0 | 601 665 571 | 100.0 | 65 104 429 | 9.8 |

The adverse variance in education programme expenditures is attributable to an exceptional increase in salaries, which was approved following a comprehensive salary survey in the Agency's fields of operation to align the UNRWA salary scales with national averages, and one-time allowances paid to staff in the West Bank and Gaza Strip in recognition of the difficult working conditions. This resulted in an overexpenditure of \$8.5 million on staff costs in the education programme, where the majority of UNRWA staff are employed as teachers.

Expenditure against non-regular funds during the biennium totalled \$219.0 million. The emergency appeal, post-1999 projects and the peace implementation programme absorbed a large portion of that expenditure, accounting for \$185.0 million, \$27.7 million and \$5.5 million respectively.

The severe economic decline in the West Bank and the Gaza Strip adversely affected the lending activities of the microfinance and microenterprise programme and loan repayments during the biennium. As a result, the programme incurred a net loss of \$2.0 million on its operations in 2002-2003, leading to the partial erosion of its capital base.

The market value of investments of the Area Staff Provident Fund at the end of the biennium end was \$861.3 million. The income available as credit to participants in the Provident Fund totalled \$109.7 million as at 31 December 2003.

A. Overview

1. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly in its resolution 302 (IV) of 8 December 1949 as a separate entity within the United Nations system, and it began operations on 1 May 1950. The Agency's mandate has been renewed repeatedly, most recently in Assembly resolution 56/52 of 10 December 2001, when it was extended until 30 June 2005. UNRWA reports directly to the General Assembly. A 10-member advisory commission, which includes representatives of the Agency's major donors and host Governments, undertakes an annual review of UNRWA programmes and activities.

B. Activities of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

2. UNRWA provides educational, health and relief and social services to some 4.14 million Palestine refugees in Jordan, Lebanon, the Syrian Arab Republic and the West Bank and Gaza Strip. UNRWA headquarters are located in Gaza and Amman.

3. Throughout its 54 years of providing humanitarian and human development services in the area, the Agency has demonstrated a capacity to adapt and enhance its programmes as required to cope with developments in the region and stands ready to continue doing so in accordance with the mandate it receives from the General Assembly.

4. A number of challenges for the work of UNRWA have arisen since the outbreak of strife in the occupied Palestinian territory in September 2000. The continuing strife, the severely deteriorating economic conditions for the refugees and the restrictions on the flow of goods, services and labour have greatly increased demands on the Agency's humanitarian operations in the Gaza Strip and the West Bank.

1. Education programme

Mission

5. The mission of the Agency's education programme is to help Palestine refugee children and youth acquire the basic knowledge and skills needed to become productive members of their communities in accordance with the needs of the labour market as well as their identity and cultural heritage.

Objectives

6. The objectives of the programme are as follows:

(a) Provision of a general education to Palestine refugee children and youth at the elementary and preparatory levels, as well as at the secondary level in Lebanon only;

(b) Provision of university-level pre-service teacher education for young Palestine refugees as well as in-service teacher education for UNRWA teachers to enable them to improve the quality of education in UNRWA schools;

(c) Provision of vocational and technical education and training for young Palestine refugees to enable them to become skilled, productive citizens and contribute to the well-being of their communities;

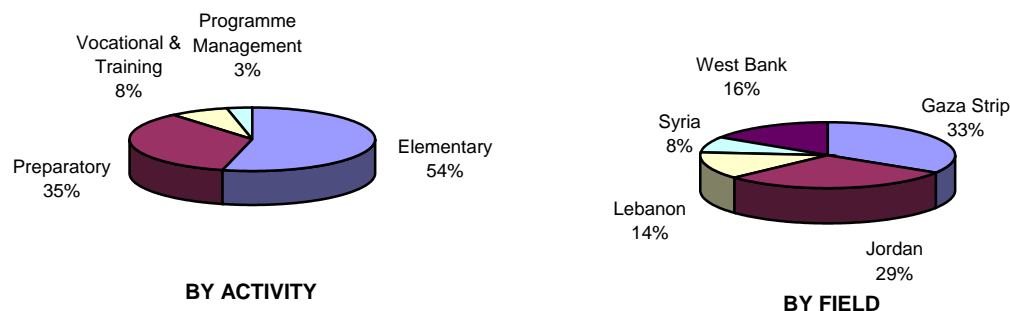
(d) Provision of job-placement assistance to graduates of the Agency's vocational training centres and enhancement of career guidance and counselling services provided to the Agency's preparatory and secondary school students as well as vocational and technical school graduates.

Results

7. During the biennium, 490,949 and 491,978 children were enrolled for the school years 2002/03 and 2003/04 respectively in the Agency's 663 elementary, preparatory and secondary schools (the latter in Lebanon only), which were staffed by 15,814 teachers. In addition, a total of 287,089 refugee pupils attended other government and private elementary, preparatory and secondary schools at no cost to UNRWA. During the biennium, vocational, technical and teacher education was provided at the Agency's eight training centres and by three education science faculties for 6,048 and 6,419 students enrolled for the 2002/03 and 2003/04 training years respectively. Some 570 instructors taught in those training centres during the biennium. In-service teacher training courses were provided by the Institute of Education at UNRWA headquarters in Amman through five educational development centres in the Agency's area of operation, for 521 and 733 education staff members in two school years. Through the UNRWA scholarship programme, which was funded entirely from earmarked donor contributions, 56 students were awarded university scholarships for the academic year 2002/03. With the graduation of all those students, the education programme will no longer provide scholarships because of a lack of funding. The Agency's expenditure on the education programme during the biennium was \$360.1 million against the General Assembly approved budget of \$351.3 million. Education expenditure represented 59.8 per cent of the Agency's regular budget expenditure.

8. The distribution of educational services expenditures by activity and field location is shown in figure I.1.

Figure I.1
Distribution of education programme expenditure



2. Health programme

Mission

9. The mission of the Agency's health programme is to protect, preserve and promote the health status of the registered Palestine refugees and to meet their basic health needs consistent with the basic principles and concepts of the World Health Organization, as well as with the standards achieved by the public health sector in the Agency's area of operations.

Objectives

10. The objectives of the programme are as follows:

(a) Preserving the sustainable investment achieved in primary health care by implementing appropriate intervention strategies with a high potential impact on health outcomes, especially in the areas of disease prevention and control and maternal and child health;

(b) Enhancing the process of institutional capacity-building in order to maximize system performance, improve service quality and increase efficiency and cost-effectiveness;

(c) Maintaining environmental health conditions in refugee camps consistent with the levels provided by local municipalities by implementing developmental projects to improve camp water, sewerage and drainage and solid waste disposal infrastructure;

(d) Harmonizing health policies and service standards with those of the host authorities in order to make optimal use of scarce resources and avoid incompatible priorities;

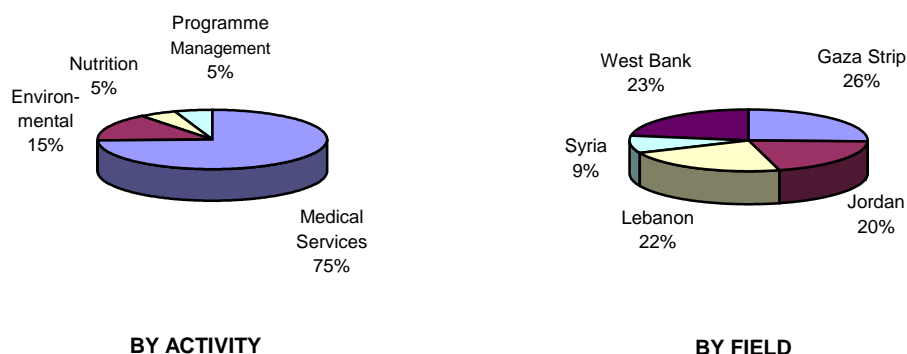
(e) Responding to emergency situations in the Agency's areas of operations by preventing breakdowns in service delivery, quality and sustainability.

Results

11. The Agency offers comprehensive primary health care services to Palestine refugees in the five areas of operation, comprising disease prevention and control and maternal and child health care, including family-planning services. Those services are provided through 122 primary health-care facilities. During the biennium, a total of 19,009,264 visits were made to those clinics by refugee patients for medical and dental consultations and other treatment, such as injections and dressings. Assistance towards hospital charges is provided either at contracted hospitals or through partial reimbursement of costs. UNRWA also runs a small hospital in Qalqilia in the West Bank and operates six maternity units integrated within the largest health centres in the Gaza Strip. With hospitalization assistance, refugees treated during the biennium at UNRWA hospital and maternity units and at contracted hospitals utilized a total of 284,771 bed-days. Environmental health services are also part of the health programme, as is the supplementary feeding programme for pregnant women and nursing mothers. The total expenditure on the health programme for the biennium amounted to \$105.3 million against the General Assembly approved budget of \$119.6 million. The health programme accounted for 17.5 per cent of the Agency's regular budget expenditure.

12. The distribution of the health programme's expenditures by activity and field location is depicted in figure I.2.

Figure I.2
Distribution of health programme expenditures



3. Relief and social services

Mission

13. The mission of the Agency's relief and social services programme is to provide the most disadvantaged Palestine refugees with humanitarian assistance and to promote the self-reliance of less advantaged members of the refugee community, such as women, youth and the physically challenged. The Department of Relief and Social Services also serves as the custodian of the historical records of some 4.1 million Palestine refugees.

Objectives

14. The objectives of the programme are as follows:

- (a) Providing the neediest eligible families with basic subsistence support;
- (b) Improving the housing conditions of "special hardship" families;
- (c) Delivering targeted assistance to families with small-scale emergency needs during an economic or humanitarian crisis;
- (d) Strengthening the institutional capacity of community organizations in the camps to better serve the needs and promote the rights of persons with disabilities, youth and women;
- (e) Updating monthly and maintaining daily the content of the computerized registration records of approximately 4.1 million refugees;
- (f) Maintaining the capacity to respond to large-scale emergencies, with a special focus on the short-, medium- and long-term demands arising from the crisis in the West Bank and the Gaza Strip, which began in September 2000;

(g) Maximizing the use of limited resources through increased operational efficiencies, inter-agency and interdepartmental cooperation, ongoing consultation with host authorities, programmatic, funding and professional collaboration with local and international non-governmental organizations and various cost-sharing and self-help mechanisms.

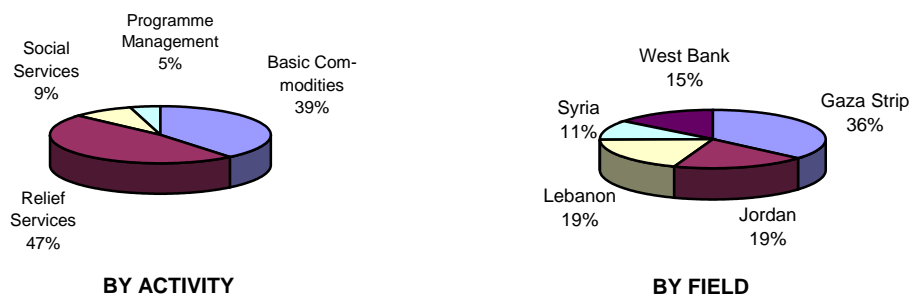
Results

15. During the biennium, 228,912 refugees (of whom 212,228 were ration recipients) and 246,753 refugees (of whom 229,158 were ration recipients) were enrolled in the special hardship programme respectively. This constitutes roughly 5.6 per cent of the total registered refugee population during any single year. Those individuals belonged to 57,531 and 60,784 families respectively, with an average of four persons per family receiving “special hardship” assistance. This assistance consisted of quarterly food support and cash subsidy, preferential access to vocational and teacher training (offered through the Department of Education) and small grants or loans to establish individual or group “self-support” projects and shelter rehabilitation to the extent that extrabudgetary funds were available. A total of 281 social workers provided counselling and support to help families cope with the difficulties causing or aggravating their socio-economic problems. Selective cash assistance for those in extreme distress (emergencies) was continued during the biennium with a total of \$500,000 distributed among the five fields each year. The Department continued its poverty alleviation programme, providing credit opportunities, awareness-raising and skills training. Separate technical and financial support focused on building up the capacities of 108 refugee-administered community-based organizations (serving women, children and persons with disabilities) to become managerially and financially self-sustaining. During the biennium, 190,053 participants benefited directly from the activities of these programmes. The Agency’s eligibility and registration staff continued the monthly updates of information contained in the Field Registration System database on 4.1 million refugees and continued to maintain the Field Social Study System database, which tracked the socio-economic data of the special hardship families. Total expenditure on the relief and social services programme during the biennium amounted to \$57.0 million against the General Assembly approved budget of \$68.5 million. Relief and social services expenditure represented 9.5 per cent of the Agency’s regular budget expenditure.

16. The distribution of relief and social services expenditures by activity and field location is set out in figure I.3.

Figure I.3

Distribution of relief and social services expenditures



4. Operational and technical services

17. The mission of the Agency's Operational and Technical Services Department is to enhance and create synergy in the functions of the Agency's information systems and its procurement, logistical and construction and engineering services. The Department directs those services to achieve the best results in terms of efficiency, reliability and timeliness, thus contributing to the Agency's mandate to provide humanitarian assistance to Palestine refugees.

18. Expenditures during the biennium for operational and technical services amounted to \$38.7 million against the General Assembly approved budget of \$39.4 million. This expenditure represented 6.5 per cent of the Agency's regular budget expenditures.

5. Common services

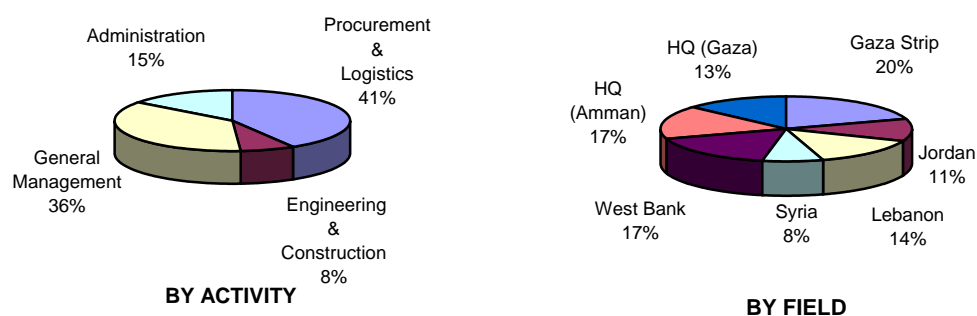
19. The mission of the Agency's common services, comprising general management and administration, is to secure the highest standards of efficiency, competence and integrity in carrying out the Agency's humanitarian mandate deriving from the relevant General Assembly resolutions, in providing leadership to the Agency's programmes and fields and in the management of the Agency's human and financial resources. As part of the management reform efforts aimed at improving the Agency's overall efficiency, new payroll and financial management systems became operational in October 2001 and March 2002 respectively.

20. Expenditures during the biennium for common services amounted to \$40.4 million against the General Assembly approved budget of \$87.9 million, representing 6.7 per cent of the Agency's regular budget expenditures.

21. The distribution of operational, technical and common services expenditures by activity and field is set out in Figure I.4.

Figure I.4

Distribution of operational, technical and common services expenditures



6. Special programmes

22. In addition to the ongoing services described above, during the biennium 2002-2003 UNRWA implemented the special programmes outlined below to improve the living conditions of Palestine refugees, with earmarked funding from donors.

Emergency appeals

23. In view of the continued deterioration of the economic situation as a consequence of the strife in the West Bank and Gaza Strip since September 2000, UNRWA launched three additional emergency appeals for \$369.4 million during the biennium to assist the refugee community in the affected areas. The major thrust of the emergency operations was to provide essential food supplies, shelter, selective cash assistance, employment generation and medical assistance, including physical rehabilitation and counselling for thousands injured or disabled as a result of the conflict. Against a total for all six emergency appeals of \$529.7 million since September 2000, the donor community had pledged \$323.1 million in cash and in kind assistance. Of that total, \$295.6 million had been received by the end of December 2003. The expenditure under the emergency appeals during 2002-2003 amounted to \$185.0 million, with aggregate expenditure of \$242.7 million to the end of December 2003.

Post-1999 projects

24. During the previous biennium (2000-2001), a new category of non-regular budget funds was established as a successor to the cluster of projects under the peace implementation programme, capital and special projects and expanded programme of assistance. The majority of projects undertaken under the post-1999 project category were in the areas of construction and equipping classrooms, schools, health centres, sewerage systems and water tanks with the objective of improving the infrastructure facilities of the Agency's regular programmes. The projects are distributed across the Agency's areas of operations. During the biennium 2002-2003, \$12.4 million was received for projects under this category, and expenditure was \$27.7 million.

Peace implementation programme, Lebanon appeal and capital and special projects

25. With the phasing-out of the peace implementation programme, the Lebanon appeal and capital and special projects during the biennium 2002-2003, activities were minimal. A total of \$4.7 million was received during the biennium, and the expenditure was \$5.5 million.

Income-generation programme

26. The Agency's income-generation programme, which operates under the supervision of the Department of Relief and Social Services, aims to support Palestine refugees who require financing in income-generating projects in Jordan, Lebanon and the Syrian Arab Republic. The programme administered a portfolio of \$1.1 million and had accumulated reserves of \$1.8 million as at 31 December 2003. Because of the social intermediation goals of the programme and the level of poverty of its clients, all loans under the programme were issued to eligible borrowers at a subsidized rate. During the biennium, a total of 1,916 jobs were

created through various credit schemes, which contributed to improving the living standards of the refugees and their families. Out of the total, 787 women benefited from the women's group guaranteed lending schemes. A total of \$0.3 million was received during the biennium, while the expenditure was \$0.2 million.

C. Financial results

27. The Agency's overall surplus for the biennium was \$23.4 million with respect to operations, as shown in statement 1, which also shows the balances of the Agency's working capital and other funds. The balances of the other funds are earmarked for specific purposes. The working capital under the Agency's regular budget fund is not a statutory operating reserve, but rather is the difference between assets and liabilities of the fund. The working capital account is used for three specific purposes, namely: (a) to meet temporary shortfalls in cash flow; (b) to finance unforeseen needs; and (c) to meet any extraordinary liquidating liabilities in the event of a curtailment of the Agency's activities. As shown in statement 1, the working capital account of the regular budget had a positive balance of \$46.8 million as at 31 December 2003. This is accounted for by the following elements:

(a) A fund balance of \$4.5 million earmarked for in kind purchase of basic commodities;

(b) A working capital balance of \$32.3 million on regular budget cash operations during the biennium, which includes \$10.2 million in accrued contribution income;

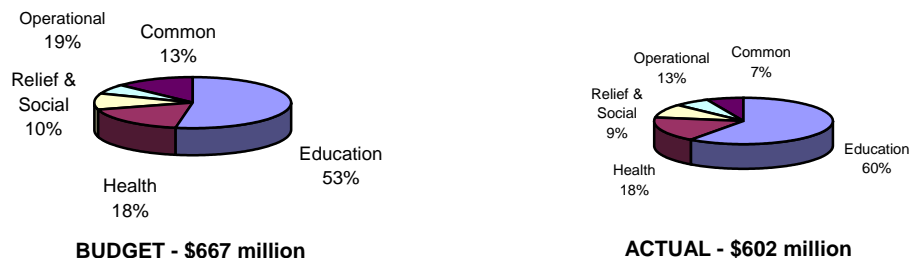
(c) A reserve of \$10.0 million established to protect the Agency from future losses due to fluctuations in exchange rates.

28. For efficient cash flow management, UNRWA centrally manages all cash received by the Agency for both the regular and non-regular budget. The statement of cash flow for the period (statement 3) depicts the changes in the Agency's financial position and reflects the consolidated cash balance of \$140.6 million at the end of the biennium.

29. Agency-wide budgeted and actual expenditures for the biennium are shown in statement 4. The Agency expended \$824.6 million during the biennium on all its activities against a budget of \$1,050.8 million. Under the regular budget alone, the expenditure was \$601.7 million against a budget of \$666.8 million. Under the non-regular budget, the expenditure was \$218.9 million against a budget of \$384.1 million.

30. A graphical comparison of the regular budget actual and budgeted expenditure is shown in figure I.5.

Figure I.5
Regular budget actual versus budgeted expenditure



D. Microfinance and microenterprise programme

31. Since June 1991, the microfinance and microenterprise programme in the West Bank and Gaza has helped to promote small business development, create employment, improve the income of microenterprises and reduce poverty through the establishment of a number of targeted credit programmes aimed at small businesses and women. The programme manages a capital fund in Gaza and in the West Bank. It supports businesses of varying size, from a micro-vending enterprise to small industries, and aims to satisfy a variety of capital funding needs, including working capital financing. During the period, the programme expanded its operations to Jordan and the Syrian Arab Republic. Since its establishment, the programme has disbursed \$74.25 million through 67,127 loans (54,367 loans for a value of \$59.5 million in Gaza, 11,370 loans in the West Bank valued at \$14.0 million, 619 loans in Jordan for a value of \$0.5 million and 771 loans in the Syrian Arab Republic amounting to \$0.3 million).

32. The severe economic contraction in the West Bank and the Gaza Strip adversely affected the programme's lending activities and loan repayments during the biennium. As a result, it incurred a net loss of \$2.0 million on its operations in 2002-2003, leading to the partial erosion of its capital base.

E. Area Staff Provident Fund

33. The financial statements of the Area Staff Provident Fund indicate that the investments of the Fund increased to \$861.4 million from \$764.3 million during 2003. The Fund's investment income for the year was \$114.9 million compared to \$42.7 million for the previous year. The income available to the credit of the Fund participants as at 31 December 2003 amounted to \$109.7 million.

Chapter II

Report of the United Nations Board of Auditors

Summary

The Board of Auditors has reviewed the operations of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and has audited its financial statements for the biennium ended 31 December 2003.

The Board's main findings are as follows:

(a) Two tax authorities had continued to subject UNRWA to direct taxes and customs duties; amounts due from tax authorities totalled \$13.9 million. Furthermore, UNRWA has not been able to recover any of the customs and port charges paid since June 1994, amounting to \$9 million as at 31 December 2003;

(b) The Agency's reserves were inadequate to cover its liabilities for end-of-service and post-retirement benefits of \$147.3 million. Furthermore, the actual expenditure of \$23.6 million in that regard exceeded the approved budget of \$19.5 million;

(c) Although the UNRWA Treasury function was generally effective, there were opportunities for improvement in the areas of governance and automation;

(d) The directives for the microfinance and microenterprise programme did not provide details regarding the term of membership, disclosure of conflict of interest and remuneration benefits of the members of the Advisory Board;

(e) While the Area Staff Provident Fund had separate directives governing its activities, it did not have an approved consolidated set of regulations and rules;

(f) The Audit and Inspection Committee did not include any external members to promote increased transparency of UNRWA;

(g) Although UNRWA is to be commended for its stance on resisting donor requests for audits, it did not have a formalized procedure for dealing with requests for third-party reviews;

(h) UNRWA did not have an information and communication technology security policy nor a comprehensive disaster recovery plan.

The Board made recommendations to recover outstanding amounts due; to review the funding mechanism for liabilities; to update and consolidate directives in line with best practices; to establish mechanisms to formally evaluate third-party requests for audits and reviews; and to develop information and communication technology security policies and disaster recovery plans. By July 2004, the Administration had planned to implement a number of appropriate remedies.

A list of the Board's main recommendations is provided in paragraph 11 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) for the biennium 2002-2003 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in accordance with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the biennium ended 31 December 2003 had been incurred for the purposes approved by the General Assembly, whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules and whether the financial statements of UNRWA presented fairly the financial position of the Agency as at 31 December 2003 and the results of the operations for the period then ended. The audit included a general review of the financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that the Board considered necessary in order to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under financial regulation 7.5. The reviews concerned the efficiency of financial procedures, internal financial controls and, in general, the administration and management of UNRWA. UNRWA is also responsible for the administration of the Area Staff Provident Fund. Although the Board did not express an opinion on the Provident Fund statements, it has reviewed the operations of the Fund, the results of which are included in the present report. The audit was carried out at UNRWA headquarters in both Gaza and Amman and at the field offices in Gaza, Jordan, Lebanon and the West Bank. The final audit in April 2004 could be conducted only from the Amman headquarters because of the security situation in Gaza.

4. The General Assembly, in paragraph 6 of its resolution 57/278 A of 20 December 2002, requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to examine governance structures, principles and accountability throughout the United Nations system and to make proposals on the future format and consideration of the reports of the Board of Auditors by the respective executive boards and the General Assembly. The Board noted that UNRWA had not taken any specific action in that regard.

5. During the period under review, the Board continued its practice of reporting the results of specific audits in management letters containing detailed observations and recommendations. This practice allowed for an ongoing dialogue with UNRWA.

6. The present report covers matters which, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and

conclusions were discussed with UNRWA, whose views have been appropriately reflected in the report.

7. A summary of the Board's main recommendations is contained in paragraph 11. The detailed findings are reported in paragraphs 13 to 242.

1. Previous recommendations not fully implemented

Biennium ended 31 December 1999¹

8. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the measures taken by UNRWA to implement the recommendations made in its report for the biennium ended 31 December 1999. There are no significant outstanding matters.

Biennium ended 31 December 2001²

9. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by UNRWA to implement the recommendations made in its report for the biennium ended 31 December 2001. Details of action taken and the comments of the Board are included in the report and have been summarized in the annex to the present chapter. Out of a total of 27 recommendations, 14 (52 per cent) were implemented, 8 (30 per cent) were under implementation and 5 (18 per cent) were not implemented.

10. The Board has reiterated, in paragraphs 32, 44, 51 and 225 of the present report, previous recommendations that had not yet been implemented. The Board invites UNRWA to assign specific responsibility and establish an achievable time frame for their implementation.

2. Main recommendations

11. The Board recommends that UNRWA:

(a) **Continue its efforts to recover the outstanding tax reimbursements and make further appeals to the relevant authorities to fully accept the tax-exempt status of the Agency (para. 44);**

(b) **Review, in conjunction with United Nations Headquarters, the funding mechanism and targets for providing for end-of-service and post-retirement benefit liabilities (para. 51);**

(c) **Update its treasury instructions and expedite the complete implementation of the cash management module (para. 86);**

(d) **Expand the terms of reference of the Microfinance and Microenterprise Programme Advisory Board to include the term of membership, disclosure of conflicts of interest and remuneration benefits (para. 101);**

¹ See *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5C* and corrigendum (A/55/5/Add.3 and Corr.1), chap. II.

² See *ibid.*, *Fifty-seventh Session, Supplement No. 5C* and corrigendum (A/57/5/Add.3 and Corr.1), chap. II.

(e) Expedite the finalization of a consolidated set of regulations and rules governing the Provident Fund and benchmark the draft against best practices (para. 116);

(f) Consider including external members in its Audit and Inspection Committee (para. 150);

(g) Establish a mechanism to formally evaluate, on the basis of predetermined criteria, requests from third parties to conduct audits and reviews, in consultation with other United Nations organizations, with a view to applying consistent practices (para. 170);

(h) Develop an information and communication technology security policy and a disaster recovery plan (para. 220).

12. The Board's other recommendations are shown in paragraphs 29, 32, 34, 36, 41, 47, 58, 60, 68, 74, 77, 80, 86, 101, 103, 113, 116, 118, 122, 125, 128, 134, 141, 145, 150, 155, 158, 170, 181, 185, 189, 192, 200, 206, 210, 213, 216, 220, 222, 225, 228 and 231.

B. Financial issues

1. Financial overview of the United Nations Relief and Works Agency for Palestine Refugees in the Near East³

13. Contributions to regular budget funds, which continued to be the main source of UNRWA income, amounted to \$613.7 million for the biennium 2002-2003 compared with \$575.1 million for the previous biennium. Contributions to non-regular budget funds also increased, from \$196.6 million in the biennium 2000-2001 to \$209.6 million in the biennium 2002-2003. In addition, other income increased from \$2.8 million to \$24.7 million. The total combined income for all funds amounted to \$848.0 million compared with \$774.5 million for the previous biennium.

14. The Administration attributed the increase in income under the regular budget to its intensified efforts to generate revenue. The increase in non-regular budget funds for the biennium 2002-2003 was due to funds received for emergency appeals amounting to \$192.4 million. The increase in other income is attributable mainly to the \$17 million gained in foreign exchange transactions, covering all funding sources, in the biennium 2002-2003 as opposed to a loss of \$4.5 million in the previous biennium.

15. Expenditures from regular budget funds amounted to \$601.7 million, while expenditures from non-regular budget funds amounted to \$218.9 million. Combined actual expenditures amounted to \$824.6 million, compared with \$703.3 million for the previous biennium, including \$4.0 million in respect of the microfinance and microenterprise programme. In terms of UNRWA programmes, education accounts for \$360.1 million, with health and relief and social services accounting for an additional \$105.3 million and \$57.0 million respectively (adjusted for the microfinance and microenterprise programme and prior-year adjustments).

³ UNRWA changed its accounting policy during the biennium under review. The main impact was the recognition of outstanding income and liabilities for non-regular budget funds. This change in accounting policy resulted in the restatement of comparative figures.

16. The Agency's total staff costs accounted for \$517.4 million (international staff \$35.2 million and area staff \$482.2 million), some 63 per cent of total actual expenditure.

17. The total combined income of \$848.0 million exceeded combined expenditures of \$824.6 million, resulting in a surplus of \$18.6 million (2000-2001: \$73.8 million) after prior-year adjustments of \$4.8 million. The surplus of \$18.6 million will be carried forward in accordance with UNRWA practice. The Agency's closing working capital and fund balances as at 31 December 2003 amounted to \$32.6 million and \$77.3 million respectively.

2. United Nations system accounting standards

18. The Board assessed the extent to which the financial statements of UNRWA for the biennium ended 31 December 2003 conformed to the United Nations system accounting standards. The review indicated that the financial statements were consistent with the standards.

3. Presentation and disclosure of the financial statements

19. The UNRWA financial statements are presented in four parts. Part A consists of UNRWA consolidated statements 1 to 7 and supporting notes. The Board expresses an opinion on this part only as stated in chapter III. Part B contains appendices and annexes. Part C covers the UNRWA microfinance and microenterprise programme, which is included in the UNRWA consolidated financial statements. Part D covers the Area Staff Provident Fund administered by UNRWA. Although the Board expresses an opinion only on the UNRWA consolidated financial statements, it did review the operations of the Provident Fund, and its observations are included in the present report.

20. The General Assembly, in paragraph 12 of its resolution 55/220 A of 23 December 2000, requested the Secretary-General and the executive heads of the funds and programmes of the United Nations, in conjunction with the Board of Auditors, to continue to evaluate what financial information should be presented in the financial statements and schedules and what should be presented in the annexes.

Financial reporting

21. In terms of governance principles and best practices, the following governance issues are normally reported on in a medium such as the financial report (chap. I):

- (a) Governance and regulatory bodies;
- (b) Performance reporting and non-financial information;
- (c) Social accounting issues;
- (d) Risk management, continuity and internal control.

Governance and regulatory bodies

22. UNRWA disclosed in its financial report that a 10-member Advisory Committee performed an annual review of the Agency's activities and programmes. However, the report did not contain information about the Agency's Management Committee, its internal code of ethics and conduct and its enforcement among employees or its communication policy.

Performance reporting and non-financial information

23. UNRWA disclosed an overview of its financial performance for the biennium 2002-2003 in a Summary preceding the financial report. However, the Board noted that the financial report did not contain data pertaining to the previous biennium. As such, an evaluation of the performance of UNRWA against the prior biennium could not be easily made. UNRWA also did not incorporate in its financial report non-financial information pertaining to the achievements of targets set by UNRWA in its 2002-2003 budget.

Social accounting issues

24. Social accounting issues could be useful, and consideration should be given to the desirability of incorporating such information into the UNRWA financial reports. Matters that could be addressed include:

- (a) Environmental reporting;
- (b) Employee and/or human resources reporting, such as an analysis of the composition of staff, an analysis of the skills of current staff compared with the skills needed and details on the future staff requirements (including a continuity plan);
- (c) Health and safety issues;
- (d) Social reporting.

Risk management, continuity and internal control

25. The constant identification of risks and the continuous development of systems and controls to address those risks is critical to most organizations. As such, risk information disclosures are relevant to the needs of financial statement users. Disclosures could deal with the measures that are in place to address financial risks, to safeguard assets and financial records and to ensure continuity in the event of a disaster. No such disclosures were included in the UNRWA current and prior-period financial report.

26. The UNRWA financial report provides a summary of the financial statements. However, no key indicators or ratios were included, such as the current ratio (current assets to current liabilities) and current liabilities as a percentage of total liabilities.

27. In addition, the financial report did not contain information about:

- (a) The existence of a disaster management and recovery plan;
- (b) Internal measures to manage risks or an internal code of ethics and conduct and its enforcement among employees;
- (c) The internal audit function;
- (d) Any oversight committee reviewing the work of internal auditors;
- (e) Any measures put in place to safeguard the integrity of management and financial information.

28. The provision and disclosure of any information would be subject to a determination of the benefit of providing that information against the cost of providing it and a determination of whether it meets the general qualitative characteristics of relevance, reliability, comparability and understandability, as stated in the United Nations system accounting standards.

29. The Board recommends that UNRWA consider the disclosure of items in the financial report in terms of best governance principles relating to oversight, performance reporting, social accounting issues, risk management, continuity and internal control issues. In this regard, UNRWA should revert to paragraph 6 of General Assembly resolution 57/278 A, since better disclosure would be a step towards taking a proactive approach to the review requested by the Assembly.

Financial statements

30. The Board, in paragraphs 20 and 24 of its previous report,² made recommendations concerning presentation and disclosure in respect of the UNRWA financial statements. UNRWA did not provide additional details pertaining to capital acquisitions, disposals and write-offs made during the biennium to reflect movements from the opening to the closing balance of capital acquisitions. Furthermore, the disclosure in note 17 regarding prior-year adjustments was inadequate. UNRWA did not disclose the nature, reasons and financial effects of the prior-year adjustments.

31. Previously, UNRWA did not recognize outstanding income and unliquidated obligations pertaining to non-regular budget funds in its financial statements. Following the Board's audit, UNRWA changed its accounting policy in this regard to recognize such outstanding amounts. This resulted in a change in the presentation of the financial statements and the restatement of comparative figures. The Board is pleased to note that those changes have improved the presentation of the Agency's position as at 31 December 2003.

32. The Board reiterates its previous recommendations and UNRWA agreed: (a) to provide more details on capital acquisitions, disposals and write-offs made during the biennium to reflect movements from the opening to the closing balance; and (b) to improve its disclosure concerning the note for prior-year adjustments in the financial statements for the next biennium.

33. The Board noted further areas for improvement in the presentation and disclosure of the financial statements. Those areas covered prior-year adjustments, accounting policy notes, provision for uncollectable amounts, change in the accounting policy note and note disclosures in general. UNRWA agreed to consider those suggestions for improvement in the preparation of the financial statements for the next biennium.

34. UNRWA agreed with the Board's recommendation that it: (a) continue to review the potential improvements in the financial statements with a view to better disclosing and presenting information; and (b) disseminate improvements made in the financial statements to other United Nations organizations through inter-agency mechanisms such as the High Level Committee on Management.

4. Cash management

35. The Board, in paragraph 53 of its previous report,² recommended that UNRWA review its policy on the pre-financing of donor-specified projects. UNRWA informed the Board that in pre-financing projects, only regular budget funds were used. As at 31 December 2003, UNRWA had recovered all funds advanced during the biennium for the pre-financing of projects. Projects were pre-financed when:

- (a) Donors agreed to make contributions on a reimbursement basis;
- (b) Confirmed pledges were received against which UNRWA could reliably expect that funds would follow;
- (c) Certain projects required initial preparation to enable them to succeed but the funding for those projects was due only a few months later.

36. The Board recommends that UNRWA consider: (a) revising its financial regulations and rules to regularize the pre-financing of projects under specified conditions; (b) maintain adequate audit trails if rules allow for the pre-financing of funds; and (c) continuously monitor the impact of pre-financing of projects on working capital and cash flow requirements.

37. UNRWA informed the Board that the pre-financing of projects was rare and was undertaken exclusively to expedite project implementation and to adhere to agreements of certain donors. The pre-financing of projects had not affected the General Fund resources, as it has always been done within the project fund pool. However, under the revised arrangements with a major donor, no more pre-financing of projects would be necessary for that donor.

38. As at 31 December 2003, UNRWA had total cash holdings of \$140.6 million (31 December 2001: \$56.5 million), which represents an increase of \$84.1 million (149 per cent) from the previous biennium. The increase in cash holdings could be attributed mainly to the following factors:

- (a) An increase in pledges received of \$51.6 million and a decrease in accounts receivable as at 31 December 2003 of \$55.5 million;
- (b) Reimbursement of old value-added tax of \$12 million;
- (c) Net realized foreign exchange gains amounting to \$10.9 million;
- (d) A 14 per cent increase in bank interest earned for the biennium to \$3.3 million from \$2.9 million in the previous biennium.

39. The Board noted a large number of reconciling items on the bank reconciliation statements ended 31 December 2003, consisting mainly of cheques not presented for payment, outstanding transfers and deposits. UNRWA kept the cashbook open for the processing of transactions until 12 February 2004 to ensure that all transactions pertaining to the biennium were recorded.

40. However, UNRWA processed transactions in the cashbook that should have been accrued, thus misrepresenting the Agency's true financial position at the end of the biennium. UNRWA had effectively understated cash on hand and in banks as well as liabilities by \$871,179 as at 31 December 2003.

41. The Board recommends that UNRWA: (a) not process transactions occurring after the end of the biennium through the cashbook; (b) apply

accrual accounting to transactions that relate to the current biennium but that came to management's attention only after the end of the biennium; and (c) record adjusting journal entries for the purposes of accurately preparing the financial statements.

42. UNRWA informed the Board that it would amend future biennium closure instructions to prevent a recurrence of the error.

5. Accounts receivable

43. In paragraph 39 of its previous report,² the Board reported that two tax authorities had subjected UNRWA to direct taxes and customs duties. This practice continued during the biennium 2002-2003 with amounts due from tax authorities totalling \$13.9 million (2000-2001: \$21 million), as disclosed in note 10 to the financial statements. Furthermore, UNRWA has not been able to recover any of the customs and port charges paid since June 1994. In the biennium under review, this balance of \$9 million increased by \$1.8 million from the prior biennium. The non-recovery of those balances resulted in the Agency's working capital being tied up in customs duties and value-added taxes as well in the potential loss of interest income that could have been earned had the funds been available.

44. The Board reiterates its recommendations that UNRWA continue its efforts to recover the outstanding tax reimbursements and that it make further appeals to the relevant authorities to fully accept the tax-exempt status of the Agency.

6. Fixed assets

45. Other fixed assets amounted to \$75.2 million as at 31 December 2003 (\$65.8 million as at 31 December 2001). The UNRWA Manual of Supply Procedures requires that locator cards be reconciled to asset-value cards on an annual basis. Materials inspection officers updated locator cards once they had performed asset verifications. The Board reviewed the reconciliation between the value cards and the general ledger for the headquarters and field offices respectively and noted an overall discrepancy of \$4.7 million. UNRWA confirmed that those discrepancies had accumulated over a period of 50 years. Table II.1 provides an analysis of those discrepancies by field office. The value of fixed assets, as disclosed in note 14 to the financial statements, was therefore misstated by \$4.7 million.

Table II.1

Discrepancies between the general ledger and value cards

(Thousands of United States dollars)

| <i>Field office</i> | <i>Value cards</i> | <i>General ledger</i> | <i>Difference</i> |
|---------------------|--------------------|-----------------------|-------------------|
| Amman | 7 809 | 10 725 | 2 916 |
| Gaza | 10 837 | 12 567 | 1 730 |
| Lebanon | 6 222 | 6 222 | — |
| Total | 24 868 | 29 514 | 4 646 |

46. UNRWA indicated that the write-off process had not commenced for those discrepancies, as it had expected that the implementation of the field asset module, which was in progress, would resolve the differences.

47. The Board recommends that UNRWA examine the discrepancies between the value cards and general ledger and take the steps necessary to reflect asset balances accurately in the notes to the financial statements. The Board further recommends that UNRWA adjust note 14, Other fixed assets, by \$4.7 million to reflect the differences in asset values.

7. Liabilities

48. In paragraph 35 of its previous report,² the Board reported on an increasing trend in unliquidated obligations. UNRWA reviewed all unliquidated obligations as at 31 December 2003. No such obligations had been outstanding for longer than 24 months. The Board noted that in the biennium under review UNRWA wrote back \$0.8 million of funds obligated in the biennium 2000-2001 compared with \$0.9 million obligated in the biennium 1998-1999.

8. End-of-service benefits

49. In paragraph 30 of its previous report,² the Board recommended that UNRWA, in conjunction with United Nations Headquarters, review the funding mechanism and targets for end-of-service liabilities in line with policies adopted by other United Nations organizations.

50. Actual expenditure of \$23.6 million in 2002-2003 (\$27.1 million in the prior biennium) exceeded the budgeted amount of \$19.5 million (2000-2001: \$18.4 million) by \$4.1 million (\$8.7 million in the prior period) (see table II.2). UNRWA continued to fund the under-provision for end-of-service benefits from the savings made within the staff costs budget. UNRWA had not implemented a mechanism to address its funding requirement pertaining to end-of-service benefits. The total estimated liability of \$147.3 million exceeded the available reserve of \$140 million by \$7.3 million.

Table II.2

End-of-service benefits

(Millions of United States dollars)

| Description | As at 31 December | | Change |
|-----------------------|-------------------|--------------|-------------|
| | 2003 | 2001 | |
| Estimated liability | 147.3 | 143.6 | 3.7 |
| Provision per budget | 19.5 | 18.4 | 1.1 |
| Actual expenditure | 23.6 | 27.1 | (8.6) |
| Total reserves | 140.0 | 119.7 | 20.3 |

51. The Board reiterates its recommendation that UNRWA, in conjunction with United Nations Headquarters, review the funding mechanism and targets for providing for end-of-service and post-retirement benefit liabilities.

9. Write-offs of losses of cash, receivables and property

52. The Administration provided the Board with details of losses of cash and other non-expendable property written off during the biennium 2002-2003. This included the loss of cash amounting to \$1,181 (2000-2001: \$447) written off under the terms of financial rule 106.8. Non-expendable equipment of \$1.7 million was written off based on original cost under the terms of financial rule 106.9 (\$1.4 million in 2000-2001). There were no write-offs related to property.

10. Ex gratia payments

53. In line with financial regulation 5.11, UNRWA provided the Board with information on the only ex gratia payment made. UNRWA made one ex gratia payment of \$6,500 to the parents of an UNRWA student because of a fatal accident that occurred during school hours.

C. Management issues

1. Treasury review

Background

54. The Board performed a limited review of the UNRWA treasury function. The objective of the Treasury Department at UNRWA is to support the Agency's operations by maintaining its accounts, settling liabilities in a timely manner and protecting its finances and value. In line with this objective, the Treasury Department did not speculate with the Agency's cash holdings, which totalled \$140.6 million as at 31 December 2003. The Treasury Department reported to the Comptroller.

Types of investments

55. UNRWA treasury technical instruction 3 governs the types of investments that UNRWA can hold. The instruction limits the duration of investments to a period ranging from one day to six months, mainly in:

- (a) Bank call accounts;
- (b) Fixed deposits;
- (c) Certificates of deposit;
- (d) Bankers' acceptances;
- (e) Notes and bonds, including floating-rate notes;
- (f) Commercial paper issued by banks;
- (g) Treasury bills.

56. UNRWA investments were held only in:

- (a) Cash (\$0.4 million);
- (b) Current accounts (\$28.9 million);
- (c) Bank call accounts (\$111.3 million).

57. The Board noted that the instructions did not provide guidance on procedures that should be followed should the Agency wish to invest in new instruments, for example, corporate bonds, which would still fall within the conservative risk profile of UNRWA.

58. UNRWA agreed with the Board's recommendation that it update the treasury technical instructions to provide for procedures for the evaluation and addition of new classes of financial instruments to the specified investment categories and to align those procedures to the risk profile of the Agency.

Investment Review Committee

59. The objective of the Investment Review Committee is to review investment policy, asset allocation, strategy, currency and interest rate risk management and other investment matters. In addition, the Committee reviewed cash-flow projections and provided guidance on how UNRWA should operate in case of a liquidity crisis. However, the Committee lacked terms of reference governing its functions.

60. UNRWA agreed with the Board's recommendation that it develop terms of reference for the Investment Review Committee.

Risk management

61. The Board performed a review of the various risks that UNRWA faced in the treasury environment. Table II.3 summarizes the various types of risks together with the assessed level of risk exposure.

Table II.3
Summary of risk analysis

| <i>Type of risk</i> | <i>Risk exposure</i> | <i>Reasons</i> |
|---------------------------------|----------------------|---|
| Interest rate risk ^a | Low | Main bank accounts are located in regions with stable economies |
| Settlement risk ^b | Low | Cash position is managed on a daily basis; no speculation in foreign exchange transactions; main trading partners have good ratings |
| Market risk ^c | Low | Use of conservative financial instruments, short-term investments |
| Currency risk ^d | Medium | See details below (paras. 62 and 63) |
| Liquidity risk ^e | High | See details below (paras. 64-74) |

^a Risk that value of cash holdings will fluctuate because of changes in market interest rate.

^b Risk that UNRWA or its trading partner will default on the settlement of a foreign exchange transaction.

^c Risk that the value of cash holdings will fluctuate as a result of changes in market prices.

^d Risk that the value of unpaid non-United States dollar contributions and cash assets will fluctuate due to changes in foreign exchange rates.

^e Risk that UNRWA will encounter difficulty in raising funds to meet commitments.

Currency risk

62. The Agency's exposure to the declining United States dollar was minimized since UNRWA largely disbursed funds denominated in historically weaker currencies. Furthermore, UNRWA made payments in European currencies from bank accounts held in those currencies. In terms of the unpaid regular budget contributions, UNRWA had a total of \$10.2 million outstanding at the end of the biennium, out of which 62 per cent consisted of euros and the balance in United States dollars.

63. Cash holdings of \$140.6 million at the end of the biennium consisted mainly of United States dollar balances of \$127.3 million (91 per cent), with the remainder of \$13.3 million (9 per cent) representing non-United States dollar balances. The reasons for keeping non-United States dollar currencies include the following: (a) donors pay in their local currency; (b) certain UNRWA expenditures are in non-United States dollar currencies; and (c) the local currency of the host country is often required to obtain goods and services.

Liquidity risk

64. The Agency's liquidity risk can be grouped into the following categories: nature of funding; major contributors; receipt of funding; and management of funds.

65. UNRWA funding is based on voluntary donor contributions and not on assessed contributions. This creates a much higher risk, as UNRWA has to ensure that it has received sufficient donor pledges to meet its operational requirements. Two donors contributed more than half of the voluntary contributions of the Agency.

66. UNRWA could experience a liquidity crisis as a result of donors not fulfilling their commitments to UNRWA on a timely basis and UNRWA not managing its cash holdings efficiently and effectively.

67. In order to manage this risk, UNRWA has to ensure that: (a) sufficient pledges from donors are secured; (b) the donor base is expanded or contributions by existing donors are increased; (c) outstanding pledges are followed up on a regular basis to ensure that donors make good on their commitments on a timely basis; (d) an effective working capital base commensurate with UNRWA operations is maintained; and (e) the Treasury manages and monitors cash holdings on a regular basis.

68. The Board recommends that UNRWA develop further its donor base.

69. UNRWA informed the Board that it had been making efforts to broaden the donor base and had placed sufficient resources to achieve that objective while recognizing the budgetary constraints of donor countries and other competing demands from elsewhere.

70. The Treasury Department produced a daily cash flow report containing information on the balances per bank, projected cash flows for the month (in and out) and possible foreign gains and losses. In addition, UNRWA prepared monthly and quarterly cash flow reports to manage its cash reserves and to estimate its future funding requirements.

71. In managing its cash reserves, UNRWA distinguished between groups of funds, for example, regular budget funds and emergency appeal funds, although separate bank accounts were not kept for the different groups of funds. Donor agreements were very specific as to the use of funds; for example, emergency appeal funds could not be used to finance projects or regular budget expenditures. UNRWA informed the Board that in the event of a liquidity crisis, the following actions could be taken: the payment of salaries and wages could be postponed until such time as adequate funding had been received and the Commissioner-General could authorize the financing of regular budget expenditure from project funds.

72. UNRWA delayed the payment of salaries and wages for a few days in early 2002 when it experienced a liquidity crisis. The Commissioner-General authorized the use of project funds for the payment of salaries and wages only after he had received confirmation of the imminent payment of pledges by donors.

73. The Board acknowledges that this was an interim cash flow arrangement that did not subsequently result in the inappropriate use of funds. However, the treasury technical instructions did not provide guidance on or regularize the steps that UNRWA should take when cross-financing is required between fund groups.

74. UNRWA agreed with the Board's recommendation that it update the treasury technical instructions to specify that cash from each fund group cannot be used interchangeably to meet cash flow requirements without prior approval from the Commissioner-General.

Trading

75. Treasury technical instruction 3 gives effect to the maximum return-on-investment principle by providing guidance on the placement of investments. The Treasury Department is to use a bidding process for obtaining competitive bids from three different sources for investment placements of more than the equivalent of \$1 million.

76. The Treasurer informed the Board that the reason for not following treasury technical instruction 3 was that it did not cater to the existing requirements of the UNRWA treasury function and the Agency's funding requirements. In addition, UNRWA invested its surplus cash in call accounts and overnight accounts only and not in long-term investments, such as bonds, which were excluded from the bidding process.

77. UNRWA agreed with the Board's recommendation to update the treasury technical instructions to provide for the practice followed by the Treasury Department in the placement of investments.

Bank accounts

78. The Agency's bank accounts could be categorized into trading bank accounts and imprest bank accounts. The bulk of UNRWA cash holdings is vested in the trading bank accounts managed by the Gaza headquarters. UNRWA received contributions from donors in those accounts and also used them to replenish the imprest bank accounts. Whenever possible, UNRWA sold non-United States dollar currencies from the accounts to make foreign exchange gains.

79. Treasury technical instruction 4 governs the management of bank accounts, including their opening and closing. The Treasury technical instructions provide for a process of reviewing banking arrangements and agreements with the various financial institutions. UNRWA had completed the review of bank accounts for the field offices in Gaza, the West Bank and Jordan and at the Gaza headquarters. As at April 2004, the banking arrangements for the field office in the Syrian Arab Republic was under review. Although the treasury technical instructions provide for the review of bank accounts, the Board noted that how often this should be done was not stipulated.

80. UNRWA agreed with the Board's recommendation to update the treasury technical instructions to indicate how often banking agreements should be reviewed.

Investment banks

81. Treasury technical instruction 3 governs the selection of bank accounts, with specific reference to the "trading bank accounts". Under the terms of this technical instruction, UNRWA may place investments only with banks or financial institutions that are rated in the top category, P1, for short-term placements by the international rating service Moody's. Moody's P1 rating is defined as superior ability for repayment of short-term debt obligations. The Treasurer is responsible for maintaining an up-to-date list of reputable and P1-rated banks and financial institutions that are domiciled in the major money market centres throughout the world. The placement of funds is restricted to those banks that are included in the bank list.

82. All but one of the Agency's major bank accounts were rated P1. The rating of one bank was lowered from P1 to P3 during the biennium, but UNRWA continued to use the bank at the request of the donor until the Treasury Department decided on the transfer of all remaining funds deposited in the account.

83. UNRWA was in the process of opening new P1-rated bank accounts to ensure that all accounts met the Moody's rating required by treasury technical instruction 3. UNRWA kept its imprest bank accounts with local banks in the UNRWA areas of operation. The Moody's rating system did not include those banks.

84. As illustrated in table II.4, UNRWA kept 89 per cent (2000-2001: 80 per cent) of its cash with two banking groups.

Table II.4
Analysis of cash holdings by bank
(Millions of United States dollars)

| Bank | As at 31 December | | | |
|---|-------------------|------------|-------------|------------|
| | 2003 | | 2001 | |
| | Amount | Percentage | Amount | Percentage |
| A | 19.4 | 14 | 38.9 | 69 |
| B | 105.5 | 75 | 6.4 | 11 |
| Subtotal | 124.9 | 89 | 45.3 | 80 |
| Other banks | 9.1 | 6 | 7.8 | 14 |
| Microfinance and microenterprise programme | 6.2 | 4 | 3 | 5 |
| Cash | 0.4 | 1 | 0.4 | 1 |
| Total | 140.6 | 100 | 56.5 | 100 |

Cash management module

85. UNRWA had purchased a cash management module as part of its new Financial Management System in May 2000. As at April 2004, UNRWA had not fully implemented the module. UNRWA informed the Board that delays pertaining to the full implementation of the cash management module could be attributed to two factors: first, implementation of other modules took longer than initially anticipated, and second, programmers had to customize the module to provide management with the required reporting formats.

86. The Board recommends that UNRWA update its treasury instructions and expedite the complete implementation of the cash management module. UNRWA agreed with the Board's recommendation.

2. Microfinance and microenterprise programme

Background

87. Since June 1991, the UNRWA microfinance and microenterprise programme in the West Bank and Gaza aimed to help promote small business development, create employment, improve the income of microenterprises and reduce poverty. The programme did this by establishing a number of credit products targeting small businesses, microenterprises and women. The programme was organized around four revolving loan funds in Gaza and two in the West Bank that supported businesses varying in size from a micro-vending enterprise, for example, employing just one or two individuals, to small industries and aimed to satisfy a variety of needs such as capital funding and working capital financing.

88. The microfinance and microenterprise programme has moved from a model of programme management to product management, where it no longer refers to the funds for each programme as separate revolving loan funds. All revolving loans now enter one capital fund in each field, which is used according to the outreach

requirements for each product. However, donors may still allocate funds for a specific product.

Funding

89. The microfinance and microenterprise programme was initially funded via voluntary donor contributions amounting to \$13.1 million. In addition to the funding received from external donors, UNRWA contributed \$500,000 towards the microfinance and microenterprise programme in the form of a loan to make up the shortfall of the original budgeted amount of funds that were required by the fund. The \$500,000 was repaid to UNRWA in 2003.

90. Operational costs were covered by interest on loans, recoveries and other investments. Other than a contribution by one donor of \$83,400, there were no other contributions to the microfinance and microenterprise programme for the biennium 2002-2003. UNRWA informed the Board that the programme was continuing to approach donors for funding but that during the first few years of the intifada neither UNRWA nor programme management considered donor funding a priority, as it had sufficient funds in the West Bank and Gaza to cover the reduced portfolio requirement that resulted from the downturn in the economy. UNRWA considered that funding for other emergency aid activities was more important than additional funding for its activities at that time. With the expansion of the programme into Jordan and the Syrian Arab Republic, UNRWA has been looking for additional funds since 2002.

Products offered

91. The microfinance and microenterprise programme disbursed funds to borrowers under four credit programme categories. These are the small-scale enterprise credit, solidarity-group lending, the microenterprise credit and the consumer-lending product. Table II.5 provides a brief summary of the loans issued in each category.

Table II.5
Summary of loans by product
(Thousands of United States dollars)

| <i>Net loans receivable</i> | 2003 | 2002 | 2001 |
|-------------------------------|----------------|----------------|----------------|
| Microenterprise credit | 2 453.5 | 983.4 | 1 870.4 |
| Small-scale enterprise credit | 521.1 | 480.8 | 1 131.2 |
| Solidarity-group lending | 809.1 | 586.0 | 601.5 |
| Consumer-lending product | 117.8 | 35.5 | - |
| Total | 3 901.5 | 2 085.7 | 3 603.1 |

92. The microenterprise credit was introduced in Gaza in February 1996 and in the West Bank in March 1998. The purpose was to meet the demand for working capital needs with existing micro and small-scale enterprises that were unable to secure credit from commercial institutions primarily because of a lack of required collateral. The maximum size of the microenterprise credit in the first cycle was

approximately \$1,000 (it varied according to currency, that is, United States dollars, Jordanian dinars and Syrian pounds).

93. The small-scale enterprise credit was the original credit instrument with which the microfinance and microenterprise programme began, its objective being to provide new and existing small-scale enterprises with loans. The loan range under the small-scale enterprise credit product was from \$3,000 to \$70,000.

94. The microfinance and microenterprise programme introduced solidarity-group lending in Gaza in May 1994 to enable Palestinian women to participate in the local community. The maximum size of loans in the first cycle of the product was \$600.

95. In 2002 the microfinance and microenterprise programme established the consumer-lending product in Gaza. This product aimed to help workers and employees to purchase household requirements through loans. The maximum loan under the product was \$900.

96. Microfinance and microenterprise programme management earned revenues from interest on loans issued, debts recovered and bank interest totalling \$2 million. However, the microfinance and microenterprise programme also incurred expenditure for the biennium totalling \$4 million. This resulted in a shortfall for the biennium 2002-2003 of \$2 million after prior-year adjustments of \$17,362. The cumulative retained deficit for the microfinance and microenterprise programme amounted to \$2.8 million as at 31 December 2003.

Risk assessment

97. The Board reviewed the various risks that faced the microfinance and microenterprise programme. Those risks can be categorized as country location risk (political, social and economical stability of the country), credit risk (loans not being repaid), liquidity risk (not being able to meet commitments), currency risk (changes in value due to currency fluctuations) and operational risk (internal factors). The Board assessed these risks as follows: country location, high; credit, high; liquidity, low; currency, low; and operational, low.

Significant developments

98. During the biennium 2002-2003, the microfinance and microenterprise programme underwent significant changes. These include the expansion of its activities into Jordan and the Syrian Arab Republic, increasing the size of the Advisory Board and beginning a process of restructuring within UNRWA.

Microfinance and Microenterprise Programme Advisory Board

99. Organizational directive 25 provided for the establishment of the Microfinance and Microenterprise Programme Advisory Board, detailing its terms of reference. Under the terms of the above directive, the Advisory Board is to provide both the Commissioner-General and the programme management staff with technical and policy counsel as well as oversight of the status of the programme's financial and operational management. Its role was strictly advisory; technical and administrative management and supervision was the responsibility of the concerned programme chief and field directors.

100. The microfinance and microenterprise programme had both local and international experts who were full members of the Advisory Board, as appointed by

the Commissioner-General. While the directive provided for the appointment of external members to the Board, it did not provide details on their term of membership, disclosure of conflicts of interest and remuneration benefits. The Board considers this necessary to ensure that the Advisory Board maintains increased levels of transparency, independence and objectivity at all times.

101. UNRWA agreed with the Board's recommendation: (a) to reassess the representation and size of the Microfinance and Microenterprise Programme Advisory Board with the overall objective of improving effectiveness and transparency; and (b) to expand the terms of reference of the Advisory Board to include the term of membership, disclosure of conflicts of interest and remuneration benefits.

Access to financial information

102. The microfinance and microenterprise programme management informed the Board that it did not have direct access to all the financial information that UNRWA maintained in its new Financial Management System. It also seems that microfinance and microenterprise programme staff lacked a good understanding of the capabilities of the new Financial Management System and that they required additional training.

103. UNRWA agreed with the Board's recommendation: (a) to provide staff with direct access to financial information on the new Financial Management System; (b) to determine an appropriate level of access to be granted to the staff as well as the relevant functionalities; and (c) to provide staff with adequate training on the new Financial Management System.

104. UNRWA informed the Board that the issue of access to the financial modules had subsequently been resolved.

3. Area Staff Provident Fund

Background

105. The Area Staff Provident Fund is a scheme established in 1955 by the Commissioner-General for the purpose of providing benefits to eligible local staff members upon their separation from service and placed under the administration of the UNRWA Treasurer. Its secretariat was established on 1 January 1990.

106. Eligible staff members make a monthly contribution to the Provident Fund of 7.5 per cent of salary, with UNRWA contributing an additional 15 per cent thereto. Membership in the Provident Fund is available to area staff only, since international staff pension benefits are provided for by the United Nations Joint Staff Pension Fund.

107. The Provident Fund had 24,660 members as at 31 December 2003 (23,663 as at 31 December 2001). It comprises three functional groups namely, the Provident Fund Secretariat, the Provident Fund Committee and the Investment Advisory Committee.

Financial overview

108. As mentioned previously, the Provident Fund statements are included in part D of the UNRWA financial statements (chap. V). Gross investment income was the main source of Provident Fund income, amounting to \$114.8 million for the biennium 2002-2003, compared with \$42.6 million for the previous biennium.

Note 4, Investment income, to the Provident Fund financial statements indicates that the increase in investment income can be attributed to both realized and unrealized capital gains.

109. A review of the Provident Fund statement of changes in members' credits and income for 2003 indicates that members' contributions to the Provident Fund decreased to \$39.0 million for the financial year 2003 (2002: \$40.6 million). Withdrawals from the Fund amounted to \$53.7 million (2002: \$87.5 million).

110. The Provident Fund's assets consisted mainly of investments and loans made to members. Investment in market securities increased by \$97.0 million (13 per cent), from \$764.3 million in 2002 to \$861.4 million in 2003. Loans to members decreased by \$5.3 million, from \$59.3 million in 2002 to \$54.0 million in 2003. The net decrease in loans to members could be attributed to the decrease in new loans awarded in 2003 of \$5.4 million (2002: \$16.9 million).

Presentation of financial statements

111. The Board reviewed the presentation of the financial statements of the Provident Fund. The Provident Fund had implemented changes, following the Board's review, to improve presentation and disclosure.

112. The Provident Fund's financial statements were prepared in accordance with international financial reporting standards. Under the terms of those standards, the income statement follows the balance sheet. The Board noted that UNRWA had presented the statement of net assets (balance sheet) after the statement of financial performance (income statement). Furthermore, UNRWA did provide some disclosure in the statement of changes in members' credits and income, but this did not meet all the requirements of the standards on accounting and reporting by retirement benefit plans.

113. UNRWA agreed with the Board's recommendation: (a) to change the order of the financial statements to present the statement of net assets first followed by the statement of financial performance; and (b) to disclose additional information such as the benefits paid to members upon their withdrawal from the Fund.

Rules of the Provident Fund

114. The Provident Fund did not have an approved manual of combined regulations and rules. The rules governing the Fund have been set out in various organizational department directives. There were no directives that addressed the eventual dissolution of the Fund. This is a cause of concern, as UNRWA has a limited mandate that was extended until June 2005 by the General Assembly (resolution 56/62 of 10 December 2001).

115. The Provident Fund informed the Board that it was awaiting approval from the Commissioner-General of its combined regulations and rules. The delay in finalizing the Provident Fund directives resulted from UNRWA considering the restructuring of investments. The final decision was expected to be taken at the next Provident Fund Committee meeting. The Fund further indicated that it had issued directives and technical instructions as the need arose.

116. **The Board recommends that the Provident Fund: (a) expedite the finalization of a consolidated set of regulations and rules governing the Fund to enable members to have a single point of reference when dealing with Provident Fund matters; (b) address the dissolution of the Provident Fund, although the financial statements of the Fund are prepared on a going concern basis; and (c) undertake an evaluation to benchmark its draft regulations and rules against the Financial Regulations and Rules of the United Nations and international best practices.**

Provident Fund secretariat

117. An UNRWA section served as the Provident Fund secretariat and administered investments made on behalf of members. In addition, it acted as Secretary to both the Investment Advisory Committee and the Provident Fund Committee. Although the terms of reference for other committees of the Provident Fund made reference to the duties of the Provident Fund secretariat, the Board noted that no terms of reference regulating the activities of the Provident Fund secretariat were in place.

118. **UNRWA agreed with the Board's recommendation to develop terms of reference for the Provident Fund secretariat.**

Investment Advisory Committee

119. The Commissioner-General established the Investment Advisory Committee in March 1991. Its functions are to advise the Commissioner-General on long-term investments and overall investment guidelines and strategy in respect of Provident Fund assets.

120. The Commissioner-General appoints members of the Committee, and they are required to serve for a period of two years. The Commissioner-General, on a biennial basis, may extend the term for an additional two years. Members may resign at any time or may be requested to resign by the Commissioner-General before the completion of their term. The Investment Advisory Committee has a membership of eight, with six external members, the Commissioner-General and the chief of the Provident Fund secretariat. Given the fiduciary capacity in which the members of the Investment Advisory Committee operate, it is important that they be independent and be seen to be independent at all times.

121. A member of the Investment Advisory Committee was a managing partner of a firm of fund managers that provided services to the Provident Fund. The Board was pleased to note that the member concerned had disclosed this possible conflict of interest in a letter to the Commissioner-General. The terms of reference for the Investment Advisory Committee, however, did not indicate how it should proceed on matters where a conflict of interest arose.

122. **UNRWA and the Provident Fund agreed with the Board's recommendation that the terms of reference of the Investment Advisory Committee should be expanded to address conflict-of-interest matters.**

Provident Fund Committee

123. The Provident Fund Committee has the function of considering and evaluating all aspects of the administration of the Provident Fund, including policy on the investment of the Fund's assets. The Commissioner-General is the ex officio

Chairman of the Committee. In his absence, the Deputy Commissioner-General acts as Chairman. The Provident Fund Committee submits to the Commissioner-General for his approval all decisions in his absence.

124. The Board noted that the terms of reference of the Provident Fund Committee did not specify the term of appointment for members. The Board also noted that there were numerous changes to the membership of the Provident Fund Committee in terms of staff representation.

125. Given the specialized nature of the Provident Fund's activities, the Board recommends that UNRWA revise the terms of reference of the Provident Fund Committee to provide for a minimum number of years that representatives may serve on the Committee.

126. UNRWA informed the Board that changes in the membership of the Provident Fund Committee membership had occurred because of resignations from the staff unions and the inability to travel. UNRWA agreed that the recommendation would be included in the new directive as a recommended practice for members.

127. During the biennium under review, the Provident Fund secretariat conducted a seminar for the member representatives and executive committees of the staff union with the aim of educating members on technical investment issues. This was to enable them to analyse and keep abreast of current financial market developments. In addition, members of the Provident Fund Committee attended a technical seminar on strategic asset allocation review. These updates are important in terms of members being able to carry out their fiduciary duties. The seminar did not extend to retirement funding management.

128. UNRWA agreed with the Board's recommendation that it provide training in retirement funding management to members of the Provident Fund Committee. The Board also recommends that newly elected members of the Committee be required to attend such training courses.

129. UNRWA informed the Board that the Provident Fund training seminars now included topics relating to retirement management and that all new members of the Provident Fund Committee would be invited to those seminars.

Provident Fund assets

130. The Provident Fund has two types of assets, namely, investments in funds made from Provident Fund contributions and loans to members made from members' fund credits. The total assets of the Fund amounted to \$931.7 million at 31 December 2003.

131. Concerning investments, the Board was pleased to note the level of disclosure provided by the Provident Fund in notes 5, 13 and 14 to the Provident Fund financial statements. The Northern Trust is the custodian for all Provident Fund investments. UNRWA used seven portfolio managers to spread its risk.

Performance of fund managers

132. The Fund's net income for the year ended 31 December 2003 amounted to \$112.8 million. The Board was pleased to note that the Provident Fund had monitored the performance of the fund managers on a regular basis. Note 5 to the financial statements of the Fund provides details concerning the performance of the fund investments and the benchmarks used. In addition to the benchmarking, the Board noted that each fund manager had its own service contract and investment

guidelines upon which the investing of funds should be based. The investment guidelines indicate that the fund managers were required to achieve a return “in excess” of the benchmark, as stipulated by the Provident Fund. One fund manager had received a warning from the Fund for poor performance, and a portion of the funds it administered had been reallocated to other fund managers.

Awarding of contracts to fund managers

133. The Board noted that the industry in which the Provident Fund operated was highly specialized. Accordingly, the awarding of new contracts to fund managers should involve detailed evaluations of market conditions, performance of fund managers and other relevant factors. The Provident Fund did not have documented procedures for the awarding of new contracts to fund managers.

134. UNRWA and the Provident Fund agreed with the Board’s recommendation that the Fund: (a) develop formal policies and procedures addressing underperformance by fund managers and incorporating defined dates and milestones for the evaluation of fund managers’ performance; and (b) develop tender procedures that would, inter alia, regulate the awarding of contracts to fund managers.

Provident Fund member loans

Granting of loans

135. In 1985, the Provident Fund made a decision to grant loans to members of the Fund. The loans were limited to members who met certain criteria, as well as to the members’ share in the Fund (accrued benefit). Furthermore, the Provident Fund granted loans based on humanitarian grounds only.

136. More than one loan may be awarded to a member provided that the combined maximum monthly repayment was not more than 25 per cent of the member’s monthly base salary. The Provident Fund recovers administrative costs through a 1 per cent charge on the value of the loan, deducted in full from the total loan value before the balance is paid to the staff member.

137. The member loans as at 31 December 2003 amounted to \$54 million. Since the inception of the loan scheme, the Provident Fund had granted loans amounting to \$70.5 million. Of the total loans granted, the Provident Fund had recovered approximately 27 per cent, or \$19.2 million, as at 31 August 2003, as reflected in table II.6. Members at field offices in Gaza and Jordan accounted for more than 67 per cent of the loans granted.

Table II.6
Provident Fund staff loans as at 31 August 2003

(Millions of United States dollars)

| <i>Location</i> | <i>Capital</i> | <i>Repayments</i> | <i>Current balance</i> | <i>Percentage</i> | <i>Number of loans</i> |
|-----------------------------------|----------------|-------------------|------------------------|-------------------|------------------------|
| Gaza field office | 23.3 | 6.5 | 16.9 | 32.90 | 5 062 |
| Jordan field office | 24.4 | 6.6 | 17.9 | 34.84 | 4 757 |
| Lebanon field office | 6.0 | 1.7 | 4.3 | 8.45 | 2 482 |
| Syrian Arab Republic field office | 5.7 | 1.4 | 4.3 | 8.37 | 1 874 |
| West Bank field office | 10.1 | 2.8 | 7.3 | 14.16 | 2 018 |
| Amman headquarters | 0.7 | 0.2 | 0.5 | 1.00 | 160 |
| Gaza headquarters | 0.2 | - | - | 0.27 | 57 |
| Total | 70.5 | 19.2 | 51.3 | 100.00 | 16 410 |

138. The Board noted that:

- (a) More than 40 per cent of members had benefited from the loan scheme;
- (b) At least 271 employees had taken out more than 5 loans, with 3 members having 12 loans each. Those members were located at the Lebanon and Gaza field offices;
- (c) Prior to 31 August 2002, the external liabilities of members had not been taken into account before loans were authorized.

139. The Board also noted that:

- (a) The Provident Fund might be defeating its main objective by providing such loans;
- (b) The Provident Fund had lost potential earnings of some \$31.8 million since the inception of the loan scheme since it did not receive any return on loans made. The potential loss of earnings was calculated by applying the investment index (rate of return) to the balance owed at the end of each year;
- (c) The Provident Fund enjoyed tax-free status in terms of the privileges granted to it by the host countries. The granting of multiple loans to members could potentially affect the tax status of the Fund owing to other locally available financing arrangements.

140. The Board noted that the follow-up on usage of loans granted was inadequate to determine whether the loan was used for the purpose intended. Inadequate follow-up procedures could leave the system open to manipulation in that members could apply for loans and use them for purposes other than those disclosed in their loan applications. The Provident Fund informed the Board that, where practical, the Fund followed up on loans granted.

141. UNRWA and the Provident Fund agreed with the Board's recommendation that it should follow up on all loans granted to ensure that loans are used for the purposes disclosed in loan applications.

142. UNRWA informed the Board that it had tightened procedures and loan applications had been amended to ensure that the necessary supporting documentation would be provided. Regular training and educational meetings were held. The finance and human resources systems were extensively used to provide validations and controls against the loans.

Calculation of average balances

143. The Provident Fund declared a rate of return on investments on a monthly basis. It applied that rate to a member's average Fund credits and the return was added to the member's Fund credits. The rate of return was based on the income earned by the Fund on investments made with available funds. This implies that current-month contributions and loan repayments would not be entitled to any return, as those funds were not invested and, therefore, no returns were generated by those monies.

144. The Board noted that when calculating the average balance of members' Fund credits, while the current-month contributions were excluded, the current month's loan repayments were added to the members' Fund credits. This calculation was not correct, as the loan repayments have not generated any return and as such should not be entitled to any return in the current month.

145. The Board recommends that UNRWA formalize an accurate calculation of the average balance of members' Fund credits.

4. Audit and Inspection Committee

146. UNRWA established an Audit and Inspection Committee in 1998, and the Commissioner-General approved the minutes of the first meeting on 29 November of that year. Organizational directive 24 governs the activities of the Committee.

147. The Board noted that organizational directive 24 clearly indicated the responsibilities of the Audit and Inspection Committee, namely:

- (a) To ensure the independent role of the Agency's internal audit function;
- (b) To appraise the adequacy of the audit plans, scope and general effectiveness of internal audit services and identify potential areas where the Agency may benefit from an audit;
- (c) To review the reports of the Audit Office and the external auditors, assess the implications of their findings on existing policies, systems and procedures and monitor implementation of their recommendations by the concerned offices;
- (d) To report on a periodic basis to the Commissioner-General on matters arising from assignments and actions taken in the implementation of recommendations by concerned offices within the Agency;
- (e) To undertake related tasks as the Commissioner-General may entrust to it from time to time.

Composition

148. In addition to the members listed in table II.7, other directors may attend on an ad hoc basis with other officials attending at the request of the Chairperson. The

members of the Audit and Inspection Committee were all senior staff within UNRWA who were involved in the Agency's decision-making activities.

Table II.7

Members of the Audit and Inspection Committee

| <i>Title</i> | <i>Position</i> |
|--|-----------------|
| Deputy Commissioner-General | Chairperson |
| Legal adviser | Member |
| Director, Executive Office | Member |
| Director, Administration and Human Resources | Member |
| Comptroller | Member |
| Director, Audit and Inspection Department | Secretary |

149. The Board is of the opinion that appointing external members could provide the Audit and Inspection Committee with a greater base of expertise and knowledge. In addition, external members could promote increased transparency of UNRWA.

150. The Board recommends that UNRWA consider including external members on its Audit and Inspection Committee.

151. UNRWA informed the Board that the Audit and Inspection Committee would consider this recommendation and make appropriate recommendations to the Commissioner-General.

Monitoring of audits

152. The Board noted that organizational directive 24 made provision for the Audit and Inspection Department to provide semi-annual reports to the Audit and Inspection Committee on the status of recommendations issued by both the Department and the external auditors. The Department is to report to the Committee on all unsatisfactory or incomplete responses received. Furthermore, the directive states that the Committee will recommend to the Commissioner-General the appropriate action to be taken by both the Audit and Inspection Department and the substantive departments. Although the Department informed the Committee of the recommendations issued, there was no monitoring process in place to determine the actual status of implementation of those recommendations.

153. The Audit and Inspection Department was not provided with copies of reports on other reviews or evaluations other than that of the Board. Furthermore, the Audit and Inspection Committee did not receive or review the reports. Given the purpose of the Committee and the Department, the Board considers that all audit and evaluation reports should be made available to it for review, monitoring and evaluation.

154. The Board was pleased to note that in December 2003, the Audit and Inspection Department as part of its report updated the Audit and Inspection Committee on the status of implementation of recommendations that emanated from

internal audit reports and those of the United Nations Board of Auditors. In addition, the Board noted that the Audit and Inspection Department had become more proactive in the monitoring of recommendations issued by it.

155. The Board recommends that UNRWA expand the terms of reference of both the Audit and Inspection Department and the Audit and Inspection Committee to include reviews and monitoring of reports issued by all auditors and evaluation teams.

Review of financial statements

156. The Board noted that a review of the UNRWA financial statements was not included as a responsibility of the Audit and Inspection Committee. Such a review could include:

- (a) Compliance with statutory requirements and accounting standards;
- (b) The resolution of any significant or unusual accounting or auditing problem highlighted by management and/or the internal or external auditors;
- (c) The nature of any significant adjustments to the financial statements proposed by management and/or internal or external auditors;
- (d) The statement of disclosure in the biennial financial statements;
- (e) The nature and impact of any changes in accounting policies during the biennium;
- (f) Reasons for major fluctuations in financial statements (current biennium compared to prior years);
- (g) Unusual circumstances or events reflected in the financial statements;
- (h) Unusual or significant commitments or contingent liabilities;
- (i) Significant transactions that are not a normal part of the Agency's business.

157. The Board is of the view that such a review would be beneficial to UNRWA in that it would assist the Agency in identifying, correcting and improving the presentation and disclosure issues at a much earlier stage of its reporting process.

158. UNRWA agreed with the Board's recommendation to consider expanding the terms of reference for the Audit and Inspection Committee to include a review of the presentation and disclosure of the financial statements of UNRWA.

5. Audit and Inspection Department

159. The Board was pleased to note that UNRWA had implemented all the recommendations made in paragraphs 66 to 104 of its previous report² concerning the Audit and Inspection Department.

160. Although the Audit and Inspection Department had undergone changes in terms of personnel, it completed more than 73 per cent of the planned assignments for the biennium 2002-2003 (23 planned versus 17 completed). In addition, the Audit and Inspection Department performed 15 additional ad hoc assignments during the biennium. Those assignments contributed largely to the Department not

being able to complete all of its planned assignments, although the outstanding assignments were currently receiving attention.

Implementation of Audit and Inspection Department recommendations

161. As illustrated in table II.8, the Audit and Inspection Department issued 309 recommendations during the biennium, of which 240 were fully accepted, 21 were partly accepted, 40 were rejected and 8 were pending a decision.

Table II.8

Summary of Audit and Inspection Department recommendations

| <i>Year</i> | <i>Accepted</i> | | | <i>Pending decision</i> | <i>Total</i> | <i>Implemented</i> | | |
|--------------|-----------------|---------------|-----------------|-------------------------|--------------|--------------------|---------------|--------------|
| | <i>Fully</i> | <i>Partly</i> | <i>Rejected</i> | | | <i>Fully</i> | <i>Partly</i> | <i>Total</i> |
| 2002 | 133 | 16 | 32 | 6 | 187 | 3 | 1 | 4 |
| 2003 | 107 | 5 | 8 | 2 | 122 | 34 | 22 | 56 |
| Total | 240 | 21 | 40 | 8 | 309 | 37 | 23 | 60 |

162. The recommendations were being implemented at a slow rate, with 23 per cent of the recommendations accepted having been implemented either in full or in part. According to the Audit and Inspection Department, the low rate of implementation for 2002-2003 was due to a large number of recommendations being issued late in the year.

Office automation

163. The Board noted that in the past the Audit and Inspection Department had documented its work largely on hard copies of working papers but that it was in the process of incorporating electronic working papers in its work processes. Furthermore, the Department had undertaken to update the shared directory created for filing working papers and was in the process of evaluating various audit software applications.

6. Third-party reviews

164. UNRWA was subjected to audits and reviews by:

- (a) The United Nations Board of Auditors, under the terms of the Financial Regulations and Rules of the United Nations;
- (b) The Audit and Inspection Department, mandated by UNRWA organizational directive 14;
- (c) Reviews by donor countries mandated by donor agreements.

165. In terms of item (c) above, the Board noted that donors had performed nine such reviews or evaluations on UNRWA, as follows:

- (a) Assessment of needs for the rehabilitation of water, sewerage and drainage networks for Jenin camp followed by an assessment of immediate needs

for the rehabilitation of water and sewerage networks in other camps of the West Bank, conducted in 2003 by a World Health Organization consultant;

(b) Evaluation of maternal health services and early detection of birth defects, conducted in 2003 by a consultant of the United States Centers for Disease Control and Prevention;

(c) General evaluation of the technical and vocational education and training programme, conducted in August 2003 by a United Nations Educational, Scientific and Cultural Organizational consultant;

(d) Baseline study report on students' attitudes, conducted in June 2003 by the education support evaluation team of the Department for International Development;

(e) Interviews with senior managers, conducted in September 2003 by a Department for International Development consultant;

(f) Evaluation consultancy visit report, conducted in November 2002 by a Department for International Development consultant;

(g) Initial impact assessment report (sweep 1), conducted in February 2003 by an education support evaluation team of the Department for International Development;

(h) UNRWA monitoring achievement test in Arabic, English, math and science, conducted in November 2003 by a consulting services team of the Department for International Development;

(i) Administrative aspects of reform undertaken by UNRWA, conducted by the European Aid Cooperation during 2002 and 2003.

166. In its resolution 52/220 of 22 December 1997, the General Assembly, in approving the comments and recommendations of the Advisory Committee on Administrative and Budgetary Questions in its report on the proposed programme budget for the biennium 1998-1999,⁴ accepted the recommendation that any third-party audit agreement should be the object of prior approval by the competent legislative bodies (see A/48/587).

167. In view of this position, the Board reviewed the specific terms of reference of a sample of evaluations conducted by third parties on behalf of donors. The Board was pleased to note that UNRWA had taken a firm position against entering agreements with donors that allowed for third-party audits. Accordingly, such third-party reviews were of a technical nature and did not appear to infringe on the mandate of the external auditors.

168. However, the Board noted that UNRWA did not have a formalized procedure for dealing with such requests and agreements or third-party reviews. There is therefore a risk that the Agency's unwritten practice may not be followed in future and may not be known to all donors.

169. The external auditor of UNRWA, the United Nations Board of Auditors, has a broad mandate to conduct audits and reviews, including on the general administration and effectiveness of operations. This mandate is set out in article VII

⁴ *Official Records of the General Assembly, Fifty-second Session, Supplement No. 7 (A/52/7/Rev.1).*

of the Financial Regulations and Rules and the annex thereto. There is therefore a risk that some third-party reviews could duplicate work covered by the Board of Auditors. The Agency's current practice did not encourage consultation with the Board of Auditors prior to the conclusion of the relevant agreements with UNRWA for donor reviews.

170. The Board recommends that UNRWA establish a mechanism to formally evaluate, on the basis of predetermined criteria, requests from third parties to conduct audits and reviews, in consultation with other United Nations organizations, with a view to applying consistent practices. Those criteria should include consultation with the Board of Auditors for requests that could have an impact on the Board's mandate and in the context of the General Assembly's position on third-party audit agreements.

171. UNRWA informed the Board that it would deliberate further on this recommendation during the Audit and Inspection Committee meeting and would solicit input from other United Nations organizations as well.

7. Human resources management

172. During the biennium 2002-2003, UNRWA had 23,546 established posts (2000-2001: 23,266) with 2,076 (9 per cent) vacant (2000-2001: 1,213). More than 70 per cent of UNRWA international staff were based at the two headquarters (Gaza and Amman) and at the field office in the West Bank. More than 75 per cent of UNRWA area staff were based in the field offices in the West Bank, Gaza and Jordan respectively.

173. Payroll costs of \$517.4 million represented more than 63 per cent of the total expenditure for the biennium under review (excluding microfinance and microenterprise programme expenditure) (2000-2001: \$446.7 million representing 64 per cent). Area staff payroll costs represented 93 per cent of total payroll costs.

Vacancies

174. UNRWA had a budgeted vacancy rate of 2 per cent for area staff and a 5.5 per cent and 3.8 per cent vacancy rate for Professional and General Service staff respectively. In terms of area staff, UNRWA had 891 vacant posts, representing a vacancy rate of 3.6 per cent as at December 2003. This represented an improvement from the previous biennium, when UNRWA had 1,182 vacant posts, representing a vacancy rate of 5.1 per cent.

175. UNRWA experienced a staff turnover rate of 10 per cent with respect to area staff employed under the 1999 area staff rules. This was due to the conditions of service under the area staff rules of 1999 being less attractive than those under the pre-1999 area staff rules. This factor also influenced the recruitment process and contributed to the inability of UNRWA to attract and retain staff members. In order to alleviate this situation, UNRWA intended to obtain financial resources from donors to facilitate the alignment and integration of the two sets of rules into one set.

176. An analysis of the vacant posts revealed that 57.9 per cent (516 posts) of vacancies remained within the education programme. UNRWA explained that the Department of Education was gearing itself up for the new school year and therefore had to deal with an increased number of new appointments, transfers and

resignations. The vacancy rate for the remainder of area staff had been less than 2 per cent as at December 2003.

177. The Board also noted an improvement in the vacancy rate of international staff, where the rate decreased from 27.4 per cent in the previous biennium to 7.9 per cent in the current biennium (11 vacancies out of 140 posts as at October 2003).

Long-vacant posts

178. The Board further analysed vacant posts to determine the period in which posts were vacant. That analysis (as at October 2003) indicated instances in which posts of both international and area staff had been vacant for extended periods.

179. According to data extracted from the Human Resources Management and Payroll System, certain posts had been vacant since 1940, although UNRWA commenced operations only in 1949.

180. UNRWA indicated that the 1940 date had been selected as a default date (for technical reasons) for all posts transferred from a database maintained in Vienna. At the time of the conversion, those posts were vacant and since then no action had been associated with them. UNRWA further indicated that personnel officers would be instructed to check on similar cases and to either change the vacancy date to 1 January 2002 (the date of conversion) or to delete such posts if they were no longer needed.

181. UNRWA agreed with the Board's recommendation that it should monitor vacant posts and provide regularly updated information on the progress made in filling them, as well as undertake a continuous evaluation of the need for the posts.

182. UNRWA informed the Board that an Agency-wide exercise was being undertaken to evaluate vacancies in area posts with a view to determining whether or not such long-vacant posts were still needed. UNRWA also advised the Board that it had improved its recruitment processing time, which was now within the United Nations Secretariat's target of 120 days.

Succession planning

183. The Board analysed the Human Resources Management and Payroll System database information to determine the number of staff retiring within the next five years. The Board's analysis revealed that 1,738 area staff members would be retiring within five years, representing 7.4 per cent of the area staff establishment. However, 26 staff members, or 18.6 per cent of international staff, would also be retiring within five years.

184. UNRWA was reviewing strategies for succession planning. Opportunities for staff rotation, secondment and transfers were limited owing to the nature of the operations, namely:

- (a) The areas of operations were scattered within the region;
- (b) Some duty stations experienced frequent emergency situations;
- (c) The prevailing political and security situation in the region limited the movement, transfer and rotation of staff.

185. UNRWA agreed with the Board's recommendation to formalize the process of succession planning.

186. UNRWA informed the Board that during the biennium 2004-2005, the Agency intended to improve the quality and quantity of training to be provided to staff members and to increase the career opportunities of existing staff members by maximizing the use of internal recruitment. Similarly, supervisors and managers would be encouraged to provide coaching and mentoring to staff members through in-house and on-the-job professional development. Furthermore, a new division responsible for human resources planning and development was created in May 2004. It was expected that this division, once staffed and fully operational, would embark on systematic staff development and succession-planning programmes.

Performance management system

Performance contracts

187. Performance evaluations were based on work-related activities performed and accomplishments achieved during the period under review. They were evaluated against the incumbent's post description, albeit outdated, and did not take into account the changing working conditions of the staff. UNRWA was studying the possibility of introducing an objectives-based performance management system and was assessing how to implement it.

Personal development plans

188. Although training did take place at UNRWA, there were no personal development plans for individual employees against which they could evaluate their own growth and development. Regular review of the personal development plans would enable the employee to measure personal growth and the organization would be able to measure organizational growth. Such plans should detail the competency gaps identified from the results of the performance assessment process. Individual personal development plans should address both the proactive and reactive steps necessary to address the competency gaps identified.

189. The Board recommends that UNRWA consider initiating personal development plans.

190. UNRWA informed the Board that, while it was still considering whether to introduce an objectives-based performance appraisal system, it would expedite preliminary steps to revise performance evaluation reporting to provide for recording and discussions relating to training needs and personal development plans. UNRWA also concurred with the need to evaluate training in order to assess its contribution towards the professional development and growth of its staff members. It noted that, in the absence of a qualified training officer, this process had not been undertaken and that it planned to recruit a training officer for this purpose, among other things.

Leave module on the Human Resources Management and Payroll System

191. During the review of the record keeping with respect to leave balances, the Board noted that each office used individualized systems for capturing such balances. They were either manual, computerized or a hybrid. Furthermore, the newly implemented Human Resources Management and Payroll System contained a

leave module. Although management had approved the module, its implementation had been delayed. UNRWA acknowledged that once it implemented the leave module, the different leave application systems would not be used further. It also informed the Board that initial testing of the annual and sick leave subscreens had been undertaken subsequently.

192. UNRWA agreed with the Board's recommendation to expedite the implementation of the Human Resources Management and Payroll System leave module so as to achieve consistency across the organization.

8. Training

193. The Board of Auditors reviewed the training activities of UNRWA as well as the processes and procedures used in that regard to achieve training objectives. The review consisted of a diagnostic overview of training activities managed within the organization and the procedures and processes used in that regard.

194. UNRWA had developed its own training policy for both local and international staff, which reflected its awareness of the importance of training. Training at UNRWA consisted of both planned and ad hoc training. UNRWA managed training under two systems, which could be classified as technical and general. Technical training encompassed training specific to a particular unit and UNRWA had decentralized this type of training. General training included language training, as well as management and other leadership courses. The Administration and Human Resources Department managed general training.

195. The Board noted that UNRWA did not produce a formal report on training. Such a report would assist in the compilation of information for management purposes and the planning of training for the Agency and should include an analysis of training costs and other appropriate ratios to evaluate training activities in UNRWA and the impact of any cancellation of training.

196. Although the budgeted training expenditure of \$3 million was almost 50 per cent more than in the previous biennium, actual expenditure of \$1.4 million (2000-2001: \$1 million) for training represented 47 per cent (2000-2001: 49 per cent) of budgeted expenditure. Actual training expenditure represented 0.27 per cent (2000-2001: 0.22 per cent) of actual staff costs of \$517.4 million.

197. UNRWA indicated that the main reasons for these major variances were inadequate funding and emergency situations that arose in the UNRWA areas of operations. The effect was that training had to be rescheduled or cancelled.

198. UNRWA made use of both internal staff and external consultants for training. It also made use of a "train the trainer" process that was used widely within the organization to disseminate knowledge to all staff members. UNRWA did not consider other methods of disseminating knowledge such as distance learning.

199. Concerning the monitoring of training, UNRWA informed the Board that it had created a post of training officer to address shortcomings pertaining to reporting, monitoring and evaluation of training.

200. The Board recommends that UNRWA: (a) compile, on a periodic basis, a report containing details of all expenses incurred for training purposes as well as an assessment of whether the training objectives and needs have been met; and (b) investigate the use of distance-learning techniques.

201. UNRWA informed the Board that a new division had been established to be responsible for planning, organizing, implementing and evaluating training activities in order to assess whether objectives are being met in addition to monitoring costs and ensuring that appropriate ratios are analysed. A training needs analysis was completed in December 2003 and a training plan based on the stated needs and skill requirements was in the process of being compiled. The education assistance programme was being reviewed so that a consolidated policy on education assistance, as well as distance learning, could be further developed and integrated, as appropriate.

9. Asset management

202. In paragraphs 31 to 34 of its previous report,² the Board recommended that UNRWA implement the asset module included in the newly acquired Financial Management System as a matter of urgency in order to rectify deficiencies in the management and control of fixed assets.

203. UNRWA had not implemented the asset module of the Financial Management System at the time of the audit. UNRWA attributed the delay to the following factors:

(a) This was the first time that UNRWA had undertaken to record all of its assets in one database;

(b) Additional preparation of data was required to ensure that when the asset module was implemented all information captured by the seven locations would be standardized;

(c) In addition, certain information pertaining to land and buildings was not readily available.

204. The Board also noted that the Agency's material inspection officers had to verify a large number of assets spread out over a vast area. Furthermore, the manual system of recording and updating locator cards and reconciling them to the value cards and general ledger added to the difficulty of maintaining the asset records.

205. UNRWA could track non-expendable equipment with computer-generated serial numbers if it implemented a computerized fixed-asset tracking system. It could also verify the existence and location of those assets with hand-held scanners. After completing such verification, the Agency could upload the data into a central database for management information purposes. UNRWA could coordinate such efforts with those of other United Nations organizations that make use of this technology.

206. UNRWA agreed with the Board's recommendation that it conduct a study on the use of bar coding, hand-held scanners and the consequent computerization of record updates. The Board reiterates its recommendation that UNRWA implement the asset module included in the financial management system as a matter of urgency.

10. Procurement

207. The Board reviewed the procurement procedures at UNRWA, taking into consideration the work performed by the Audit and Inspection Department at various field offices during the biennium. The Board was pleased to note that those

policies and procedures were generally sound and promoted good internal control. The Board reviewed the lead times, from requisition to delivery to payment for goods and services. The Board was pleased to note that UNRWA had established benchmarks for procuring different goods and services, which allowed UNRWA to set performance measures for their procurement. UNRWA actively monitored supplier performance on each purchase order executed.

208. There were cases in which the procurement lead times were excessive, mainly in respect of basic commodities. In those instances, UNRWA placed orders early to obtain the most favourable prices, for example by monitoring the global market trend concerning flour or rice and the timing of the harvests.

209. UNRWA maintained a database of all suppliers. Prior to February 2003, UNRWA reviewed and updated the details of suppliers with whom it dealt on a regular basis. After February 2003, UNRWA undertook a review of all suppliers on its system to determine whether all data pertaining to them were valid, accurate and complete. As a result of that exercise, in February 2004 UNRWA removed from the approved supplier list 139 suppliers with whom it had had no dealings for more than a year.

210. The Board recommends that UNRWA continue to review the supplier database on a regular basis to ensure that it is valid, accurate and complete.

11. Information and communication technology

Strategy

211. An information and communication technology plan provides a road map of the information and communication technology required to support and enhance the organizational direction, outlining the resources that are required and the benefits that would be realized from the implementation of the plan. The UNRWA information and communication technology strategic plan had not been approved at the time of the audit.

212. An information and communication technology strategic plan should include the following:

- (a) The information and communication technology department's aims and objectives pertaining to information technology with respect to all groups;
- (b) The extent to which business operations and information and communication technology would be integrated;
- (c) The structure of the information and communication technology environment;
- (d) Purpose of the information and communication technology environment;
- (e) Services the information and communication technology environment has to deliver;
- (f) Facilities used by information and communication technology;
- (g) Resource requirements.

213. UNRWA agreed with the Board's recommendation that it expedite the process of approving the information and communication technology strategic

plan. UNRWA also agreed to update the plan on a continuous basis to provide for changing circumstances in respect of requirements of UNRWA and technological advances.

Security

214. In terms of ensuring security of the information and communication technology environment, an organization should have an information and communication technology security policy and security officer in place. The responsibilities of the information and communication technology security officer should include the following:

- (a) Development and maintenance of data security policies and procedures;
- (b) Administration of access control software;
- (c) Regular reviewing of access rights to ensure compliance with the data security policies and procedures;
- (d) Identification of the owners of data entities to ensure maintenance of their integrity;
- (e) Monitoring of security and investigation of security violation attempts.

215. The Board noted that the security administrator post was vacant. In addition, UNRWA did not have an information and communication technology security policy in place.

216. UNRWA agreed with the Board's recommendation that it pursue its plan to recruit an information and communication technology security administrator and to develop an information and communication technology security policy as soon as possible. UNRWA also agreed to develop, approve and update its security policy on a regular basis in order to provide guidelines for compliance by staff members. UNRWA should communicate the policy to all personnel, stressing the importance of adherence thereto.

217. UNRWA informed the Board that the recruitment of a security administrator had since been completed and that the successful candidate was expected to join UNRWA in August 2004. The development of an information and communication technology security policy would be undertaken by the new security administrator as a high-priority assignment upon reporting to duty.

Disaster recovery plan

218. A disaster recovery plan takes into account all types of disastrous events influencing both information system processes and end-user functions. The disaster recovery plan should include the application systems used and should make provision for emergency, fallback and resumption procedures. To ensure the effectiveness of the plan and compliance with it, it is important that it be communicated to all staff in an organization. UNRWA should retain a copy of the disaster recovery plan off-site.

219. Although individual recovery plans for most of the ICT systems existed, UNRWA had not developed a comprehensive disaster recovery plan, which clearly outlined procedures for reducing the risk of a business disruption in the event of a disaster. The Board also noted that no documented formalized back-up procedures

existed at UNRWA. Without a formally documented, approved and tested disaster recovery plan, there is a high risk that operation and maintenance of the system would not be able to continue for a considerable period of time in the event of a disaster. The subsequent resumption of operations could prove costly.

220. UNRWA agreed with the Board's recommendation that it implement adequate back-up procedures as part of a disaster recovery plan. UNRWA also agreed to develop and approve a comprehensive disaster recovery plan, communicate it to all personnel, test it regularly and review and update the plan regularly. A copy of the disaster recovery plan should be kept off-site.

Performance monitoring

221. Effective information and communication technology performance and capacity management ensures that adequate capacity is always available and that the best and optimal use is made of it to meet the required performance needs. UNRWA did not have monitoring reports for managing performance and capacity. UNRWA therefore was not aware of processing unit utilization, slow response time or other error statistics.

222. The Board recommends that UNRWA consider implementing performance-monitoring reports in the computer server environment to remain abreast of any errors or areas of weakness in that environment.

System development life cycle

223. As reported in paragraphs 111 to 116 of the Board's previous report,² UNRWA did not have a formally documented system development life-cycle methodology in place. Without the guidance provided by such a methodology, UNRWA would not be able to address control over the design and implementation of new applications and the achievement of business and application control requirements.

224. Any system development life-cycle methodology should be formally structured into phases that yield a measurable end product. It should cover, inter alia, system analysis, system design, system coding and testing, system documentation, system implementation and training. UNRWA informed the Board that it was in the process of developing such a methodology.

225. The Board reiterates its recommendation that UNRWA develop a formal system development life-cycle methodology to govern the process of developing, acquiring, implementing and maintaining computerized information systems and related technology, and UNRWA agreed with the recommendation.

226. UNRWA informed the Board that, although it did not have a formally adopted system development life-cycle methodology, it followed industry norms and standards for system development and change control procedures.

Quality control

227. The Board noted that quality-control procedures and policies were not in place. Quality-assurance policies and procedures help to ensure that personnel are following prescribed quality processes and that the software is free from defects and meets user expectations.

228. The Board recommends that UNRWA prepare and implement information communication technology quality-assurance policies and procedures.

229. UNRWA informed the Board that it was addressing those matters as part of the ongoing activity to develop a systems development life-cycle methodology, including an internal auditing function within each project.

Emergency change procedures

230. There may be times when emergency changes are required to resolve system problems while critical processing is allowed to continue. Formal procedures for effecting emergency changes to the systems were not implemented. For most emergency changes, no approval was required to effect changes.

231. UNRWA agreed with the Board's recommendation that it: (a) implement procedures to ensure that emergency changes can be performed without compromising system integrity or causing unnecessary delays in the business processes; and (b) ensure that adequate audit trails exist concerning those procedures.

232. In May 2000, UNRWA purchased from a vendor the licence of the finance software system and the human resources management and payroll software system. The contract specified a project sign-off date of 10 June 2001. Both systems had been partially implemented at the time of the audit without their having been signed off or handed over to UNRWA.

233. The purchase agreement entailed the provision of related software installation, configuration, customization, implementation, maintenance and other services. Since 2000, numerous variations in the requirements of the new systems and other implementation issues have impeded the progress of the project, resulting in two addenda to the original contract and significant time and cost overruns.

234. The following modules had not been fully implemented: (a) leave management; (b) recruitment; (c) performance appraisal and organizational charting interface; and (d) fixed assets. UNRWA informed the Board that it expected to complete the implementation of the new Financial Management System by June/July 2004.

235. The original maximum contract price to develop a finance software system and human resources management and payroll software was \$1,091,915. Two addenda (amounting to \$181,890 and \$25,020 respectively) were added, resulting in an additional amount of \$206,910 being added to the contract. The actual payments made to the vendor as at 31 August 2003 amounted to \$1,264,876.

236. The Board analysed the problems and challenges faced by UNRWA that caused the delays in the implementation of the new system. The Board acknowledges that while UNRWA had control over some of those factors, in some cases it had not. For example, unexpected security and political constraints (the second intifada and the Iraq war) led to severe travel restrictions, difficulty in acquiring visas, evacuation of staff and limited mobility of staff and vendor personnel, leading in turn to the transfer of the project management and operations from Gaza to Amman. Concerning matters over which UNRWA did have control, the Board attributed the delays to UNRWA not having a formalized information and communication technology strategy or a systems development life-cycle methodology.

12. Fraud and related matters

Fraud prevention

237. The Board, in paragraph 121 of its previous report,² recommended that UNRWA develop its own fraud-prevention plan, including fraud-awareness initiatives. UNRWA finalized such a plan and committed to implement it in the biennium 2004-2005.

Cases of fraud and presumptive fraud

238. The Board noted that the latest information on cases of fraud and presumptive fraud was not readily available from the Audit and Inspection Department since such cases were not being reported to the Department in a timely manner.

239. UNRWA agreed with the Board's recommendation that all cases of fraud and presumptive fraud should be reported to the Audit and Inspection Department in a timely manner and that the Department should maintain an updated database of all such matters as part of the UNRWA fraud-prevention plan.

240. As required under the Financial Regulations and Rules of the United Nations, the Administration reported seven cases of fraud and presumptive fraud to the Board for the financial period ended 31 December 2003. These may not reflect the entire universe of fraud cases systemwide that may be under review by other offices, units or oversight bodies.

241. The Administration informed the Board that UNRWA did not incur financial losses in the three cases reported below under (b) and (d). The extent of potential losses for the case reported below under (e) had yet to be determined by the Administration since the case was still pending:

(a) A staff member misused UNRWA property by installing an Agency telephone in a commercial telecommunication office for the staff member's personal gain. The cost of misuse amounted to \$803;

(b) In two cases UNRWA detected the misuse of ration coupons by staff members, one of whom admitted to the crime and was suspended. The other case is under investigation;

(c) A medical supplier attempted to manipulate medical claims by falsifying claim documents and forging the patient's signature to embezzle UNRWA monies. Fraudulent claims amounted to \$180. UNRWA immediately removed the supplier from the Agency's approved list of suppliers and instituted recovery action;

(d) A staff member used his position in UNRWA to extract money from a potential microfinance and microenterprise programme client;

(e) A staff member used his position to solicit and receive sums of money from a special hardship assistance beneficiary who formed part of his case portfolio. The case is under investigation;

(f) UNRWA purchased a truck chassis for training purposes, but when it was delivered from the duty-free zone, it was found that the vehicle was different from that which had been ordered. The Agency recovered the amount of \$8,475 from the staff member.

242. The Administration informed the Board that controls had been implemented to prevent a recurrence of such cases and that, where possible, action had been taken against the individual staff members.

D. Acknowledgements

243. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the Commissioner-General, senior officers of UNRWA and members of their staff. This cooperation and assistance was especially welcomed in view of the audit having to be performed from Amman during an extremely difficult time as a result of the crisis in the Middle East.

(Signed) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(Signed) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(Signed) François **Logerot**
First President of the Court of Accounts of France

9 July 2004

Note: The Board of Auditors has signed only the original English version of the report.

Annex

Summary of status of implementation of recommendations for the financial period ended 31 December 2001^a

| <i>Topic</i> | <i>Implemented^a</i> | <i>Under implementation^a</i> | <i>Not implemented^a</i> | <i>Total</i> | <i>Reference in current report</i> |
|--|---|---|------------------------------------|--------------|------------------------------------|
| United Nations system accounting standards | para. 20 | | | 1 | para. 18 |
| Presentation of financial statements | | | paras. 24, 26 | 2 | paras. 30-32 |
| End-of-service benefits | | | para. 30 | 1 | paras. 49-51 |
| Asset management | | para. 34 | | 1 | paras. 202-206 |
| Unliquidated obligations | para. 38 | | | 1 | para. 48 |
| Accounts receivable | | paras. 41, 43, 45 | | 3 | paras. 43-44 |
| Cash management | para. 50 | | para. 53 | 2 | paras. 35-36 |
| UNRWA headquarters | | | para. 61 | 1 | |
| Human resources | | para. 65 | | 1 | |
| Internal audit | paras. 70, 73, 76, 78, 82, 90, 92, 97, 101, 103 | | | 10 | para. 159 |
| Information and communication technology | para. 110 | para. 106, 115 | | 3 | paras. 223-225 |
| Cases of fraud and presumptive fraud | | para. 121 | | 1 | paras. 237-239 |
| Total | 14 | 8 | 5 | 27 | |
| Percentage | 52 | 30 | 18 | 100 | |

^a See *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5C* and corrigendum (A/57/5/Add.3 and Corr.1), chap. II.

Chapter III

Audit opinion

We have audited the accompanying financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), comprising statements 1 to 7, and the supporting notes for the biennium ended 31 December 2003. The financial statements are the responsibility of the Commissioner-General. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes the examination, on a test basis and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Commissioner-General, as well as an evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNRWA as at 31 December 2003 and the results of operations and cash flows for the period then ended in accordance with the stated accounting policies of UNRWA, as set out in note 2 to its financial statements, which were applied on a basis consistent with that of the preceding financial period.

Furthermore, in our opinion, the transactions of the United Nations Relief and Works Agency for Palestine Refugees in the Near East that have come to our notice or that we have tested as part of our audit have in all significant respects been in accordance with the Financial Regulations and legislative authority.

In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the UNRWA financial statements.

(Signed) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(Signed) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(Signed) François **Logerot**
First President of the Court of Accounts of France

9 July 2004

Note: The Board of Auditors has signed only the original English version of the audit opinion.

Chapter IV

Certification of the financial statements

1 March 2004

Pursuant to financial regulations 11.4 and 12.1 of the United Nations Relief and Works Agency for Palestine Refugees in the Near East, I have the honour to submit the accounts of the Agency for the biennium ended 31 December 2003.

I certify that all transactions have been properly recorded in the accounting records and have been properly reflected in the Agency's financial accounts and appended statements, which I hereby certify as correct.

(Signed) Ramadan **Al Omari**
Comptroller
UNRWA headquarters (Gaza)

Chapter V
Financial statements for the biennium ended 31 December 2003

A. Financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the biennium ended 31 December 2003

Statement 1

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

**STATEMENT OF INCOME, EXPENDITURE AND CHANGES IN
WORKING CAPITAL AND FUND BALANCES
For The Biennium 2002-2003
(in USD)**

| Biennium 2000-2001 All Funds ^(a) | Details | Note | Regular Budget Funds | | | Non-Regular Budget Funds | | | All Funds | Microfinance and Microenterprise Programme (f) | Grand Total |
|---|--|------|----------------------|--------------|----------------------------------|--------------------------|-------------------------|--------------------------------------|---------------|---|---------------|
| | | | Cash | In-Kind | Regular Budget Funds Total | Emergency Appeal | Projects ^(b) | Non-Regular Budget Funds Total | | | |
| | INCOME | | | | | | | | | | |
| | Contributions: | | | | | | | | | | |
| 565 224 259 | Governments | | 415 485 600 | 18 658 051 | 434 143 651 | 154 940 125 | 13 257 637 | 168 197 762 | 602 341 413 | - | 602 341 413 |
| 174 616 916 | Inter-Governmental Organizations | | 136 157 865 | 9 743 106 | 145 900 971 | 14 578 049 | 3 311 944 | 17 889 993 | 163 790 964 | - | 163 790 964 |
| 28 397 349 | U.N. Organizations | | 29 829 418 | 1 375 171 | 31 204 589 | 1 129 360 | 95 998 | 1 225 358 | 32 429 947 | - | 32 429 947 |
| 1 857 653 | Non-Governmental Organizations | | 5 433 | 1 414 493 | 1 419 926 | 20 489 957 | 435 852 | 20 925 809 | 22 345 735 | - | 22 345 735 |
| 1 626 403 | Other Sources | 6 | 160 286 | 912 706 | 1 072 992 | 1 257 283 | 123 000 | 1 380 283 | 2 453 275 | - | 2 453 275 |
| 771 722 580 | Total Contributions ^(c) | | 581 638 602 | 32 103 527 | 613 742 129 | 192 394 774 | 17 224 431 | 209 619 205 | 823 361 334 | - | 823 361 334 |
| | Other Income | | | | | | | | | | |
| 7 243 451 | Miscellaneous Income | 7 | 3 862 663 | - | 3 862 663 | 1 478 364 | 288 276 | 1 766 640 | 5 629 303 | 2 071 150 | 7 700 453 |
| (4 467 590) | Exchange Gains/(Losses) | 8 | 16 974 488 | - | 16 974 488 | - | (134) | (134) | 16 974 354 | (2 613) | 16 971 741 |
| 2 775 861 | Total Other Income | | 20 837 150 | - | 20 837 150 | 1 478 364 | 288 142 | 1 766 506 | 22 603 657 | 2 068 537 | 24 672 194 |
| 774 498 441 | TOTAL INCOME | | 602 475 752 | 32 103 527 | 634 579 279 | 193 873 139 | 17 512 573 | 211 385 711 | 845 964 991 | 2 068 537 | 848 033 528 |
| (703 330 612) | EXPENDITURE ^(d) | | (565 458 466) | (36 207 104) | (601 665 571) | (184 962 416) | (33 926 937) | (218 889 353) | (820 554 923) | (4 043 985) | (824 598 908) |
| 71 167 829 | EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE | | 37 017 286 | (4 103 577) | 32 913 709 | 8 910 723 | (16 414 364) | (7 503 641) | 25 410 068 | (1 975 448) | 23 434 620 |
| 2 655 617 | Prior Years' Adjustments ^(e) | 17 | (3 884 963) | (60 855) | (3 945 818) | (272 793) | (593 642) | (866 435) | (4 812 253) | 17 362 | (4 794 891) |
| 73 823 446 | NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE | | 33 132 323 | (4 164 432) | 28 967 891 | 8 637 930 | (17 008 006) | (8 370 076) | 20 597 815 | (1 958 086) | 18 639 729 |
| 24 724 214 | Opening Working Capital/Fund Balances | 2 p | 9 121 571 | 8 702 950 | 17 824 521 | 49 045 006 | 32 524 227 | 81 569 233 | 99 393 754 | (846 094) | 98 547 660 |
| - | Transfer to Reserve for Exchange Rate Fluctuations | 18 | (10 000 000) | - | (10 000 000) | - | - | - | (10 000 000) | - | (10 000 000) |
| 9 121 571 | Closing Working Capital | | 32 253 893 | - | 32 253 893 | - | - | - | 32 253 893 | - | 32 253 893 |
| 90 110 352 | Closing Fund Balances | | - | 4 538 519 | 4 538 519 | 57 682 936 | 15 121 905 | 72 804 841 | 77 343 359 | - | 77 343 359 |
| (684 263) | Retained Earnings MMP & IGP | | - | - | - | - | 394 316 | 394 316 | 394 316 | (2 804 180) | (2 409 864) |

^(a) Please refer to Note 2 "Changes in Accounting Conventions"^(b) Please refer to Statement 6^(c) Please refer to Appendix 4^(d) Please refer to Appendix 1, 2 and 3^(e) Please refer to Statement 5^(f) Please refer to MMP Financial Statements

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

ASSETS AND LIABILITIES STATEMENT
As at 31 December 2003
(in USD)

| As At 31 Dec. 2001 All Funds ^(a) | PARTICULARS | Note | Regular Budget Funds | | | Non-Regular Budget Funds | | Non-Regular Budget Funds Total | All Funds | Microfinance and Microenterprise Programme (c) | Grand Total |
|---|--|------|----------------------|------------------|----------------------------------|--------------------------|-------------------------|--------------------------------------|--------------------|---|--------------------|
| | | | Cash | In-Kind | Regular Budget Funds Total | Emergency Appeal | Projects ^(b) | | | | |
| | ASSETS | | | | | | | | | | |
| 56 456 214 | Cash on Hand and in Banks | 9 | 50 331 739 | 3 274 581 | 53 606 319 | 57 553 949 | 23 075 192 | 80 629 140 | 134 235 459 | 6 324 601 | 140 560 060 |
| 128 836 947 | Accounts Receivable net of provision for uncollectable amounts | 10 | 26 779 683 | 1 209 | 26 780 892 | 29 765 103 | 12 841 143 | 42 606 246 | 69 387 138 | 3 901 481 | 73 288 619 |
| 1 192 499 | Prepaid expenses and advances to suppliers | | 3 193 410 | 1 596 328 | 4 789 738 | 1 594 290 | 22 905 | 1 617 195 | 6 406 933 | 334 | 6 407 267 |
| 2 085 178 | Production Units Inventory | 11 | 878 373 | - | 878 373 | - | - | - | 878 373 | - | 878 373 |
| - | Due From MMP | | 26 545 | - | 26 545 | - | - | - | 26 545 | (26 547) | (2) |
| 7 065 038 | Construction Work-In-Progress | | 7 889 755 | - | 7 889 755 | - | - | - | 7 889 755 | - | 7 889 755 |
| 309 980 276 | Land and Buildings, and MMP Fixed Assets | 12 | 354 498 404 | - | 354 498 404 | - | - | - | 354 498 404 | 171 309 | 354 669 713 |
| 505 616 152 | TOTAL ASSETS | | 443 597 908 | 4 872 118 | 448 470 026 | 88 913 342 | 35 939 239 | 124 852 581 | 573 322 607 | 10 371 178 | 583 693 785 |
| | LIABILITIES: | | | | | | | | | | |
| 20 632 135 | Accounts Payable | 15 | 15 509 887 | 333 599 | 15 843 486 | 1 728 913 | 6 235 827 | 7 964 740 | 23 808 226 | 43 932 | 23 852 158 |
| 53 225 329 | Reserve for Unliquidated Budget Commitments | 16 | 17 191 580 | - | 17 191 580 | 29 501 436 | 12 418 857 | 41 920 293 | 59 111 873 | - | 59 111 873 |
| (505 637) | Due To Area Staff Provident Fund | 13 | 3 150 069 | - | 3 150 069 | - | - | - | 3 150 069 | - | 3 150 069 |
| 2 572 200 | Income received in advance | | 3 104 320 | - | 3 104 320 | 57 | - | 57 | 3 104 378 | - | 3 104 378 |
| 75 924 027 | TOTAL LIABILITIES | | 38 955 856 | 333 599 | 39 289 455 | 31 230 406 | 18 654 684 | 49 885 090 | 89 174 545 | 43 932 | 89 218 477 |
| | RESERVES: | | | | | | | | | | |
| 9 121 571 | Working Capital | | 32 253 893 | - | 32 253 893 | - | - | - | 32 253 893 | - | 32 253 893 |
| 90 110 352 | Fund Balances | | - | 4 538 519 | 4 538 519 | 57 682 936 | 15 121 905 | 72 804 841 | 77 343 359 | - | 77 343 359 |
| - | Reserve for Exchange Rate Fluctuations | 18 | 10 000 000 | - | 10 000 000 | - | - | - | 10 000 000 | - | 10 000 000 |
| 7 065 038 | Capital Funds relating to Construction Work In Progress | | 7 889 755 | - | 7 889 755 | - | - | - | 7 889 755 | - | 7 889 755 |
| 309 980 276 | Capital Funds relating to Land and Buildings | | 354 498 404 | - | 354 498 404 | - | - | - | 354 498 404 | - | 354 498 404 |
| (684 263) | Retained Earnings - IGP & MMP | | - | - | - | - | 394 316 | 394 316 | 394 316 | (2 804 180) | (2 409 864) |
| 14 099 150 | Accumulated Reserve - IGP & MMP | | - | - | - | - | 1 768 335 | 1 768 335 | 1 768 335 | 13 131 426 | 14 899 761 |
| 505 616 152 | TOTAL LIABILITIES AND RESERVES | | 443 597 908 | 4 872 118 | 448 470 026 | 88 913 342 | 35 939 239 | 124 852 581 | 573 322 607 | 10 371 178 | 583 693 785 |

(a) Please refer to Note 2 "Changes in Accounting Conventions"

(b) Please refer to Statement 7

(c) Please refer to MMP Financial Statements

**UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST**

**CASH FLOW STATEMENT
For The Biennium 2002-2003
(in USD)**

| Biennium 2000-2001 | DETAILS | Biennium 2002 2003 |
|-----------------------|--|-----------------------|
| | CASH FLOWS FROM OPERATING ACTIVITIES: | |
| 46 873 369 | EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE | 23 434 620 |
| (28 349 888) | Add: decrease in Accounts Receivable net of provision for uncollectable amounts | 55 548 328 |
| (791 048) | (Less): increase in Prepaid expenses and advances to suppliers | (5 214 768) |
| (69 627) | Add: decrease in Production Units Inventory | 1 206 805 |
| 8 596 443 | Add: increase in Accounts Payable | 3 220 023 |
| 3 408 238 | Add: increase in Reserve for Unliquidated Budget Commitments | 5 886 544 |
| (2 914 783) | (Less): Interest Income | (4 412 778) |
| 1 892 968 | Plus: Interest transferred to projects | 871 133 |
| 4 467 590 | (Less): Exchange Gains/(Losses) | (16 971 741) |
| 33 113 262 | NET CASH FROM OPERATING ACTIVITIES | 63 568 165 |
| | CASH FLOWS FROM FINANCING ACTIVITIES: | |
| 327 628 | Add: increase in Accumulated Reserve - IGP & MMP | 800 611 |
| 2 278 467 | Add: increase in Due To Area Staff Provident Fund | 3 655 706 |
| (9 427 800) | Add: increase in Income received in advance | 532 178 |
| - | Add: decrease in Due From MMP | 2 |
| 2 914 783 | Plus: Interest Income | 4 412 778 |
| (1 892 968) | (Less): Interest transferred to projects | (871 133) |
| 2 296 574 | Plus: Realized Exchange Gains/(Losses) | 10 867 723 |
| (3 503 316) | NET CASH FROM FINANCING ACTIVITIES | 19 397 864 |
| | EFFECTS OF CHANGES ON CASH: | |
| 2 655 617 | Prior Years' Adjustments | (4 794 891) |
| (6 764 164) | Un-Realized Exchange Gains/(Losses) | 6 104 018 |
| (39 050) | Reclassification of Fund Balances | (171 311) |
| (4 147 597) | NET CASH FROM OTHER SOURCES | 1 137 817 |
| | | |
| 25 462 349 | NET INCREASE IN CASH | 84 103 846 |
| | | |
| 30 993 865 | Cash Balance as at 01.01.2002 | 56 456 214 |
| 56 456 214 | Cash Balance as at 31.12.2003 | 140 560 060 |
| 25 462 349 | NET INCREASE IN CASH BALANCES | 84 103 846 |

**UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST**

**BUDGET AND EXPENDITURE
For The Biennium 2002- 2003
(in USD)**

| Details | Budget | | | Expenditure | | |
|---|----------------------|-------------------|----------------------|--------------------|-------------------|--------------------|
| | Cash | In-Kind | Total | Cash | In-Kind | Total |
| REGULAR BUDGET FUNDS | | | | | | |
| Education Programme | | | | | | |
| Education Planning & Management | 13 474 000 | 960 000 | 14 434 000 | 11 754 281 | 434 609 | 12 188 890 |
| Elementary Education | 187 047 000 | 28 000 | 187 075 000 | 192 129 275 | 2 260 893 | 194 390 168 |
| Preparatory Education | 116 930 000 | 43 000 | 116 973 000 | 121 575 499 | 972 939 | 122 548 437 |
| Secondary Education | 3 362 000 | - | 3 362 000 | 2 885 460 | - | 2 885 460 |
| Vocational & Prof. Training | 26 908 000 | 370 000 | 27 278 000 | 26 033 626 | 210 437 | 26 244 064 |
| Pre-Service Teacher Education | 2 199 000 | - | 2 199 000 | 1 877 280 | - | 1 877 280 |
| Total Education Programme | 349 920 000 | 1 401 000 | 351 321 000 | 356 255 420 | 3 878 878 | 360 134 299 |
| Health Programme | | | | | | |
| Programme Management | 5 691 000 | 388 000 | 6 079 000 | 4 944 238 | 610 950 | 5 555 188 |
| Medical Care Services | 83 552 000 | 2 335 000 | 85 887 000 | 75 379 999 | 3 076 990 | 78 456 989 |
| Environmental Sanitation | 17 813 000 | 138 000 | 17 951 000 | 15 522 303 | 1 262 | 15 523 565 |
| Nutrition & Supplementary Feeding | 13 000 | 8 714 000 | 8 727 000 | 11 836 | 5 503 849 | 5 515 685 |
| Special Environmental Health Programme, Gaza | 929 000 | - | 929 000 | 287 533 | - | 287 533 |
| Total Health Programme | 107 998 000 | 11 575 000 | 119 573 000 | 96 145 909 | 9 193 051 | 105 338 960 |
| Relief & Social Services Programme | | | | | | |
| Programme Management | 2 895 000 | - | 2 895 000 | 2 544 446 | - | 2 544 446 |
| Relief Services | 28 228 000 | 31 864 000 | 60 092 000 | 27 077 580 | 22 385 794 | 49 463 374 |
| Social Services | 5 537 000 | 14 000 | 5 551 000 | 4 965 678 | 63 326 | 5 029 004 |
| Total Relief & Social Services Programme | 36 660 000 | 31 878 000 | 68 538 000 | 34 587 704 | 22 449 120 | 57 036 825 |
| Operational Services | | | | | | |
| Procurement and Logistics | 27 123 000 | 69 000 | 27 192 000 | 27 867 194 | 681 641 | 28 548 835 |
| Engineering and Construction Services | 6 386 000 | - | 6 386 000 | 5 882 093 | 209 | 5 882 302 |
| Information Systems | 5 361 000 | - | 5 361 000 | 4 050 112 | - | 4 050 112 |
| Management | 496 000 | - | 496 000 | 236 819 | - | 236 819 |
| Total Operational Services | 39 366 000 | 69 000 | 39 435 000 | 38 036 219 | 681 850 | 38 718 068 |
| Common Services | | | | | | |
| General Management | 23 437 000 | - | 23 437 000 | 28 946 994 | 325 | 28 947 319 |
| Administration | 35 466 000 | - | 35 466 000 | 11 486 221 | 3 880 | 11 490 101 |
| Salary Increase Reserve | 15 000 000 | - | 15 000 000 | - | - | - |
| Working Capital Build Up Reserve | 14 000 000 | - | 14 000 000 | - | - | - |
| Total Common Services | 87 903 000 | - | 87 903 000 | 40 433 215 | 4 205 | 40 437 420 |
| Total Regular Budget Funds | 621 847 000 | 44 923 000 | 666 770 000 | 565 458 467 | 36 207 104 | 601 665 571 |
| NON-REGULAR BUDGET FUNDS | | | | | | |
| Emergency Appeal | 232 086 000 | 4 604 000 | 236 690 000 | 180 476 682 | 4 485 734 | 184 962 416 |
| Projects | | | | | | |
| Post 1999 Projects | 56 513 000 | - | 56 513 000 | 27 687 472 | - | 27 687 472 |
| Peace Implementation Programme | 14 522 000 | - | 14 522 000 | 5 523 289 | - | 5 523 289 |
| Lebanon Appeal | 455 000 | - | 455 000 | 347 298 | - | 347 298 |
| Income Generation Programme | 319 000 | - | 319 000 | 215 720 | - | 215 720 |
| Capital & Special Projects | 232 000 | - | 232 000 | 153 157 | - | 153 157 |
| Expanded Programme of Assistance | 136 000 | - | 136 000 | - | - | - |
| Total Projects | 72 177 000 | - | 72 177 000 | 33 926 937 | - | 33 926 937 |
| Unfunded Projects | 75 201 000 | - | 75 201 000 | - | - | - |
| Total Non-Regular Budget Funds | 379 464 000 | 4 604 000 | 384 068 000 | 214 403 619 | 4 485 734 | 218 889 353 |
| MICROFINANCE & MICROENTERPRISE PROGRAMME | | | - | 4 043 985 | - | 4 043 985 |
| TOTAL ALL FUNDS | 1 001 311 000 | 49 527 000 | 1 050 838 000 | 783 906 071 | 40 692 838 | 824 598 909 |

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

**STATEMENT OF WORKING CAPITAL AND
FUND BALANCES
For The Biennium 2002-2003
(in USD)**

| Biennium 2000-2001 All Funds | Details | Regular Budget Funds | | | Non-Regular Budget Funds | | | Other Funds | | All Funds |
|------------------------------------|--|----------------------|--------------------|-------------------------------|--------------------------|---------------------|--------------------------------------|--|-----------------------------------|--------------------|
| | | Cash | In-Kind | Regular Budget Funds Total | Emergency Appeal | Projects | Non-Regular Budget Funds Total | Microfinance & Microenterprise Programme | Income Generation Programme | |
| (4 090 108) | Working Capital as at 31.12.2001 | 8 525 541 | - | 8 525 541 | - | - | - | - | - | 8 525 541 |
| 28 563 814 | Fund Balance as at 31.12.2001 | | 9 298 980 | 9 298 980 | 43 532 996 | 13 579 994 | 57 112 990 | 190 000 | - | 66 601 970 |
| (39 050) | Retained Earnings as at 31.12.2001 | | | | | | | (1 320 564) | 156 694 | (1 163 870) |
| 24 434 656 | Total Working Capital Balances as at 31.12.2001 | 8 525 541 | 9 298 980 | 17 824 521 | 43 532 996 | 13 579 994 | 57 112 990 | (1 130 564) | 156 694 | 73 963 641 |
| - | Adjustment of Reclassification of In-Kind, Microfinance and Microenterprise and Income Generation Programme | 596 030 | (596 030) | - | - | 161 831 | 161 831 | 284 470 | (156 694) | 289 607 |
| - | Non-Regular Budget Confirmed Pledges 2000-2001 | - | - | - | 30 943 221 | 36 979 826 | 67 923 047 | - | - | 67 923 047 |
| - | Non-Regular Budget Hard Commitments 2000-2001 | - | - | - | (25 431 211) | (18 197 374) | (43 628 585) | - | - | (43 628 585) |
| 24 434 656 | Working Capital/ Fund Balance as at 01.01.2002 | 9 121 571 | 8 702 950 | 17 824 521 | 49 045 006 | 32 524 277 | 81 569 283 | (846 094) | - | 98 547 710 |
| | Prior Years' Adjustments: | | | | | | | | | |
| - | Provision for deficit funding on HQ Move to Gaza | (5 091 973) | - | (5 091 973) | - | - | - | - | - | (5 091 973) |
| - | Writing off Printing Unit inventory in Lebanon | (1 407 251) | - | (1 407 251) | - | - | - | - | - | (1 407 251) |
| 427 402 | Adjustment to prior years Income and Expenditure | 731 699 | - | 731 699 | 74 969 | (9 807) | 65 162 | 17 362 | - | 814 223 |
| 1 242 393 | Prior Years' adjustments - Accounts Payable & Liabilities | 1 074 712 | (2 314) | 1 072 398 | (138 325) | (44 496) | (182 821) | - | - | 889 577 |
| 926 333 | Prior Years' adjustments - Savings on Liquidated Obligations | 807 850 | - | 807 850 | - | - | - | - | - | 807 850 |
| 45 335 | Prior Years' Adjustments - Savings on Goods In Transit | - | - | - | - | - | - | - | - | - |
| 14 153 | Prior Years' Adjustments - Provident Fund and Staff Costs | - | - | - | - | - | - | - | - | - |
| - | Reclassification of Funds /Savings | - | (58 541) | (58 541) | (209 437) | (539 339) | (748 776) | - | - | (807 317) |
| 2 655 617 | Total Adjustments | (3 884 963) | (60 855) | (3 945 818) | (272 793) | (593 642) | (866 435) | 17 362 | - | (4 794 891) |
| 46 873 369 | Excess (Shortfall) of Income Over Expenditure | 37 017 286 | (4 103 577) | 32 913 709 | 8 910 723 | (16 414 364) | (7 503 641) | (1 975 448) | - | 23 434 620 |
| | Transfer to Reserve for Exchange Rate Fluctuations | (10 000 000) | - | (10 000 000) | - | - | - | - | - | (10 000 000) |
| 73 963 642 | Working Capital / Fund Balances as at 31.12.2003 | 32 253 894 | 4 538 518 | 36 792 412 | 57 682 936 | 15 516 271 | 73 199 207 | (2 804 180) | - | 107 187 438 |

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

NON-REGULAR FUNDS - PROJECTS
STATEMENT OF INCOME, EXPENDITURE
AND CHANGES IN FUND BALANCES
For The Biennium 2002-2003
(in USD)

| Biennium 2000-2001 | Details | Post 1999 Projects | Peace Implementation | Lebanon Appeal | Income Generation | Capital & Special | Expanded Programme of | HQ move to Gaza | Grand Total |
|-----------------------|--|-----------------------|-------------------------|-------------------|----------------------|----------------------|--------------------------|--------------------|--------------|
| | INCOME | | | | | | | | |
| | Contributions: | | | | | | | | |
| 39 532 647 | Governments | 10 550 442 | 2 707 195 | - | - | - | - | - | 13 257 637 |
| 24 323 220 | Inter-Governmental Organizations | 1 246 774 | 1 917 532 | 147 638 | - | - | - | - | 3 311 944 |
| 84 000 | U.N. Organizations | 35 998 | - | - | 60 000 | - | - | - | 95 998 |
| 230 294 | Non-Governmental Organizations | 433 679 | 2 173 | - | - | - | - | - | 435 852 |
| - | Other Sources | 123 000 | - | - | - | - | - | - | 123 000 |
| 64 170 161 | Total Contributions | 12 389 893 | 4 626 900 | 147 638 | 60 000 | - | - | - | 17 224 431 |
| | Other Income | | | | | | | | |
| 366 439 | Miscellaneous Income | - | - | - | 288 276 | - | - | - | 288 276 |
| - | Exchange Gains/(Losses) | - | - | - | (134) | - | - | - | (134) |
| 366 439 | Total other income | - | - | - | 288 142 | - | - | - | 288 142 |
| 64 536 600 | TOTAL INCOME | 12 389 893 | 4 626 900 | 147 638 | 348 142 | - | - | - | 17 512 572 |
| (54 664 134) | EXPENDITURE | (27 687 472) | (5 523 289) | (347 298) | (215 720) | (153 157) | - | - | (33 926 937) |
| | EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE | | | | | | | | |
| 9 872 466 | | (15 297 579) | (896 390) | (199 660) | 132 421 | (153 157) | - | - | (16 414 364) |
| 10 493 994 | Prior Years Adjustments | 3 426 159 | (3 929 037) | (7 187) | 100 113 | (59 219) | (124 471) | - | (593 642) |
| 20 366 460 | NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE | (11 871 420) | (4 825 426) | (206 847) | 232 534 | (212 376) | (124 471) | - | (17 008 007) |
| 12 157 768 | Opening Fund Balances | 25 751 547 | 10 159 602 | 314 601 | 161 781 | 460 944 | 767 726 | (5 091 973) | 32 524 227 |
| 32 362 397 | Closing Fund Balances | 13 880 126 | 5 334 175 | 107 753 | - | 248 568 | 643 255 | (5 091 973) | 15 516 221 |
| 161 831 | Retained Earnings | | | | 394 316 | | | | 394 316 |

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

**NON-REGULAR FUNDS - PROJECTS
ASSETS AND LIABILITIES STATEMENT
As at 31 December 2003
(in USD)**

| Biennium 2000-2001 | Details | Post 1999 Projects | Peace Implementation Programme | Lebanon Appeal | Income Generation Programme | Capital & Special Projects | Expanded Programme of Assistance | HQ move to Gaza | All Funds |
|-----------------------|--|-----------------------|--------------------------------------|-------------------|-----------------------------------|----------------------------------|--|--------------------|-------------------|
| | <u>ASSETS</u> | | | | | | | | |
| 13 688 278 | Cash on Hand and in Banks | 15 417 317 | 5 431 018 | 117 505 | 1 217 529 | 248 568 | 643 255 | - | 23 075 192 |
| 38 781 257 | Accounts Receivable net of provision for uncollectable amounts | 11 524 444 | 237 478 | 1 100 | 1 078 120 | - | - | - | 12 841 143 |
| 140 803 | Prepaid expenses and advances to suppliers | 20 129 | 2 776 | - | - | - | - | - | 22 905 |
| 52 610 338 | TOTAL ASSETS | 26 961 891 | 5 671 271 | 118 605 | 2 295 649 | 248 568 | 643 255 | - | 35 939 239 |
| | <u>LIABILITIES:</u> | | | | | | | | |
| 412 342 | Accounts Payable | 662 907 | 337 096 | 10 852 | 132 999 | - | - | 5 091 973 | 6 235 827 |
| 18 338 177 | Reserve for Unliquidated Budget Commitments | 12 418 857 | - | - | - | - | - | - | 12 418 857 |
| 18 750 519 | Accounts Payable and Accruals | 13 081 764 | 337 096 | 10 852 | 132 999 | - | - | 5 091 973 | 18 654 684 |
| | <u>RESERVES:</u> | | | | | | | | |
| 32 362 446 | Fund Balances | 13 880 126 | 5 334 175 | 107 753 | - | 248 568 | 643 255 | (5 091 973) | 15 121 905 |
| 156 694 | Retained Earnings | - | - | - | 394 316 | - | - | - | 394 316 |
| 1 340 678 | Accumulated Reserve | - | - | - | 1 768 335 | - | - | - | 1 768 335 |
| 52 610 338 | TOTAL LIABILITIES AND RESERVES | 26 961 891 | 5 671 271 | 118 605 | 2 295 649 | 248 568 | 643 255 | - | 35 939 239 |

Notes to the financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

General notes

Note 1

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

The mission of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) is to provide services to and promote the human resources development of Palestine refugees through the provision of educational, health, relief assistance and social services, income-generation activities, infrastructure development projects and related activities within its area of operations.

Note 2

Summary of significant accounting policies

Basis of presentation

(a) The financial statements are prepared in accordance with generally accepted accounting principles, the United Nations system accounting standards and the Financial Regulations of the Agency.

Accounting conventions

(b) The financial statements are prepared under the historical cost convention.

(c) In accordance with the Agency's financial regulation 10.2, the accounts of the Agency are maintained on the accrual basis of accounting. The fundamental accounting assumptions of "going concern" and "consistency" are followed in the presentation of the financial statements.

(d) The Agency operates a system of "fund accounting" by which it maintains separate accounts for regular budget and non-regular budget funds. The Agency's system of fund accounting provides a full identification of income and expenditure by purpose and the complete separation of the assets and liabilities of each fund. Contributions or allocations to funds other than the regular budget are assigned individual project codes, which are maintained as distinct financial and accounting entities.

(e) The Agency does not provide for future termination benefits for area staff, as these will be funded from future revenues.

(f) The Agency's financial period consists of two consecutive calendar years, as provided for in financial regulation 2.1. An interim closure of accounts is carried out at the end of the first year and a final closure at the end of the second year.

Foreign currency translation

(g) The accounts of the Agency are maintained in United States dollars. Transactions in other currencies are recorded in United States dollars using the United Nations operational rates of exchange prevailing at the time of the transaction. Gains or losses on the conversion of currencies between the market rates and United Nations operational rates of exchange are treated as an addition to or a deduction from income. At the end of a financial period, assets and liabilities in other currencies are reported in United States dollars at the rates of exchange applicable at 1 January of the following year.

Management of currency risk

(h) The primary principle of the Agency's risk management is the preservation of the value of its resources in United States dollar terms. UNRWA risk can be identified mainly as a loss in the value of unpaid non-dollar contributions and non-dollar cash assets as a result of a strengthening United States dollar. The risk arises from the date the contributions are pledged. In order to protect its assets and cash flow against adverse currency movements, UNRWA adopts a conservative risk-management approach to minimize its exposure to exchange rate fluctuations.

Income recognition

(i) Cash contributions are recorded as income on the basis of confirmed donor pledges received during the current financial period. At the end of the financial period, outstanding confirmed pledges towards regular budget cash activities and towards the emergency appeal and projects are accrued as income. Pledges in respect of in kind donations have not been accrued. For the biennium 2002-2003, there was a change in the accounting policy in respect of outstanding pledges for non-regular budget funds, whereas in previous bienniums outstanding pledges were not accrued.

(j) Using the donor's valuation, contributions in kind are recorded as income when they are received by the Agency as provided for in financial regulation 10.7.

(k) Advance contributions received from donors in respect of a future financial period are treated as income received in advance.

(l) Interest income on bank deposits, income derived from the sale of used vehicles and equipment, the share of profits on insurance policies, income from production units and other sundry income is treated as miscellaneous income.

Expenditure

(m) Expenditures reported in the Agency's financial statements include disbursements and unliquidated obligations (hard commitments) for regular budget and non-regular budget funds made against the allocation for the financial period. For the biennium 2002-2003, there was a change in the accounting policy in respect of unliquidated obligations for non-regular budget funds, whereas in previous bienniums unliquidated obligations were not accrued.

(n) In accordance with the Agency's financial regulation 10.4, expenditure on acquisition, construction or capital improvements of land and buildings is capitalized. The costs incurred during construction that extends over more than one

financial period are accumulated and disclosed as construction work in progress. On completion of the construction, the final cost is capitalized.

(o) In accordance with the Agency's financial regulation 10.3, costs incurred on the purchase of expendable supplies and the acquisition of non-expendable equipment, furniture and motor vehicles are charged to expenditure at the time of purchase. Although the Agency's non-expendable property is not treated as an asset, memorandum accounts and strict controls over assets are maintained. The asset records are maintained on a historical cost basis.

Changes in accounting conventions and reclassifications

(p) There have been changes in the accounting conventions as regards the recognition of income and expenditure for non-regular budget funds, and the comparative figures for the biennium 2000-2001 have been restated. The income generation programme has been reclassified under projects. These changes are shown in statement 5 and were made in accordance with the United Nations system accounting standards and the Financial Regulations of UNRWA.

Note 3

End-of-service benefits

Separation costs for international staff are borne by the United Nations Secretariat and no provision for those costs is provided in the Agency's financial statements. Actual separation costs for area staff are charged to the current financial period. No reserve for future separation costs of area staff is provided in the financial statements, as those payments will be funded from future revenues. In the event of a closing down of UNRWA, the accumulated termination benefits for area staff, as at 31 December 2003, would be approximately \$147.3 million based on current costs, rules and regulations.

Note 4

United Nations Joint Staff Pension Fund

UNRWA is a member organization of the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined-benefit plan. It is mandatory for internationally recruited UNRWA staff members to join the Fund. The financial obligation of UNRWA to the Fund consists of its mandated contribution at the rate established by the General Assembly together with its share of any actuarial deficiency payments that might become payable pursuant to article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26 following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. At the time of the preparation of the present report, the Assembly had not invoked that provision. The Agency's liability towards the Fund had been fully met as at 31 December 2003.

Note 5**United Nations Relief and Works Agency for Palestine Refugees in the Near East Area Staff Provident Fund**

The UNRWA Area Staff Provident Fund, established under article XIII of the Agency's Financial Regulations, is a retirement benefit plan that applies to all area staff members and vests after six months of service. It is a defined-contribution plan. The staff contribution is a mandatory 7.5 per cent of salary and is matched by the Agency's contribution of 15 per cent.

Notes applicable to regular budget funds**Note 6****Income from other sources**

Income from other sources represents miscellaneous contributions received in cash and in kind from individuals, charitable institutions, social bodies and merchants.

Note 7**Miscellaneous income**

Miscellaneous income comprises the income derived from the following sources:

(United States dollars)

| <i>2000-2001</i> | <i>Category</i> | <i>2002-2003</i> |
|------------------|---------------------------------------|------------------|
| 2 914 783 | Bank interest | 3 261 752 |
| (148 907) | Income/(loss) from production units | 273 610 |
| 37 746 | Sale of used vehicles and equipment | 38 945 |
| 15 843 | Share of profit on insurance policies | 35 339 |
| 358 965 | Sundries | 253 017 |
| 3 178 430 | Total | 3 862 663 |

Note 8**Exchange gains/(losses)**

This category represents realized and unrealized gains and losses on the conversion of non-United States dollars currencies during the biennium, as set out below:

(United States dollars)

| <i>2000-2001</i> | <i>Category</i> | <i>2002-2003</i> |
|--------------------|---|-------------------|
| 2 290 828 | Realized currency exchange gains/(losses) | 10 867 856 |
| (6 763 573) | Unrealized currency exchange gains/(losses) | 6 106 632 |
| (4 472 745) | Total | 16 974 488 |

Note 9**Cash on hand and in banks**

Cash on hand and in banks, totalling \$53,606,319 includes \$1,745,372 for the microfinance and microenterprise programme and \$3,274,581 reserved for the purchase of basic commodities. Cash and bank balances under the emergency appeal and projects have been committed and earmarked for specifically funded projects.

Note 10**Accounts receivable**

Accounts receivable reported in statement 2 include the following items:

| <i>2000-2001</i> | <i>Category</i> | <i>2002-2003</i> |
|-------------------|---|-------------------|
| 23 417 420 | Contributions receivable ^a | 10 247 584 |
| 1 405 432 | Personal account of staff members | 1 117 407 |
| 69 143 | Refundable utility deposits | 71 141 |
| 19 783 246 | VAT due from the Palestinian Authority ^b | 11 849 232 |
| 1 150 009 | VAT due from Israel | 1 949 153 |
| 31 240 | VAT due from other Governments | 58 442 |
| 7 218 568 | Customs and port charges ^c | 8 970 287 |
| 12 242 297 | Claims against Governments, filed | 12 666 567 |
| 341 929 | Claims against Governments, not filed | 549 041 |
| - | Headquarters move to Gaza from Vienna | 5 091 973 |
| 2 798 661 | Miscellaneous claims and receivables | 1 536 167 |
| 68 457 945 | Subtotal | 54 106 994 |
| (20 704 369) | Less: provision for uncollectable amounts | (27 326 102) |
| 47 753 576 | Total | 26 780 892 |

^a Contributions receivable represent confirmed pledges outstanding from donors towards 2003 regular budget activities as at 31 December 2003 as reflected in section B, appendix 4.B.

A total of \$3,302,517 had been received by the reporting date. No provision has been made for the outstanding amount. The contributions receivable for non-regular budget funds as at 31 December total \$41,044,153 (2001: \$67,923,047).

^b During 2003 the Government of the United Kingdom of Great Britain and Northern Ireland contributed \$8,517,888 (5 million pounds) to assist the Palestinian Authority in reducing the value-added tax (VAT) due to UNRWA. A total of \$379,745 is due from the Palestinian Authority as VAT on project disbursements, which has been recorded as receivables under projects.

^c Customs and port charges related to projects not included above amount to \$4,965,936, as this has been recorded as receivables under projects.

Note 11**Production units inventory**

The Agency has three self-supporting production units. These are the Embroidery Centre, the Carpentry Unit and the Contracting Section, all of which are located in Gaza. These units are governed by separate instructions for effective management control and performance assessment. Therefore, as an exception to the

Agency's accounting policies, inventories of these production units are reported at cost under assets in the financial statements.

| <i>2000-2001</i> | <i>Category</i> | <i>2002-2003</i> |
|------------------|------------------|------------------|
| 319 047 | Raw material | 311 851 |
| 70 258 | Work-in-progress | 158 082 |
| 1 695 873 | Finished goods | 408 440 |
| 2 085 178 | Total | 878 373 |

The approximate value of the Agency's inventories as at 31 December 2003, based on historical cost, was \$7.1 million (2001: \$10.0 million).

Note 12

Land and buildings

The historical costs of land and buildings, which are capitalized, comprise the following:

| <i>2000-2001</i> | <i>Category</i> | <i>2002-2003</i> |
|--------------------|--------------------------|--------------------|
| 219 049 | Land | 219 049 |
| 268 341 831 | Buildings and structures | 302 139 861 |
| 41 419 396 | Refugee shelters | 52 139 494 |
| 309 980 276 | Total | 354 498 404 |

Note 13

Amount due to Area Staff Provident Fund

The amount due to the Area Staff Provident Fund consists of the following:

| <i>2000-2001</i> | <i>Category</i> | <i>2002-2003</i> |
|------------------|-------------------------|------------------|
| (633 675) | Main Provident Fund | 3 150 069 |
| 128 039 | Austrian schilling fund | - |
| (505 636) | Total | 3 150 069 |

Note 14

Other fixed assets

The historical costs of other fixed assets, which are expended at the time of purchase, comprise the following:

| <i>2000-2001</i> | <i>Category</i> | <i>2002-2003</i> |
|-------------------|--|-------------------|
| 16 921 283 | Vehicles | 18 835 282 |
| 1 778 109 | Vehicles surveyed | 2 270 631 |
| 46 914 647 | Equipment | 53 975 849 |
| 143 970 | Equipment surveyed | 105 329 |
| 15 087 | Missing equipment | 15 087 |
| 22 186 | Loss of vehicles not attributed to emergencies | - |
| 65 795 282 | Total | 75 202 178 |

Note 15
Accounts payable

Accounts payable include the following:

| <i>2000-2001</i> | <i>Category</i> | <i>2002-2003</i> |
|-------------------|---|-------------------|
| 6 565 203 | Accounts payable | 9 192 512 |
| 379 038 | Deposits received | 1 654 624 |
| 8 283 597 | Funds held for other organizations ^a | 2 768 056 |
| 1 887 501 | Unpaid cheques, salaries, wages, etc. | 2 228 294 |
| 17 115 339 | Total | 15 843 486 |

^a Includes short-term investments amounting to \$1.7 million made on behalf of the microfinance and microenterprise programme.

Note 16
Reserve for unliquidated budget commitments

The reserve includes the following:

| <i>2000-2001</i> | <i>Category</i> | <i>2002-2003</i> |
|------------------|--|-------------------|
| 7 792 475 | Unliquidated budget commitments ^a | 11 532 787 |
| 1 471 339 | Goods in transit and purchase orders | 1 050 290 |
| 169 500 | Provision for carry-forwards ^b | 4 608 503 |
| 9 433 314 | Total | 17 191 580 |

^a The provision for unliquidated budget commitments is in respect of procurement of goods and services that were not received during the financial period. The provisions for unliquidated budget commitments for non-regular budget funds as at 31 December 2003 were \$41,920,293 (2001: \$43,628,585).

^b The provision for carry-forwards is in respect of expenditure budgeted in the financial period for which justification has been given that the items are charged to the current year's expenditure.

Note 17

Prior-year adjustments

As shown in statement 5, prior-year adjustments represent charges and write-backs of provisions and liabilities related to the previous biennium.

Note 18

Reserve for exchange losses

Under the provisions of the Agency's Financial Regulations, a reserve of \$10 million has been established by utilizing the extraordinary exchange gains realized during the biennium to protect the Agency from future loss.

Note 19

Commitments and contingent liabilities

As at 31 December 2003, the Agency's annual commitments under lease/rental agreements executed with various parties amounted to \$1,270,731. A number of personnel appeals that could involve the payment of back wages and entitlements are pending with the respective appeals boards of the international and area staff as well as with the United Nations Administrative Tribunal. The contingent liabilities on those appeals amounted to approximately \$1,082,419 as at 31 December 2003. The contingent liabilities for commercial contracts totalled approximately \$2,066,791 as at 31 December 2003.

Note 20

Microfinance and microenterprise programme financial statements

Financial statements 1 to 3 include aggregate figures for the microfinance and microenterprise programme. For further details see section C below.

B. Appendices and annex to the financial statements

Appendix 1

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

REGULAR BUDGET EXPENDITURE For The Biennium 2002-2003 (in USD)

| Biennium 2000-2001 | Programme | Cash | In-Kind | Total |
|-----------------------|--|--------------------|------------------|--------------------|
| | <u>Education Services</u> | | | |
| 10 845 877 | Education Planning & Management | 11 754 281 | 434 609 | 12 188 890 |
| | General Education | | | |
| 178 781 133 | Elementary Education | 192 129 275 | 2 260 893 | 194 390 168 |
| 109 112 104 | Preparatory Education | 121 575 499 | 972 939 | 122 548 437 |
| 1 944 762 | Secondary Education | 2 885 460 | - | 2 885 460 |
| | Vocational & Prof. Training | | | |
| 4 047 624 | Gaza Vocational Training Center | 4 069 465 | 46 323 | 4 115 789 |
| 3 841 500 | Siblin Training Center | 3 991 271 | 12 358 | 4 003 629 |
| 1 932 360 | Damascus Vocational Training Center | 2 133 719 | 16 975 | 2 150 695 |
| 3 828 833 | Wadi Seir Training Center | 3 953 507 | 30 943 | 3 984 450 |
| 2 335 199 | Amman Training Center | 2 356 914 | 20 165 | 2 377 078 |
| 3 130 869 | Kalandia Vocational Training Center | 3 141 748 | 22 851 | 3 164 600 |
| 2 168 183 | Ramallah Men Training Center | 2 400 601 | 28 829 | 2 429 430 |
| 3 962 467 | Ramallah Women Training Center | 3 986 401 | 31 993 | 4 018 394 |
| 1 868 687 | Pre-Service Teacher Education | 1 877 280 | - | 1 877 280 |
| 327 799 599 | Total, Education Services | 356 255 420 | 3 878 878 | 360 134 299 |
| | <u>Health Services</u> | | | |
| 5 260 282 | Health Administration | 4 944 238 | 610 950 | 5 555 188 |
| | Medical Care Services | | | |
| 2 958 044 | Laboratory Services | 3 580 504 | 3 649 | 3 584 153 |
| 35 518 667 | Out-patient Services | 37 886 598 | 1 056 441 | 38 943 039 |
| 4 485 096 | Maternal and Child Health | 4 462 117 | 182 563 | 4 644 680 |
| 5 773 102 | Disease Prevention & Control | 4 732 838 | 1 721 824 | 6 454 661 |
| 1 138 592 | Physical Rehabilitation | 1 228 266 | - | 1 228 266 |
| 3 244 082 | Dental Care | 3 671 548 | - | 3 671 548 |
| 848 877 | School Health Services | 837 675 | - | 837 675 |
| 14 124 234 | General Hospitals | 17 162 233 | 17 879 | 17 180 112 |
| 1 820 377 | Qalqilia Hospital | 1 818 219 | 94 635 | 1 912 854 |
| | Environmental Sanitation | | | |
| 216 689 | Sewage and Drainage | 184 152 | - | 184 152 |
| 16 183 925 | Solid Waste Management | 14 443 843 | 1 087 | 14 444 931 |
| 1 102 411 | Water Supply | 894 308 | 174 | 894 483 |

Appendix 1

| Biennium 2000-2001 | Programme | Cash | In-Kind | Total |
|-----------------------|--|-------------------|-------------------|--------------------|
| 6 627 443 | Supplementary Feeding | 11 836 | 5 503 849 | 5 515 685 |
| 263 614 | Environmental Health Administration | 85 193 | - | 85 193 |
| 36 387 | Environmental Project Planning | 11 759 | - | 11 759 |
| 334 741 | Environmental Project Design | 108 179 | - | 108 179 |
| 254 975 | Environmental Project Implementation | 82 401 | - | 82 401 |
| 100 191 537 | Total, Health Services | 96 145 909 | 9 193 051 | 105 338 960 |
| | <u>Relief and Social Services</u> | | | |
| 2 546 802 | Relief Programme Management | 2 544 446 | - | 2 544 446 |
| | Relief Services | | | |
| 44 603 185 | Special Hardship Assistance | 22 871 311 | 22 206 800 | 45 078 111 |
| 2 124 327 | Eligibility & Registration of Palestine Refugees | 2 309 568 | - | 2 309 568 |
| 28 948 | Quality Control | 21 363 | 33 526 | 54 889 |
| 1 827 254 | Ration Distribution Costs | 1 875 338 | 145 468 | 2 020 806 |
| | Social Services | | | |
| 543 564 | Community Development | 798 862 | 9 176 | 808 038 |
| 32 389 | Skills Training | 385 | - | 385 |
| 276 470 | Youth Activities | 242 507 | 1 467 | 243 974 |
| 1 168 961 | Women-in-Development | 1 079 346 | 19 323 | 1 098 669 |
| 1 022 109 | Disability Programme | 1 116 376 | 8 975 | 1 125 351 |
| 1 147 341 | Poverty Alleviation | 1 043 610 | - | 1 043 610 |
| 723 393 | Rehabilitation Center for Visually Impaired, Gaza | 647 514 | 24 385 | 671 900 |
| 1 074 184 | General Protection & Emergency Services | | | |
| 2 223 | Income Generation Activities | 37 077 | - | 37 077 |
| 57 121 149 | Total, Relief and Social Services | 34 587 704 | 22 449 120 | 57 036 825 |
| | <u>Technical & Operational Services</u> | | | |
| - | Office of Director of Technical and Operational Services | 296 518 | - | 296 518 |
| | Procurement and Logistics | | | |
| 4 914 686 | Procurement and Logistics Administration | 5 473 754 | 23 436 | 5 497 190 |
| - | Information Systems Services | 3 148 198 | - | 3 148 198 |
| 6 288 806 | Purchase of Supplies for Inventory | 1 408 730 | 557 552 | 1 966 282 |
| 3 780 387 | Supply Warehousing | 4 043 242 | 9 820 | 4 053 061 |
| 66 701 | Maintenance of Generators & Pumps | 58 677 | - | 58 677 |
| 2 054 676 | Vehicle Maintenance | 2 211 800 | 4 519 | 2 216 319 |
| 6 827 452 | Passenger Transport | 10 574 912 | 37 527 | 10 612 438 |
| 3 980 397 | Freight Transport | 4 172 431 | 48 788 | 4 221 218 |
| (2 193 257) | Port Operations | (115 926) | - | (115 926) |
| 90 799 | Supply to ISD Activities | 39 575 | - | 39 575 |
| - | SWAN Project | 901 914 | - | 901 914 |
| 5 697 072 | Engineering and Construction Services | 5 882 093 | 209 | 5 882 302 |
| 594 | Production Units | (59 699) | - | (59 699) |
| 31 508 312 | Total, Technical & Operational Services | 38 036 219 | 681 850 | 38 718 068 |

Appendix 1

| Biennium 2000-2001 | Programme | Cash | In-Kind | Total |
|-----------------------|--|--------------------|-------------------|--------------------|
| | <u>Common Services</u> | | | |
| | General Management | | | |
| 4 953 286 | Field Office Administration | 6 227 806 | - | 6 227 806 |
| 2 920 355 | Area Administration | 3 245 883 | 295 | 3 246 178 |
| 1 459 428 | Camp Services Administration | 1 648 454 | - | 1 648 454 |
| 2 508 731 | Agency Administration | 3 152 332 | - | 3 152 332 |
| 981 193 | Public Information | 1 476 917 | 30 | 1 476 947 |
| 1 832 366 | External Relations | 2 191 023 | - | 2 191 023 |
| 583 225 | Policy Analysis Unit | 977 083 | - | 977 083 |
| 1 713 711 | Internal & External Audit Services | 1 474 697 | - | 1 474 697 |
| 1 938 534 | Legal Services | 2 223 525 | - | 2 223 525 |
| - | Legal Assistance | 651 902 | - | 651 902 |
| 4 016 622 | Protective Services | 4 377 540 | - | 4 377 540 |
| 186 559 | Projects Unit | 221 580 | - | 221 580 |
| - | Operation Support Officers Programme | 51 530 | - | 51 530 |
| 612 161 | New York liaison Office | 742 193 | - | 742 193 |
| 44 856 | Cairo Office | 39 682 | - | 39 682 |
| 79 036 | Vienna Office (Closed in January 2002) | 244 845 | - | 244 845 |
| | Administration | | | |
| 6 713 659 | Administrative Services | 8 211 832 | 1 880 | 8 213 712 |
| 602 746 | Administration and HR Office | 988 120 | - | 988 120 |
| 189 119 | Compensation & Management Services | 590 107 | - | 590 107 |
| 80 740 | Staff Training and Development | 113 153 | - | 113 153 |
| 9 808 | Joint Appeals Board | 4 450 | - | 4 450 |
| 6 488 871 | Financial Services | 8 994 190 | 2 000 | 8 996 190 |
| 288 740 | Office of Director of Operational & Technical Services | - | - | - |
| - | Operations & Refugees Affairs Officers | 289 337 | - | 289 337 |
| 278 403 | Payroll Management | 215 694 | - | 215 694 |
| 3 516 055 | Personnel Services | 4 694 255 | - | 4 694 255 |
| 805 703 | New Finance System Project | 339 906 | - | 339 906 |
| 3 534 217 | Information Systems Division | - | - | - |
| 137 810 | New Information Systems Strategy | - | - | - |
| 740 271 | SWAN Project | - | - | - |
| (5 340 398) | Programme Support Cost | (12 954 822) | - | (12 954 822) |
| 41 875 804 | Total, Common Services | 40 433 215 | 4 205 | 40 437 420 |
| 558 496 400 | GRAND TOTAL | 565 458 467 | 36 207 104 | 601 665 571 |

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

EXPENDITURE BREAKDOWN
For The Biennium 2002-2003
(In USD)

| Biennium 2000-2001 | EXPENDITURE CATEGORY | REGULAR BUDGET FUNDS | | | NON-REGULAR BUDGET FUNDS | | | All Funds | MMP | Grand Total |
|-----------------------|---|----------------------|-------------------|--------------------|--------------------------|-------------------|--------------------|--------------------|------------------|--------------------|
| | | Cash | In-Kind | Total | Emergency Appeal | Projects | Total | | | |
| 26 450 739 | International Staff Costs | 29 634 519 | 1 031 349 | 30 665 868 | 1 452 501 | 3 077 106 | 4 529 606 | 35 195 474 | | 35 195 474 |
| 420 242 812 | Area Staff Costs | 441 163 194 | - | 441 163 194 | 36 154 981 | 4 847 266 | 41 002 247 | 482 165 441 | | 482 165 441 |
| 96 102 228 | Supplies | 34 962 784 | 32 384 860 | 67 347 644 | 57 308 349 | 4 444 498 | 61 752 847 | 129 100 491 | | 129 100 491 |
| 13 835 568 | Premises | 12 588 784 | 202 156 | 12 790 941 | 1 640 668 | 193 839 | 1 834 507 | 14 625 447 | | 14 625 447 |
| 30 703 224 | Equipment and Construction | 11 642 570 | 461 118 | 12 103 689 | 33 824 933 | 17 990 981 | 51 815 914 | 63 919 603 | | 63 919 603 |
| 37 446 654 | Services | 30 129 349 | 2 116 960 | 32 246 309 | 15 050 988 | 3 951 402 | 19 002 390 | 51 248 699 | | 51 248 699 |
| (5 340 398) | Programme Support Costs | (12 954 822) | - | (12 954 822) | 10 090 247 | 2 801 479 | 12 891 726 | (63 096) | | (63 096) |
| 37 701 147 | Subsidies | 23 622 567 | 10 660 | 23 633 227 | 25 446 884 | 2 397 305 | 27 844 189 | 51 477 416 | | 51 477 416 |
| (4 079 954) | Income Charged to Expenditure from other activities | (5 259 745) | - | (5 259 745) | (77 360) | - | (77 360) | (5 337 105) | | (5 337 105) |
| (360 127) | Transfer of Expenditure | (70 733) | - | (70 733) | - | 1 578 | 1 578 | (69 155) | | (69 155) |
| 7 000 134 | MMP Expenditure | - | - | - | - | - | - | - | 4 043 985 | 4 043 985 |
| 43 626 585 | Non-Regular Budget Commitments | | | | 4 070 225 | (5 778 517) | (1 708 292) | (1 708 292) | | (1 708 292) |
| 703 330 612 | Total Expenditure | 555 458 466 | 36 207 104 | 601 665 571 | 184 962 416 | 33 926 937 | 218 889 353 | 820 554 923 | 4 043 985 | 824 598 908 |

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

**STATEMENT OF INCOME, EXPENDITURE AND
FUND BALANCES BY PROJECT**
For The Biennium 2002-2003
(in USD)

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|--|--------------------|----------------------|--|--|-----------------------------|---|
| Regular Budget Funds | | | | | | |
| GENERAL FUND - Cash Contributions | 494 250 277 | (479 460 697) | 14 789 579 | 7 257 419 | (4 227 363) | 17 819 635 |
| Other Income | 20 837 150 | - | 20 837 150 | 1 478 364 | 288 142 | 22 603 657 |
| Transfer to Reserve for Exchange Rate Fluctuations | - | - | - | - | - | (10 000 000) |
| GF Sub-total | 515 087 427 | (479 460 697) | 35 626 730 | 8 735 784 | (3 939 221) | 30 423 292 |
| Funded On-Going Activities: | | | | | | |
| Funded by UNESCO | 242 760 | (198 445) | 44 315 | (44 645) | - | (330) |
| Funded by WHO | 200 000 | (192 648) | 7 352 | 34 253 | - | 41 606 |
| EU cash in lieu of food commodities | 18 407 347 | (17 114 671) | 1 292 676 | (530 336) | 10 345 | 772 684 |
| Operating costs of Gaza Training Centre, Gaza | 985 222 | (985 222) | - | - | - | - |
| Funded from PLO | 57 829 | (643 979) | (586 150) | 311 483 | 512 | (274 156) |
| Utilization of Japanese Interest | 121 050 | (100 366) | 20 684 | 6 910 | 31 163 | 58 757 |
| UNRWA's Education and Health Programmes funded by European Community | 62 660 305 | (62 163 617) | 496 688 | - | - | 496 688 |
| Budgeted Income & Expenditure of UNRWA Schools Voluntary Contributions | 111 179 | (103 147) | 8 032 | - | - | 8 032 |
| Hospitalization Cost in Gaza and West Bank and the Operating Costs of Qalqilia Hospital2 | 4 561 004 | (4 561 004) | - | - | - | - |
| Production Units in Gaza | 229 | 65 330 | 65 558 | 661 761 | - | 727 319 |
| Funded On-Going Activities Sub-total | 87 346 924 | (85 997 769) | 1 349 155 | 439 425 | 42 020 | 1 830 600 |

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|--|--------------------|----------------------|--|--|-----------------------------|---|
| Procurement of Medical Supplies for Gaza and West Bank (ECHO): | | | | | | |
| Procurement of medical supplies in Gaza | - | - | - | (4 909) | 4 909 | - |
| Procurement of medical supplies in Lebanon | 32 421 | - | 32 421 | (33 299) | 878 | - |
| Procurement of medical supplies in Syria | - | - | - | (1 673) | 1 673 | - |
| Procurement of medical supplies in Jordan | 8 979 | - | 8 979 | (9 571) | 592 | - |
| Procurement of medical supplies in W/Bank | - | - | - | (4 186) | 4 186 | - |
| Procurement of Medical Supplies for Gaza and West Bank (ECHO) Sub-total | 41 401 | - | 41 401 | (53 639) | 12 238 | - |
| In-Kind: | | | | | | |
| General Fund in-Kind | 8 531 095 | (8 531 095) | - | - | - | - |
| Japanese Contribution | 8 945 182 | (12 643 496) | (3 698 314) | 7 265 247 | - | 3 566 933 |
| Belgium Contribution | 2 716 251 | (2 609 981) | 106 270 | 558 407 | - | 664 678 |
| French Contribution for Flour | 767 892 | (1 034 649) | (266 756) | 476 307 | - | 209 550 |
| German Contribution | - | (349 899) | (349 899) | 432 171 | (82 272) | - |
| EC Contribution | 9 743 106 | (10 822 065) | (1 078 958) | (29 182) | 21 417 | (1 086 723) |
| Food Aid Contribution -UK | 1 400 000 | (215 919) | 1 184 081 | - | - | 1 184 081 |
| In-Kind Sub-total | 32 103 527 | (36 207 104) | (4 103 577) | 8 702 950 | (60 855) | 4 538 519 |
| TOTAL REGULAR BUDGET FUNDS | 634 579 279 | (601 665 571) | 32 913 708 | 17 824 521 | (3 945 818) | 36 792 411 |
| Non-Regular Budget Funds | | | | | | |
| Emergency Appeal : | | | | | | |
| Emergency Appeal - Cash : | | | | | | |
| Flash Emergency Appeal - Medical Supplies | - | - | - | 1 322 | - | 1 322 |
| Flash Emergency Appeal - Medical Supplies | - | - | - | 138 | (138) | - |
| Flash Emergency Appeal: "Assistance to Palestine Injuries" | - | (16 002) | (16 002) | 16 055 | (53) | - |
| Flash Emergency Appeal | - | (7 648) | (7 648) | 7 773 | (125) | - |

Appendix 3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|---------|--------------|--|--|-----------------------------|---|
| Flash Emergency Appeal | - | (18 280) | (18 280) | 18 331 | (51) | - |
| First Emergency Appeal - Medical Supplies, Equipment & Cash Assistance - Gaza and West Bank | - | - | - | 194 | - | 194 |
| Flash Emergency Appeal - Wheel Chairs for Disabled Persons | - | (74 733) | (74 733) | 74 734 | (1) | - |
| Flash Emergency Appeal - Emergency Assistance for X-Ray Diagnostic Service in Gaza | - | (80) | (80) | 81 | (1) | - |
| Flash Emergency Appeal - Computer/MIRS System for OPSO | - | (2 631) | (2 631) | 2 635 | (5) | - |
| Flash Emergency Appeal - Food Commodities | - | - | - | 367 | (367) | - |
| First Emergency Appeal - Food Aid | 757 042 | - | 757 042 | (757 042) | - | - |
| First Emergency Appeal - Food Commodities | - | (12 310) | (12 310) | 12 309 | 1 | - |
| First Emergency Appeal - Prosthetic Devices for Disabled | - | (126 591) | (126 591) | 128 808 | - | 2 217 |
| First Emergency Appeal - Food Aid | - | - | - | 73 | (73) | - |
| First Emergency Appeal - School Construction (Nuseirat) | - | (1 190 942) | (1 190 942) | 1 232 494 | - | 41 552 |
| First Emergency Appeal - Un-earmarked Contribution | - | (4 033 502) | (4 033 502) | 4 357 479 | 2 407 | 326 385 |
| Second Emergency Appeal - Food Commodities | - | (69 518) | (69 518) | 72 404 | (149) | 2 738 |
| Second Emergency Appeal | - | (1 043 167) | (1 043 167) | 1 050 373 | - | 7 206 |
| Second Emergency Appeal | - | (2 332 029) | (2 332 029) | 2 297 429 | - | (34 600) |
| Second Emergency Appeal - Medical Supplies | - | (219 289) | (219 289) | 324 844 | (105 555) | - |
| Second Emergency Appeal - Post-injury Physical Rehabilitation | 182 932 | (812 357) | (629 425) | 675 639 | (44 022) | 2 192 |
| Second Emergency Appeal - Pavement of Alleyways (Job Creation Programme) | - | (318 392) | (318 392) | 318 444 | - | 52 |
| Emergency Appeal, Unearmarked February 2001 | - | (1 652 560) | (1 652 560) | 1 491 880 | 207 192 | 46 512 |
| Third Emergency Appeal - Job Creation Programme (Salaries) | - | (1 281) | (1 281) | 1 282 | (1) | - |
| Third Emergency Appeal - Cash Assistance - Gaza | - | (3 554) | (3 554) | 3 560 | (6) | - |
| Third Emergency Appeal - Job Creation Programme in West Bank | - | (68 291) | (68 291) | 68 295 | (4) | - |
| Third Emergency Contribution, Unearmarked | 532 745 | (12 893 750) | (12 361 005) | 14 247 428 | (316 049) | 1 570 374 |
| Second Emergency Appeal - Construction of Additional Classrooms at Biddo Basic Girls School | - | (160 368) | (160 368) | 166 284 | - | 5 916 |
| Second Emergency Appeal - Construction of Additional Classrooms at Jenin Basic Girls School | - | (156 656) | (156 656) | 187 072 | - | 30 416 |
| Second Emergency Appeal - Classrooms Construction at Balata Girls School | - | (85 452) | (85 452) | 102 576 | - | 17 124 |

A/59/5/Add.3

Appendix 3

A/59/5/Add.3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|-----------|-------------|--|--|-----------------------------|---|
| Second Emergency Appeal - Classrooms Construction at Askar Girls School | - | (134 235) | (134 235) | 148 086 | 3 913 | 17 764 |
| Emergency Food Aid - 3rd Appeal | 861 600 | (497 395) | 364 205 | (436 705) | 72 500 | - |
| Job Creation Programme - 3rd Appeal | - | (275 008) | (275 008) | 281 690 | - | 6 682 |
| Food Aid; Medical & Educational Services; Job Creation & Cash Assistance | - | (4 821 666) | (4 821 666) | 4 911 744 | - | 90 078 |
| Rehousing of Refugees' Shelters Damaged in Rafah | - | (682 594) | (682 594) | 682 594 | - | - |
| Emergency Humanitarian Assistance .to Refugees in Gaza & West Bank; but not for food aid | 6 363 639 | (7 706 753) | (1 343 114) | 1 327 028 | - | (16 086) |
| Construction & Equipping of Additional Blocks at Fara Girls School | 564 240 | (564 237) | 3 | - | (3) | - |
| Construction and Equipping of Additional Blocks at Ein-Sultan Co-education School | 279 300 | (279 299) | 1 | - | (1) | - |
| Upgrading and Equipping of Qalqilia Health Centre | 102 099 | (95 015) | 7 084 | - | - | 7 084 |
| Construction of Distribution Centre at Aqbat Jaber Camp | 39 284 | (29 847) | 9 437 | - | - | 9 437 |
| Construction and Equipping of Additional Blocks at Jenin Boys School | 268 970 | (268 967) | 3 | - | (3) | - |
| Construction of Distribution Centre at Aida Camp | 20 740 | (20 625) | 115 | - | - | 115 |
| Construction and Equipping of Additional Blocks at Arroub Girls School | 361 728 | (361 727) | 1 | - | (1) | - |
| Emergency Food Aid - 3rd Appeal | 6 815 565 | (6 303 560) | 512 005 | - | (512 005) | - |
| Emergency Food Assistance - 3rd Appeal | - | (1 030 537) | (1 030 537) | 962 261 | 68 276 | - |
| Rehabilitation of Palestine Refugees' Shelters - Gaza | 130 260 | (599 672) | (469 412) | 498 664 | (29 252) | - |
| Self-help Shelter Rehabilitation -West Bank | 106 838 | (439 941) | (333 103) | 356 189 | (23 086) | - |
| Emergency Medical Supplies | - | (432 367) | (432 367) | 455 291 | (22 924) | - |
| Construction and Equipping of Additional Rooms at Bir Zeit Girls School - 2nd Emergency Appeal | - | (446 483) | (446 483) | 478 778 | - | 32 295 |
| Construction and Equipping of Additional Rooms at Jenin Basic Girls School - 2nd Emergency Appeal | - | (81 659) | (81 659) | 213 026 | (108 550) | 22 817 |
| Construction and Equipping of Classrooms at Hebron Boys School - 2nd Emergency Appeal | - | (83 240) | (83 240) | 89 888 | - | 6 648 |
| Construction and Equipping of Classrooms at Ramallah Men Training Centre - 2nd Emergency Appeal | - | (190 118) | (190 118) | 212 005 | - | 21 887 |
| Construction and Equipping of Classrooms at Ramallah Women Training Centre - 2nd Emergency Appeal | - | (255 366) | (255 366) | 308 314 | (45 564) | 7 384 |

Appendix 3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|---------------|--------------------|---|---|-------------------------------------|--|
| Construction and Equipping of Jabalia Elementary A and E Boys School | - | (772 497) | (772 497) | 772 686 | - | 189 |
| Construction and Equipping of Jabalia Preparatory B Girls School | - | (855 805) | (855 805) | 856 270 | - | 465 |
| Construction of Additional Classrooms at Biddo Basic Girls School - 2nd Emergency Appeal | - | (101 617) | (101 617) | 117 036 | (9 149) | 6 270 |
| Construction of Additional Classrooms at Balata Girls School - 2nd Emergency Appeal | - | (363 779) | (363 779) | 388 996 | - | 25 217 |
| Construction of Additional Classrooms at Askar Girls School | - | (861 501) | (861 501) | 940 281 | (27 300) | 51 480 |
| Construction and Equipping of Classrooms at Hebron Boys School | - | (238 178) | (238 178) | 298 201 | (18 967) | 41 056 |
| Construction and Equipping of Classrooms at Ramallah Men Training Centre - 2nd Emergency Appeal | - | (60 274) | (60 274) | 66 311 | - | 6 037 |
| Construction and Equipping of Additional Blocks at Arroub Girls School -3rd Appeal | 232 465 | (169 107) | 63 358 | - | - | 63 358 |
| Distribution Costs of MT 8,030 of Flour for Gaza and West Bank - 3rd Appeal | - | (882 381) | (882 381) | 1 047 600 | - | 165 219 |
| Trauma Counseling of Children Affected by Violence in Gaza and West Bank - 3rd Appeal | - | (49 691) | (49 691) | 50 000 | - | 309 |
| Unearmarked Contributions - Educational Assistance for Students - 3rd Appeal | 52 500 | (52 500) | - | - | - | - |
| Unearmarked Contributions - Job Creation Programme- 3rd Appeal | 302 524 | (261 995) | 40 529 | - | - | 40 529 |
| Rafah Rehousing of Families Made Homeless on 10th January 2002 - | 326 087 | (326 086) | 1 | - | (1) | - |
| Rehousing of Refugees whose Shelters were Demolished in Gaza Strip | 1 213 503 | (1 200 348) | 13 154 | - | (13 154) | - |
| 2002 Emergency Appeal | 142 084 | (126 263) | 15 821 | - | - | 15 821 |
| Cash Assistance for Gaza and West Bank | 259 943 | (257 001) | 2 942 | - | - | 2 942 |
| Emergency Food Aid to Gaza Strip under The Third Emergency Appeal | - | (688 882) | (688 882) | 690 213 | - | 1 330 |
| Various activities in Gaza - Second Emergency Appeal | - | (1 713 254) | (1 713 254) | 1 713 260 | (6) | - |
| Cash Assistance in Gaza - 2002 Emergency Appeal | 17 600 | (16 973) | 627 | - | - | 627 |
| Repair/Reconstruction of Shelters and Selective Cash Assistance in West Bank | 434 783 | (434 774) | 8 | - | (8) | - |
| Selective Cash Assistance and Repair/Reconstruction of Damaged Shelters for Gaza and West Bank | 652 174 | (652 172) | 2 | - | (2) | - |

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|------------|--------------|--|--|-----------------------------|---|
| Community-based Activities in West Bank | 995 160 | (931 571) | 63 589 | - | (63 589) | - |
| 2002 Emergency Appeal | 1 264 858 | (1 244 497) | 20 360 | - | - | 20 360 |
| Emergency Needs in the West Bank | 652 174 | (651 931) | 243 | - | - | 243 |
| Various Activities in Gaza and West Bank - 2002 Emergency Appeal | 945 280 | (941 951) | 3 329 | - | - | 3 329 |
| Food and Medicine for Gaza and West Bank - 2002 Emergency Appeal | 250 000 | (249 025) | 975 | - | - | 975 |
| Un-earmarked Contributions - 2002 4th Appeal | 16 937 612 | (13 346 369) | 3 591 243 | - | - | 3 591 243 |
| Support to Emergency Appeal, Gaza and West Bank | 1 941 748 | (1 736 792) | 204 955 | - | - | 204 955 |
| Emergency Humanitarian Assistance to Palestine Refugees in Gaza and West Bank | 10 000 000 | (9 999 446) | 554 | - | - | 554 |
| UNRWA's 2002 Emergency Appeal in Gaza and West Bank - Emergency Health Programme | 343 474 | (316 528) | 26 945 | - | - | 26 945 |
| UNRWA 2002 Emergency Appeal in the Gaza Strip and West bank-Emergency Shelter Repair and Reconstruction | 343 474 | (341 414) | 2 060 | - | - | 2 060 |
| Various Activities in Gaza and West Bank towards 2002 Emergency Appeal | 20 000 000 | (19 164 087) | 835 913 | - | - | 835 913 |
| Re-housing of Refugees whose shelters were demolished in the Gaza strip | 659 842 | (659 838) | 4 | - | (4) | - |
| Environmental Health and Waste Management | 453 475 | (472 420) | (18 945) | - | - | (18 945) |
| Emergency Aid for Medical and Cash Assistance | 8 725 | (8 726) | (1) | - | 1 | - |
| Rehousing of Refugees whose Shelters were Demolished in Rafah, Gaza Strip | 1 565 909 | (1 532 663) | 33 246 | - | - | 33 246 |
| Construction and Equipping of 4 Additional Classrooms & 3 Specialized Rooms at Qalqilia Girls School | 477 488 | (315 020) | 162 468 | - | - | 162 468 |
| Un-earmarked Contributions for 2002 Emergency Appeal to be used for Jenin Camp | 1 066 982 | (354 730) | 712 252 | - | - | 712 252 |
| Construction and Equipping of 4 Additional Classrooms & 3 Specialized Rooms at Aqbat Jaber Co-Education School | 457 270 | (364 600) | 92 670 | - | - | 92 670 |
| Direct Hire of Labour for Short-Term (3 months) Jobs to work under UNRWA's Emergency Employment Creation in Gaza Strip to Provide Education, Health and Relief Services | 1 167 993 | (1 167 993) | - | - | - | - |
| Emergency Appeal Earmarked for 5 of UNRWA's Health Centres in West Bank in Askar, Balata, Dheisheh, Tulkarem and Aida Camps | 99 982 | (99 981) | 1 | - | (1) | - |
| Transportation Costs and Clearance of donated items (IR117) | 3 000 | (3 000) | - | - | - | - |

Appendix 3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|--|---------------|--------------------|---|---|-------------------------------------|--|
| UNRWA's 2002 Emergency Appeal " UN-Earmarked Contribution to be used to Charge The Supplementary Cost of Decentralizing the Operations at West Bank Field Office & Equipping The Area\Sub-Area Office to Facilitate The Work | 346 392 | (796 608) | (450 216) | - | - | (450 216) |
| Re-housing Project (Damaged Shelters) - UNRWA's Third Emergency Appeal | - | (176 666) | (176 666) | - | 291 042 | 114 376 |
| UNRWA's Third Emergency Appeal Other Emergency Operations Support & Logistics | - | (23 127) | (23 127) | - | 23 127 | - |
| UNRWA's 2002 Emergency Appeal Educational Institutions of UNRWA in a Refugee Camp | 35 000 | (664) | 34 336 | - | - | 34 336 |
| UNRWA's Third Emergency Appeal Reconstruction, Equipping and Furnishing of Kalandia Health Centre, West Bank | 228 655 | (193 283) | 35 372 | - | - | 35 372 |
| UNRWA's Third Emergency Appeal Reconstruction, Equipping and Furnishing of Askar Health Centre, West Bank | 252 528 | (172 796) | 79 732 | - | - | 79 732 |
| UNRWA's 2002 Emergency Appeal to Provide Emergency Commodities and Supplies, Gaza and west Bank | 100 000 | (100 000) | - | - | - | - |
| UNRWA's 2002 Emergency Appeal to Procure Food and Medical Supplies, Gaza Strip and West Bank | 294 406 | (292 757) | 1 649 | - | - | 1 649 |
| Cash Subsidies from Jordan Field Staff Members to 2002 Emergency Appeal in Gaza and West Bank | 112 071 | (111 634) | 437 | - | - | 437 |
| 2002 Emergency Appeal, Assistance to Families in Jenin Camp, West Bank | 25 000 | (24 994) | 6 | - | (6) | - |
| 2002 Emergency Appeal, Food Aid to Palestine Refugees | 1 476 378 | (1 476 375) | 3 | - | (3) | - |
| UNRWA's 2002 Emergency Appeal, Emergency Medical Supplies for West Bank | 206 404 | (206 404) | - | - | - | - |
| 2002 Emergency Appeal | 12 410 | (11 841) | 569 | - | - | 569 |
| 2002 Emergency Appeal for Gaza and West Bank | 1 075 268 | (1 064 869) | 10 399 | - | - | 10 399 |
| UNRWA's 2002 Emergency Appeal for AGFUND Initiative for Assistance to The Palestinian People Emergency Drugs and First Aid Material | 119 000 | (209 997) | (90 997) | - | - | (90 997) |
| UNRWA's 2002 Emergency Appeal for AGFUND Initiative for Assistance to The Palestinian People Physiotherapy Equipment and Material | 50 000 | (50 001) | (1) | - | 1 | - |
| UNRWA's 2002 Emergency Appeal for Medical Supplies | 200 000 | (196 635) | 3 365 | - | - | 3 365 |
| UNRWA's 2002 Emergency Appeal for Mobile Clinical Services | 546 525 | (533 826) | 12 699 | - | - | 12 699 |
| UNRWA's 2002 Emergency Appeal - In Kind Assistance to Poor Schoolchildren | 983 281 | (977 179) | 6 101 | - | - | 6 101 |

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|------------|-------------|--|--|-----------------------------|---|
| UNRWA's 2002 Emergency Appeal for "Cash Assistance for Needy Families | 983 | (933) | 50 | - | - | 50 |
| UNRWA's 2002 Emergency Appeal for Food Aid Component | 13 423 | (7 427) | 5 996 | - | - | 5 996 |
| UNRWA's 2002 Emergency Appeal Earmarked towards "Jenin Camp Rehabilitation" - Phase I | 11 844 031 | (5 984 816) | 5 859 215 | - | - | 5 859 215 |
| UNRWA's 2002 Emergency Appeal | 198 216 | (198 216) | - | - | - | - |
| Emergency Shelter Supplies for UNRWA - Gaza Field | 147 493 | (147 493) | - | - | - | - |
| Emergency Small Construction Project for UNRWA Schools-Gaza Field | 93 412 | (93 412) | - | - | - | - |
| Emergency Food Aid in The Gaza Strip | 737 463 | (737 304) | 159 | - | (1) | 158 |
| UNRWA's Third Emergency Appeal "Community Works in Camps and Villages - Job Creation Programme | 1 303 608 | (1 159 976) | 143 632 | - | - | 143 632 |
| UNRWA's Third Emergency Appeal "Emergency Food Distribution" | 1 749 339 | (1 732 493) | 16 846 | - | - | 16 846 |
| 2002 Emergency Appeal "Reporting Officer at External Relations Department, HQ(G) | 222 000 | (11 341) | 210 659 | - | - | 210 659 |
| 2002 Emergency Appeal (UNEARMARKED) | 444 667 | (444 010) | 657 | - | - | 657 |
| 2002 Emergency Appeal "Khan Younis Rehousing Project" | 900 000 | (898 198) | 1 802 | - | - | 1 802 |
| 2002 Emergency Appeal "Job Creation in Gaza" | 460 544 | (460 543) | 1 | - | (1) | - |
| 2002 Emergency Appeal: To repair Damaged Shelters in Gaza | 10 000 | (9 998) | 2 | - | (2) | - |
| 2003 Emergency Appeal: To Repair Damaged Shelters in Gaza | 55 327 | (55 287) | 40 | - | - | 40 |
| Financial Aid to Registered Palestine Refugee Families | 35 000 | (24 997) | 10 003 | - | (3) | 10 000 |
| Tuition Assistance to Palestine Refugee Students | 15 000 | (5 000) | 10 000 | - | - | 10 000 |
| Construction, Furnishing and Equipping of Basic Boys' School at Nur-Shams Camp, West Bank | 1 331 340 | (777 075) | 554 265 | - | - | 554 265 |
| 2002 Emergency Appeal "Emergency Food Distribution" | 602 000 | (601 997) | 3 | - | (3) | - |
| 2002 Emergency Appeal "Rehabilitation of Palestine Refugee Shelters in the Gaza Strip" | 1 074 110 | (241 255) | 832 855 | - | - | 832 855 |
| Rehousing of Refugees whose shelters were demolished in Khan Younis, Gaza - Funded from Savings under Japanese 1993 Project | 195 134 | (448 361) | (253 228) | - | 398 464 | 145 237 |
| 5th Emergency Appeal: January - June 2003 | 59 642 | (59 633) | 9 | - | - | 9 |
| 5th Emergency Appeal: January - June 2003 | 50 590 | (9 333) | 41 257 | - | - | 41 257 |
| 5th Emergency Appeal: January - June 2003 | 671 050 | (599 141) | 71 910 | - | - | 71 910 |

Appendix 3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|--|------------|--------------|--|--|-----------------------------|---|
| 5th Emergency Appeal: January - June 2003 | 3 305 785 | (2 662 326) | 643 459 | - | - | 643 459 |
| Fifth Emergency Appeal : January - June 2003 | 15 000 000 | (12 842 202) | 2 157 798 | - | - | 2 157 798 |
| Fifth Emergency Appeal : Syrian Arab Popular Committee | 699 029 | (639 483) | 59 546 | - | - | 59 546 |
| Emergency Appeal | 16 277 | (14 936) | 1 341 | - | - | 1 341 |
| Emergency food aid in the West Bank | 2 105 442 | (2 348 684) | (243 242) | - | - | (243 242) |
| Emergency Food Aid in The Gaza Strip | 2 966 358 | (3 087 669) | (121 311) | - | - | (121 311) |
| Procurement of 6 Vehicles (Nissan Terranos) funded by OCHA | 156 245 | (153 977) | 2 268 | - | - | 2 268 |
| Fifth Emergency Appeal - 2003 Emergency Appeal (January - June 2003)- Emergency food Aid, Gaza and West Bank | 1 140 251 | (1 140 251) | (1) | - | 1 | - |
| Fifth Emergency Appeal - 2003, Emergency Medical Supplies for the Gaza Strip | 176 056 | (18 864) | 157 192 | - | - | 157 192 |
| 5th Emergency Appeal: January - June 2003 | 7 072 597 | (5 506 345) | 1 566 252 | - | - | 1 566 252 |
| Sixth Emergency Appeal July - December 2003 | 32 112 | (4 983) | 27 129 | - | - | 27 129 |
| Sixth Emergency Appeal July - December 2003 Cash assistance to families most in need in the Gaza Strip | 133 070 | - | 133 070 | - | - | 133 070 |
| Sixth Emergency Appeal: July - December 2003 | 26 000 000 | (6 760 494) | 19 239 506 | - | - | 19 239 506 |
| Sixth Emergency Appeal: July-Dec 2003 VAT Refunds from PA from Contributions to pervious Emergency Appeals2 | 1 452 837 | (1 218 401) | 234 435 | - | - | 234 435 |
| Emergency Food Aid for the Gaza Strip | 457 143 | (457 143) | - | - | - | - |
| Emergency Appeal (July - December) | 356 295 | (207 720) | 148 575 | - | - | 148 575 |
| 2003 Emergency Appeal (July - December 2003) | 5 000 000 | (17 480) | 4 982 520 | - | - | 4 982 520 |
| Sixth Emergency Appeal July - December 2003 | 10 256 472 | (2 077 367) | 8 179 105 | - | - | 8 179 105 |
| Rehousing Programme in Gaza to help homeless families in Rafah | 1 414 427 | - | 1 414 427 | - | - | 1 414 427 |
| Emergency cash assistance of \$300 for up to 250 affected families in Rafah | 75 000 | (75 000) | - | - | - | - |
| Emergency Food Aid for the Gaza Strip | 950 119 | (950 119) | - | - | - | - |
| Sixth Emergency Appeal (July - December 2003) - Emergency medical supplies, Gaza | 296 912 | (7 759) | 289 153 | - | - | 289 153 |
| Providing a portable doppler foetal monitor and Portable haemoglobinnometer for UNRWA's Emergency Mobile Clinic operating in the Palestinian Enclaves in the West Bank | 1 632 | - | 1 632 | - | - | 1 632 |
| Improvement of Health Infrastructure in the West Bank | 252 738 | - | 252 738 | - | - | 252 738 |
| Home Demolition, Gaza | 10 000 | - | 10 000 | - | - | 10 000 |

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|--------------------|----------------------|--|--|-----------------------------|---|
| 2004 Emergency Appeal | 1 187 648 | - | 1 187 648 | - | - | 1 187 648 |
| To Cover the Services of SRSA Team From 1 November 2003 to 31 December 2003 | 167 146 | - | 167 146 | - | - | 167 146 |
| Sixth Emergency appeal (July - December 2003) | 1 138 680 | - | 1 138 680 | - | - | 1 138 680 |
| Transfer of fund balances against previous contributions - Gaza Field | - | - | - | - | 78 | 78 |
| Transfer of Fund Balances against Previous Contributions, West Bank | - | - | - | - | 421 | 421 |
| Confirmed Pledges and Hard Commitments | (1 365 643) | (4 070 225) | (5 435 868) | 5 512 010 | - | 76 142 |
| Emergency Appeal - Cash Sub-total | 189 387 404 | (180 476 682) | 8 910 722 | 49 044 979 | (272 765) | 57 682 936 |
| Emergency Appeal - In-Kind : | | | | | | |
| Flash Emergency Appeal - Medical Supplies/Equipment & Hospital Services - West Bank | - | - | - | 27 | (27) | - |
| Distribution Costs of MT 8,030 of Flour for Gaza and W/Bank - 3rd Appeal | 2 209 526 | (2 209 526) | - | - | - | - |
| 800 family-size tents, water purification unit to furnish portable water for up to 10,000 people per day, 1,600 five-gallon containers and 1,600 hygiene kits for Jenin | 185 212 | (185 212) | - | - | - | - |
| In-kind contributions received from various NGO's2 | 655 696 | (655 696) | - | - | - | - |
| 2002 Emergency Appeal, Emergency Health Kits, Gaza & West Bank | 480 000 | (480 000) | - | - | - | - |
| Purchase of Medical Supplies, Financial Aid to Registered Palestine Refugees Families and Tuition Assistance to Refugees Students | 10 000 | (10 000) | - | - | - | - |
| Donation of 34,000 4-Liter containers of Olive Oil | 393 115 | (393 115) | - | - | - | - |
| UNRWA's 2003 Emergency Appeal in the Gaza Strip and the West Bank | 368 254 | (368 254) | - | - | - | - |
| 2003 Emergency Appeal July-December 2003 - Various in-kind donations received toward the EA | 183 931 | (183 931) | - | - | - | - |
| Emergency Appeal In-Kind Sub-total | 4 485 734 | (4 485 734) | - | 27 | (27) | - |
| | | | | | | |
| Emergency Appeal Total | 193 873 138 | (184 962 416) | 8 910 722 | 49 045 006 | (272 792) | 57 682 936 |

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|--|-----------|-------------|--|--|-----------------------------|---|
| Projects : | | | | | | |
| Post 1999 Projects : | | | | | | |
| Cost of Financial Management System | 1 542 736 | (1 369 607) | 173 129 | (105 828) | - | 67 301 |
| Training of Procurement Staff | - | (12 144) | (12 144) | 12 144 | - | - |
| Training of Engineering Staff | - | - | - | 6 586 | - | 6 586 |
| Procurement Workshop for Senior Management Staff | - | (4 957) | (4 957) | 4 957 | (1) | - |
| Improving Access to Hospital Services provided to Palestine refugees in Lebanon | - | (25 513) | (25 513) | 25 513 | - | - |
| Shelter Rehabilitation | 155 005 | - | 155 005 | (106 827) | (48 178) | - |
| Computer and Information Technology Initiative | - | (99 624) | (99 624) | 197 059 | (60 000) | 37 435 |
| UNRWA's Education Management Information System | - | (139 147) | (139 147) | 168 314 | - | 29 166 |
| Training of UNRWA Health Care Staff - Agency Wide | - | (55 789) | (55 789) | 239 574 | (183 785) | - |
| Shelter Rehabilitation - Agency wide | - | (147 461) | (147 461) | 180 257 | - | 32 796 |
| Running Costs of the Existing 4 Kindergartens in Lebanon | 109 123 | (103 267) | 5 856 | 718 | - | 6 573 |
| Junior Professional Officer; Frank Schipper | - | - | - | 9 453 | - | 9 453 |
| Equipment of Industrial Electronic Course at Ramallah Men Training Centre | - | (2 073) | (2 073) | 11 101 | - | 9 028 |
| P3 Safety Biology Laboratory at Central Public Health | - | (90 026) | (90 026) | 127 647 | - | 37 621 |
| UNRWA's Liaison Office in Geneva | 569 385 | (642 011) | (72 626) | 87 731 | - | 15 105 |
| Second Year, Junior Professional Officer, Philippe Grandit, External Relations and Project Officer | - | (5 452) | (5 452) | 9 957 | (4 505) | - |
| Construction and Equipping of Maghazi Preparatory School | - | (735 672) | (735 672) | 826 446 | - | 90 773 |
| Construction and Equipping of Jabalia Preparatory C Elementary E Girls School | 561 222 | (817 012) | (255 790) | 304 475 | - | 48 684 |
| Construction and Equipping of Farabi Elementary Co-education School | 418 487 | (642 086) | (223 599) | 336 706 | - | 113 107 |
| Construction and Equipping of 10 Classrooms and 2 Specialized Rooms at Kalandia Boys School | 227 831 | (340 754) | (112 923) | 108 039 | - | (4 884) |
| Construction and Equipping of 9 Classrooms & Specialized Rooms at Sourif Girls School | 245 295 | (337 749) | (92 454) | 118 918 | - | 26 464 |
| Project Manager for Family Files- Refugees Registration Information System | - | (87 538) | (87 538) | 106 058 | - | 18 520 |
| Construction and Equipping of 9 Classrooms & 2 Specialized Rooms at Jenin Preparatory Girls School | - | (11 023) | (11 023) | 11 023 | - | - |

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|---------|-------------|--|--|-----------------------------|---|
| Junior Professional Officer; Elna Seondergaard - Legal | 92 740 | (98 920) | (6 180) | 23 973 | - | 17 793 |
| Junior Professional Officer, Marlene Arce Camp - Public Information and Project Officer | 196 332 | (178 349) | 17 983 | 43 966 | - | 61 949 |
| Construction and Equipping of 4 additional classrooms at Gaza elementary A and B Co-education School | - | (54 989) | (54 989) | 54 990 | (1) | - |
| Establishing of French Teacher Training Section a Siblin Training Centre | - | (46 252) | (46 252) | 87 076 | - | 40 824 |
| Construction of Sewerage and Drainage System at Deir El-Balah; Phase II Stage I; E1 | 3 668 | - | 3 668 | (3 668) | - | - |
| Construction and furnishing of 9 Classrooms at two UNRWA Preparatory Schools | - | (27 979) | (27 979) | 48 778 | - | 20 798 |
| Reconstruction of Jenin Health Centre - West Bank | - | (10 706) | (10 706) | 45 846 | - | 35 140 |
| Construction and Equipping of Abu Tuaima Elementary Co-education School | 588 828 | (316 071) | 272 757 | (370 204) | - | (97 447) |
| Construction and Equipping of Khan Younis Preparatory C Girls School | 729 704 | (520 206) | 209 497 | (189 211) | - | 20 286 |
| Shelter Rehabilitation - Gaza | 497 242 | (168 823) | 328 418 | (1 021 536) | - | (693 117) |
| Reconstruction of Dheisheh Boys School | 992 151 | (222 909) | 769 243 | (661 764) | - | 107 479 |
| Reconstruction of Auja Co-education School | 675 564 | (54 268) | 621 297 | (501 618) | - | 119 678 |
| Replacement of Balata Health Centre | 157 517 | (6 794) | 150 723 | (117 892) | - | 32 831 |
| Replacement of Dheisheh Health Centre | 161 769 | (43 635) | 118 134 | (120 583) | - | (2 450) |
| Construction and Equipping of 4 Additional Classrooms and 3 specialised rooms at Doura Girls School | 234 452 | (51 919) | 182 532 | (160 475) | - | 22 057 |
| Construction and Equipping of 5 Additional Classrooms and 4 specialised Rooms at Doura Boys School | 232 968 | (84 962) | 148 006 | (149 392) | 66 | (1 321) |
| Furnishing and Equipping of the Alliance Health Centre in Damascus | - | - | - | 8 452 | - | 8 452 |
| English Text Books for the students at the Damascus Training Centre | - | - | - | 2 | (2) | - |
| Expansion of Irbid Health Centre | - | - | - | 1 116 | - | 1 116 |
| Upgrading and Mechanization of Solid Waste Collection and Removal from Jabalia and the Middle Camps | 33 798 | (588 103) | (554 305) | 601 234 | - | 46 929 |
| Reconstruction of Science Laboratory/Learning Resource Centre at Safsaf Elementary/Tiberias Preparatory Boys School | - | (431) | (431) | 25 052 | - | 24 621 |
| Construction and Equipping Beit Jala and Bir Zeit Co-education School in Saida Area | 305 006 | (369 531) | (64 525) | 35 873 | - | (28 652) |

Appendix 3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|--|---------|-------------|--|--|-----------------------------|---|
| Dera'a - Reconstruction of the Dera'a Children rehabilitation Centre | - | - | - | (36 030) | - | (36 030) |
| Repatriation of Residents of Canada Camp | - | (57 750) | (57 750) | 57 827 | (77) | - |
| Infrastructure Services | 19 433 | (554 035) | (534 602) | 544 466 | (9 864) | - |
| Scholarship Fund for Palestine Refugee Women in Lebanon | 705 107 | (699 828) | 5 279 | 109 568 | - | 114 846 |
| Major Dental Equipment for Zarka & Baqa'a Health Centre | - | - | - | 8 410 | - | 8 410 |
| Dental Instruments for Zarka & Baqa'a Health Centre | - | (1 069) | (1 069) | (7 233) | - | (8 303) |
| Construction of 8 Underground Water Tanks | - | (4 966) | (4 966) | 4 966 | - | - |
| Feasibility Study for: Rehabilitation at Neirab Camp and Developing E/Tal Camp | - | (62 215) | (62 215) | 62 226 | (11) | - |
| Psychological Counseling Project | 772 386 | (1 035 754) | (263 368) | 874 106 | - | 610 738 |
| Slow Learner Programme in Jordan | 2 964 | (111 805) | (108 841) | 125 232 | - | 16 391 |
| Conversion of Ein El-Hilweh Mother and Child Health Sub-Center to Health Centre in Lebanon | 4 656 | (198 007) | (193 351) | 200 000 | - | 6 649 |
| Improvement of Environmental Health Conditions Pathways/Drains in Refugee Camps on Self-help Basis in Lebanon | 2 607 | (111 251) | (108 644) | 112 000 | - | 3 356 |
| Hiring a Consultant for UNRWA's External Relations Department | 54 864 | (61 779) | (6 915) | 7 878 | - | 963 |
| Junior Professional Officer, Ms. Nicole Ruder, Projects Officer, Lebanon | 81 185 | (130 863) | (49 678) | 64 316 | - | 14 639 |
| Improving Access to Hospital Care Palestine Refugees in Lebanon | - | (3 557) | (3 557) | 3 559 | (2) | - |
| Junior Professional Officer Projects Officer at External Relations Department | 127 644 | (165 706) | (38 062) | 70 550 | (17 215) | 15 272 |
| Upgraded Response Access; One Legal Officer and One Admin. Officer | - | (64 745) | (64 745) | 70 385 | - | 5 640 |
| Shelter Rehabilitation - Lebanon | 197 670 | (841 775) | (644 105) | 671 228 | (27 124) | - |
| Shelter Rehabilitation - Syria | 115 530 | (189 836) | (74 306) | 152 068 | (77 763) | - |
| Shelter Rehabilitation - Jordan | 108 513 | (414 647) | (306 134) | 327 772 | (21 638) | - |
| Construction and Equipping of Wadi Rayyan Preparatory Boys & Girls School | - | (537 588) | (537 588) | 594 300 | (23 279) | 33 433 |
| Establishing of a Health Point Centre at Kraymeh | - | (150 043) | (150 043) | 149 999 | 1 529 | 1 485 |
| Establishing of a Health Point Centre at Masharie | - | (177 690) | (177 690) | 161 616 | 21 750 | 5 676 |
| Neirab Rehabilitation Project - Phase I: Construction of 39 of an Initial 148 Housing Units in Ein el Tal Camp | - | (482 188) | (482 188) | 524 000 | - | 41 812 |

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|---------|-------------|--|--|-----------------------------|---|
| Micro-credit & Poverty Alleviation II; | - | (311 453) | (311 453) | 436 000 | (100 000) | 24 547 |
| Human Resources Development | - | (182 442) | (182 442) | 195 500 | - | 13 058 |
| Upgrading/Replacement of Equipment at the 8 Vocational Training Centres | - | (239 295) | (239 295) | 262 500 | - | 23 205 |
| Computer Information and Technology Initiative Phase IV | - | (370 459) | (370 459) | 538 085 | (82 021) | 85 605 |
| Development of English Language Ability English for Empowerment for Instructors & Trainers at Vocational Training Centres | - | (64 886) | (64 886) | 106 000 | - | 41 114 |
| Extension of Promoting Tolerance; Conflict Resolution & Basic Human Rights in Gaza Strip & West Bank | - | (192 323) | (192 323) | 332 000 | - | 139 677 |
| Slow Learner Programme in Jordan | 1 411 | (44 492) | (43 081) | 37 083 | - | (5 999) |
| Construction and Equipping Additional Classrooms at Jenin Girls School | 40 000 | (92 637) | (52 637) | - | - | (52 637) |
| Nursing Courses for Palestine Refugees in Lebanon | - | (23 293) | (23 293) | 23 293 | - | - |
| Hospitalization Services in Lebanon | 150 000 | - | 150 000 | (150 000) | - | - |
| Improvement of Home Economics Unit at Rafah Preparatory A Girls School | 93 000 | (49 737) | 43 263 | (11 375) | - | 31 888 |
| Development of Library at Rimal Preparatory Girls & Gaza Elementary C co-education School | 76 200 | (51 569) | 24 631 | (3 476) | - | 21 155 |
| Construction of Physiotherapy Unit at Rafah Health Center | 45 526 | (27 496) | 18 030 | (4 878) | - | 13 152 |
| Construction of Physiotherapy Unit at Khan Younis Health Center | 45 526 | (28 933) | 16 593 | (4 878) | - | 11 715 |
| Cost of Immuno-Suppressant Medications needed by persons who have received kidney transplants | 123 000 | (96 802) | 26 198 | - | - | 26 198 |
| School Construction and Expansion Programme in Lebanon | 445 972 | (293 866) | 152 106 | - | - | 152 106 |
| Integration of Visually Impaired children | 29 548 | (16 396) | 13 152 | - | - | 13 152 |
| Junior Professional Officer Post of "Information Officer" in the Public Information Office, Headquarter (Gaza) | 228 407 | (190 961) | 37 446 | - | - | 37 446 |
| Establishment of Rehabilitation Unit for Cerebral Palsy Cases at Jenin Rehabilitation Centre | 12 000 | (3 600) | 8 400 | - | - | 8 400 |
| Equipping and Furnishing the Toy Library at Balata Community Rehabilitation Centre | 12 000 | (3 600) | 8 400 | - | - | 8 400 |
| Animation Activities at Al-Rowwad of Aida Youth Activity Centre | 24 000 | - | 24 000 | - | - | 24 000 |
| Provision of School Furniture and Equipment for Jarash Elementary and Preparatory Boys School in Jordan | 40 968 | (38 830) | 2 138 | - | - | 2 138 |
| Extension of Nuzha Mother-Child Health Centre | 74 821 | (74 666) | 155 | - | - | 155 |

Appendix 3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|------------|-------------|--|--|-----------------------------|---|
| Environmental and Sanitation Project, Gaza Strip and West Bank Refugee Camps | 10 593 986 | (5 907 822) | 4 686 163 | - | - | 4 686 163 |
| Junior Professional Officer Position in UNRWA's Gaza Field Office Special Assistant to DUO/G and DOPs | 107 123 | (154 581) | (47 458) | - | - | (47 458) |
| Reconstruction of Ein el-Hilweh and Baddawi Health Centres in Lebanon | 100 000 | (99 901) | 99 | - | - | 99 |
| School Construction and Expansion Programme in Lebanon "Reconstruction and Equipping of Naqab Preparatory School, Rashidieh Camp" | 542 561 | (193 541) | 349 019 | - | - | 349 019 |
| Promoting Tolerance, Conflict Resolution and Basic Human Rights in UNRWA Schools in Jordan, Syria and Lebanon | 465 500 | (439 606) | 25 894 | - | - | 25 894 |
| Construction of Community Centre in Qabr Essit Camp, Syria | 67 287 | (65 574) | 1 713 | - | - | 1 713 |
| Junior Professional Officer Post of "Research Officer", in West Bank | 103 662 | (130 860) | (27 198) | - | 5 575 | (21 623) |
| Rehabilitation of Premises and Roads at Siblin Training Centre in Lebanon | - | (68 199) | (68 199) | - | 68 479 | 280 |
| Establishing of Banking and Financial Management Course at Damascus Training Centre, Syria | - | (28 852) | (28 852) | - | 87 000 | 58 148 |
| Renovation of Ashrfieh Girl's School No. 1 and 2, Jordan | - | (123 841) | (123 841) | - | 123 852 | 11 |
| Replacement of Dental Unit and Waiting Area at Ein El-Hiliweh Health centre, Lebanon | 25 000 | (24 954) | 46 | - | - | 46 |
| Self-Help Pavement of Alleyways in Beach Refugees Camp, Gaza | - | (84 315) | (84 315) | - | 85 621 | 1 306 |
| Gravity Main Interceptor in Deir el-Balah, Gaza Strip | - | (444 444) | (444 444) | - | 788 499 | 344 056 |
| Humanitarian Aid for Palestinian Victims of the Humanitarian Crises in the Palestinian Territories, Lebanon, Jordan and Syria | 797 635 | (989 917) | (192 281) | - | - | (192 281) |
| Shelter Rehabilitation in Various Refugee Camps in Syria | 472 906 | (589 329) | (116 423) | - | - | (116 423) |
| Shelter Rehabilitation in Various Refugee Camps in Jordan | 566 524 | (583 427) | (16 903) | - | - | (16 903) |
| Operations Support Officer Programme in West bank and International Programme and Liaison Officer for the Gaza Strip | 1 416 000 | (1 228 401) | 187 599 | - | - | 187 599 |
| Income generation opportunity for the community centre in Shu'fat refugee camp Supplementary Arrangement to the Arrangement toward "Establishing of Community Centre at Shu'fat Camp" | 17 099 | - | 17 099 | - | 6 789 | 23 888 |
| Construction of a New UNRWA Preparatory Boys and Girls School at A-Husseinieh Syria (2 supplementary arrangements) | 79 839 | (346 273) | (266 434) | - | 351 854 | 85 421 |

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|--|---------|-------------|--|--|-----------------------------|---|
| Promoting Tolerance, Conflict Resolution and Basic Human Rights in UNRWA Schools (Production of Stories) in Jordan, Syria and Lebanon | 125 000 | (113 380) | 11 620 | - | - | 11 620 |
| Expansion of Al Husseinieh Health centre, Syria | 143 000 | (117 476) | 25 524 | - | - | 25 524 |
| Introduction of Clothing Technology Course at the Damascus Training Centre, Syria | 263 000 | (146 383) | 116 617 | - | - | 116 617 |
| Typing and Data Entry Course for Girls at the Sibling Training Centre, Lebanon | 71 000 | (63 225) | 7 775 | - | - | 7 775 |
| English Language Club at Damascus Training Centre, Syria | 20 000 | (11 144) | 8 856 | - | - | 8 856 |
| Installation of an Elevator for Disabled Students at Falouja Elementary School in Lebanon's Ein el-hilweh Camp | 7 976 | (7 672) | 304 | - | - | 304 |
| Costs Related to the Brainstorming Workshop in Beirut for RSSD Staff to be held in November 2002 | 15 999 | (11 022) | 4 977 | - | - | 4 977 |
| Purchase-2 Drain Clearing Equipment for Sanitation Department in Syria | 5 800 | - | 5 800 | - | - | 5 800 |
| Procurement of hardware and software for developing the Special Education Programme for slow learning students in the elementary cycle at 9 centres at Irbid Area, Zarka Area, North Amman Area and South Amman Area | 11 402 | (12 111) | (709) | - | 709 | - |
| Construction and Furnishing of Canteen and up to fifteen classrooms at two UNRWA schools in Gaza Strip | 20 722 | (287 419) | (266 697) | - | 269 105 | 2 408 |
| Equipping and Furnishing of Two Toy Libraries at Two Community Rehabilitation Centres in the Gaza Strip | 25 000 | (23 559) | 1 441 | - | - | 1 441 |
| Enhancing the Agency's Public Information Office's Communication Capacity: Posts, Training and Equipment Needs | 99 630 | (51 112) | 48 518 | - | - | 48 518 |
| RSSD's Task force Meeting on 14 and 15 December 2002 to follow on the Strategic Planning Meeting | 2 774 | (2 774) | - | - | - | - |
| Provision of computers for the existing workshop at Sur Baher Girls' School | - | (21 850) | (21 850) | - | 23 153 | 1 303 |
| Provision of computers for the existing workshop at Qatanneh Girls' School | - | (27 535) | (27 535) | - | 27 930 | 395 |
| Comprehensive maintenance of schools and playground in Saida, Lebanon | - | (158 309) | (158 309) | - | 158 309 | - |
| Designing and construction of Nuseirat pumping station, Gaza | - | (9 743) | (9 743) | - | 151 200 | 141 458 |
| Construction and furnishing of up to eighteen additional classrooms at Bureij Preparatory Boy's School | - | (48 169) | (48 169) | - | 391 231 | 343 062 |

Appendix 3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|-----------|-------------|--|--|-----------------------------|---|
| Construction of five additional classrooms and providing computers to the laboratory at Nimrin Preparatory School, Lebanon | - | (75 430) | (75 430) | - | 75 682 | 252 |
| Construction of Nuseirat pumping station, Gaza | - | - | - | - | 875 000 | 875 000 |
| Construction and Equipping of Jabalia Elementary C and Ayoubiya Boy's School | 537 057 | (547 317) | (10 260) | - | - | (10 260) |
| Mechanization of solid waste disposal, Jordan | - | - | - | - | 54 401 | 54 401 |
| Additional construction works at UNRWA's schools in Kalandia camp | - | (98 942) | (98 942) | - | - | (98 942) |
| Construction and furnishing of 4 classrooms at Nuseirat Elementary "B & D" Girls Schools in the Gaza Strip | - | (35 495) | (35 495) | - | - | (35 495) |
| Upgrade the Computer Laboratory at Ashrafieh Girls' school | - | (22 143) | (22 143) | - | 24 245 | 2 102 |
| Junior Professional Officer post: Procurement Officer, UNRWA Field Office, Gaza | 81 606 | (56 823) | 24 783 | - | - | 24 783 |
| Junior Professional Officer post: Logistics and System Analyst, Department of Operations and Technical Services UNRWA Headquarters Amman | 60 573 | (24 800) | 35 773 | - | - | 35 773 |
| Junior Professional Officer post: Policy Researcher Officer, Department of Relief and Social Services UNRWA Headquarters Amman | 60 573 | (31 160) | 29 413 | - | - | 29 413 |
| Junior Professional Officer post: Associate Expert (Research & Evaluation) Department of Education UNRWA Headquarters Amman | 61 694 | (29 552) | 32 143 | - | - | 32 143 |
| Junior Professional Officer post: Administration and Projects Officer UNRWA Field office Jordan | 61 694 | (25 906) | 35 788 | - | - | 35 788 |
| Construction of five classrooms and conversion of two old classrooms into two admin. rooms and furnishing of three classrooms at Nuseirat Prep. "A" Girls' School | 81 500 | (19 988) | 61 512 | - | - | 61 512 |
| Introduction of computers to secondary schools in Palestinian camps in Syria | 80 961 | (80 961) | - | - | - | - |
| Water supply and sanitation in support of two Palestinian refugees camps Kan Danour / Khan Eshieh | 1 641 961 | (47 352) | 1 594 609 | - | - | 1 594 609 |
| Palestine Refugees Records Project | 737 705 | (218 867) | 518 838 | - | - | 518 838 |
| Human Rights Training for UNRWA Staff and other UN Staff in Syria | - | (893) | (893) | - | 1 995 | 1 102 |
| Human Rights Training for UNRWA Staff and other UN Staff in Syria | 2 533 | (1 764) | 769 | - | - | 769 |

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|--|-----------|-------------|--|--|-----------------------------|---|
| Introduction of the 10th grade in UNRWA schools within Jerusalem Municipal Boundaries | 86 766 | (191) | 86 576 | - | - | 86 576 |
| Construction and equipping of 6 classrooms, 3 home economic units & 1 library at 3 schools in Gaza | 311 511 | (76 443) | 235 069 | - | - | 235 069 |
| Improvement of Basic School Furniture for Ashrafieh Prep. Girls School No 1&2, Jordan | 27 836 | (27 836) | - | - | - | - |
| Extension of South Baqa'a Medical Centre, Jordan | 42 626 | (24 822) | 17 804 | - | - | 17 804 |
| Nursing Courses for Palestine Refugees in Lebanon, 2002 - 2003 | 24 927 | (24 927) | - | - | - | - |
| Provision of Medical Supplies in Jordan, Syria and Lebanon | 1 409 505 | (1 729 782) | (320 277) | - | - | (320 277) |
| Conduct 3 training courses in Anemia in children of pregnant women | - | (1 792) | (1 792) | - | - | (1 792) |
| Conduct 3 training courses in HIV/Aids, STD and reproductive health | - | (1 280) | (1 280) | - | - | (1 280) |
| UNRWA School Desks Project in Lebanon | 133 660 | (133 597) | 63 | - | - | 63 |
| Reconstruction and equipping of Beit Hanoun elementary "C" girls & "B" co-educational schools, Gaza | - | (2 408) | (2 408) | - | - | (2 408) |
| Reconstruction of Rimal Health Centre, Gaza | - | (2 666) | (2 666) | - | - | (2 666) |
| Construction of additional classrooms at Deir Ammar Boy's school, West Bank | - | (65 623) | (65 623) | - | - | (65 623) |
| Self-help shelter rehabilitation in the West Bank | - | (255 194) | (255 194) | - | - | (255 194) |
| Equipping and furnishing of a toy library at Jabalia Women's Training Centre, Gaza | 1 667 | - | 1 667 | - | - | 1 667 |
| JPO, Associated Expert (External Relations & Projects) | 234 068 | (44 751) | 189 317 | - | 17 937 | 207 254 |
| JPO, Projects, West Bank Field Office | 234 068 | (37 406) | 196 662 | - | 21 746 | 218 408 |
| Computer Information Technology Initiative, Use of unexpended balances under CITI Phases I-IV | - | (866) | (866) | - | 197 021 | 196 155 |
| Promoting Basic Human Rights, Conflict Resolution and Tolerance in UNRWA Schools for the school year 2003/2004 | 196 000 | - | 196 000 | - | - | 196 000 |
| Operations Support Officer Programme, West Bank | 826 622 | (97 705) | 728 917 | - | - | 728 917 |
| Operations Support Officer Programme, Gaza Strip | 356 000 | - | 356 000 | - | - | 356 000 |
| Neirab Rehabilitation Projects : Phase I | 500 000 | (243) | 499 757 | - | - | 499 757 |
| Computer Information Technology Initiative (CITI) Phase V | 609 000 | (10 181) | 598 819 | - | - | 598 819 |
| Reconstruction and Equipping of Beddawi Health Centre in Lebanon | 57 508 | (387) | 57 121 | - | - | 57 121 |
| Reconstruction of the Sanitation Office in Nuseirat Camp | 57 000 | - | 57 000 | - | - | 57 000 |

Appendix 3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|--|-------------------|---------------------|---|---|-------------------------------------|--|
| Reconstruction of the Sanitation Office in Bureij Camp | 47 000 | - | 47 000 | - | - | 47 000 |
| Construction of a Physiotherapy Clinic at the Bureij Health Centre | 50 573 | (587) | 49 986 | - | - | 49 986 |
| Improve of school facilities at Mashare' Preparatory Boys and Girls School | 50 372 | - | 50 372 | - | - | 50 372 |
| UNESCO 2003-DE | 30 000 | (16 428) | 13 572 | - | - | 13 572 |
| Technical Assistance and Project Management Rehabilitation Neirab Camp, Syria | 27 975 | - | 27 975 | - | - | 27 975 |
| Conversion of Area Office Homes into Learning Resource Centre/Computer Laboratory, Syria | 20 000 | (7 788) | 12 212 | - | - | 12 212 |
| Development of Sport Activities, Purchase Equipment and Improve Local Sport Infrastructure in Refugee Camps (Ramallah and Jericho) | 24 200 | - | 24 200 | - | - | 24 200 |
| Development of UNRWA's Management Health Information System, Phase II | - | - | - | - | 250 945 | 250 945 |
| Establish of hearing impaired unit at Hussinyeh, Syria | 5 998 | (384) | 5 614 | - | - | 5 614 |
| Provision of Computer and Office Equipment for UNRWA Schools in Lebanon | 598 219 | - | 598 219 | - | - | 598 219 |
| Confirmed Pledges and Hard Commitments | (25 513 251) | 5 778 517 | (19 734 734) | 18 782 452 | - | (952 282) |
| Post 1999 Projects Total | 12 389 893 | (27 687 472) | (15 297 579) | 25 751 547 | 3 426 160 | 13 880 127 |
| Peace Implementation Programme : | | | | | | |
| Equipment and Materials for Literacy Course at Women Programme Centres | - | - | - | 223 | - | 223 |
| Radiological Unit and Ultrasound Equipment for Khan Younis Health Centre | - | (10 367) | (10 367) | 25 787 | - | 15 420 |
| Health Education Programme for prevention of HIV/AIDS - UNAIDS | - | (92) | (92) | 4 864 | - | 4 772 |
| Construction, Equipping & Furnishing Balata Elementary/Preparatory Boys School | - | - | - | 9 157 | (9 157) | - |
| Construction of Educational Facilities in Jordan | - | (2 427) | (2 427) | 2 451 | (271) | (247) |
| Expansion of Qalqilia Hospital in the West Bank | - | (903 945) | (903 945) | 1 111 489 | - | 207 544 |
| Construction and Equipping of Beach Elementary C and Asma Co-educational School | - | - | - | 166 585 | (166 585) | - |

A/59/5/Add.3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|--|--------|-------------|--|--|-----------------------------|---|
| Reconstruction and Equipping of Ashrafieh Preparatory Boys' School no. 1&2 | - | - | - | 143 501 | (143 501) | - |
| Special Education Programme for Slow Learning Students in the Elementary Cycle Education | - | - | - | (2) | 2 | - |
| Provision of Textbooks/Library Books for School Children In West Bank | - | - | - | 2 071 | - | 2 071 |
| Construction and furnishing of New Gaza Preparatory Boys School | - | - | - | 224 646 | (224 646) | - |
| Construction and furnishing of Nimrin Preparatory school. | - | (37 462) | (37 462) | 113 172 | (75 711) | - |
| Improvement of Computer Skills; Vocational Training Centre - Phase I | - | (8 893) | (8 893) | 54 211 | (43 780) | 1 538 |
| Improvement of Computer Skills; Vocational Training Centre - Phase II | - | (270 760) | (270 760) | 325 493 | (11 107) | 43 625 |
| Upgrading of a Carpentry and Furniture Making Course Workshop at Damascus Training Centre | - | (17 329) | (17 329) | 30 858 | - | 13 529 |
| Construction and Equipping of Rafah Elementary A Girls and E Co-education School | - | - | - | 9 989 | (9 989) | - |
| Construction and Equipping of Beach Preparatory A Girls School | - | - | - | 6 213 | (6 213) | - |
| Construction and Equipping of 6 Classrooms at Daraj; 4 Classrooms at D/Balah & 4 Classrooms at Maen Elementary Schools | - | - | - | 3 005 | (3 005) | - |
| Construction and Equipping of 4 Classrooms at Khuza'a and 4 Classrooms at Abasan Elementary Schools | - | - | - | 2 718 | (2 718) | - |
| Construction and Equipping of Home Economic Unit at Bani Suhaila Preparatory Girls School | - | - | - | 2 861 | (2 861) | - |
| Construction and Equipping of Handicraft Unit at Ahmad A/Aziz Preparatory Boys School | - | (106 659) | (106 659) | 121 899 | (15 240) | - |
| Construction and Equipping of Handicraft Unit at Bureij Preparatory Boys School | - | (114 507) | (114 507) | 125 049 | (10 542) | - |
| Construction and Equipping of 6 Classrooms at Bani Suhaila Preparatory Girls School | - | (87 327) | (87 327) | 96 258 | (8 932) | - |
| Headquarter Reserve Code for Future Use | - | - | - | 169 379 | (169 379) | - |
| Construction and Equipping of Ramallah Girls School | - | - | - | 20 138 | (20 138) | - |
| Construction and Equipping of Additional Classrooms, Library and Laboratory For D/Ammar Basic Girls School | - | - | - | 20 085 | (20 085) | - |

Appendix 3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|---------|-------------|--|--|-----------------------------|---|
| Provision of Epidemiological, Reproductive Health Counselling and Management Training | - | - | - | 12 634 | (12 634) | - |
| Construction & equipping of Homs CRC & Upgrading of Homs WPC | - | - | - | 30 | (30) | - |
| Reconstruction of Hama WPC and CRC -SAR | - | - | - | (40 876) | - | (40 876) |
| Remedial Educational program me for elementary school students | 393 | - | 393 | - | (393) | - |
| Mashierfeh - Expansion of Mashierfeh and South Baqa'a Health Center | - | - | - | 6 | (6) | - |
| Construction & Equip of Jabalia Prep. B Boys School | 18 373 | - | 18 373 | 242 883 | (261 256) | - |
| Khan Dannoun Health Center | - | - | - | 113 | - | 113 |
| Khan Dannoun & Khan Eshieh Water Network | - | - | - | 11 369 | - | 11 369 |
| Khan Dannoun Sewage Conveyer Line - Syria | - | - | - | (5 279) | 5 279 | - |
| Construction of Sanitary Facilities at Schools | 6 230 | - | 6 230 | (6 205) | (25) | - |
| Hospitalization Services for Palestine Refugee Patients in Lebanon | 45 230 | - | 45 230 | (49 225) | 3 995 | - |
| Shelter Rehabilitation - Jordan | 16 204 | - | 16 204 | (17 696) | 1 492 | - |
| Upgrading and Development of the Industrial Electronics courses; Gaza Training Centre | 2 173 | (21 748) | (19 575) | 45 576 | - | 26 000 |
| Educational Equipment, Special Textbooks and Teaching Aids for Blind and deaf pupils | - | (5 852) | (5 852) | 5 867 | (15) | - |
| Equipment for Gaza Training Centre | - | (358) | (358) | 580 | - | 221 |
| Al-Shauka Elementary Co-Educational School - Gaza | 76 796 | (2 783) | 74 013 | (26 893) | (47 120) | - |
| Replacement of the Nur Shams Girls School | 100 717 | (122) | 100 595 | (12 816) | (87 779) | - |
| Abu Dees Co-education School; Jerusalem | 98 011 | (2 835) | 95 176 | 2 624 | (97 800) | - |
| Peace and Tolerance Education | - | (315 257) | (315 257) | 365 157 | - | 49 900 |
| Peer Mediation | - | (73 057) | (73 057) | 86 243 | - | 13 186 |
| Construction and Equipping of Muzerireeb Health Centre | - | (10 103) | (10 103) | 46 197 | (1 995) | 34 100 |
| English Courses for Damascus Training Centre instructors | - | - | - | 40 | (40) | - |
| Shelter Rehabilitation on self-help basis in Damascus South and Central areas | - | - | - | 4 450 | - | 4 450 |
| Furniture and equipment for Women's Programme Centres in Jordan | - | - | - | 36 | (36) | - |
| Upgrading the Equipment of the Siblin Training Centre | - | (123 788) | (123 788) | 123 795 | (6) | - |

A/59/5/Add.3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|--|--------|-------------|--|--|-----------------------------|---|
| Nuseirat - Construction and Equipping of Preparatory Girls School B | - | - | - | 2 839 | - | 2 839 |
| Beit Hanoun - Construction and Equipping of Elementary A & C Co-education School C | - | - | - | 2 357 | - | 2 357 |
| Dheish camp Elementary / Preparatory Girls School | - | - | - | 1 326 | - | 1 326 |
| Shelter Rehabilitation | - | - | - | 936 | (936) | - |
| Hiring of Teachers | - | - | - | 134 | (134) | - |
| D/Balah Sewerage and Drainage; Phase I; Element 2a; Construction of Pumping Station | - | - | - | 20 434 | (20 434) | - |
| Construction of Gravity Main Interceptor ; D/Balah - Stage 1 | - | - | - | 752 284 | (752 284) | - |
| Construction of Pressure Main; D/Balah | - | - | - | 55 515 | (55 515) | - |
| Construction, Equipment, Staff Costs, Scholastic Supplies for Secondary School in Saida Bissan | - | (4 829) | (4 829) | 169 565 | (158 310) | 6 427 |
| Damascus Training Centre - Upgrading of Workshop and Provision of Related Equipment | - | - | - | 45 772 | (45 772) | - |
| Hiring Additional teachers in Gaza and West Bank | - | - | - | 766 | - | 766 |
| Construction of Khaireyeh / Majd-El-Kroum Preparatory school | - | (5 802) | (5 802) | 8 435 | - | 2 633 |
| Integration of Visually Impaired children | - | - | - | 38 | (38) | - |
| Upgrading of the Central Library in Neirab Camp in Aleppo; Syria | - | - | - | 3 004 | - | 3 004 |
| Comprehensive Maintenance of 15 School - Gaza | - | - | - | - | - | - |
| Construction and Equipping of 6 Classrooms at Fakhari Elementary A & B. Co-education School | - | - | - | (680) | - | (680) |
| Construction of 2 Classrooms at Nuseirat Preparatory A Girls School | - | - | - | 2 | (2) | - |
| Construction and Equipping of Science Laboratory at Rafah Preparatory B Boys School | - | (748) | (748) | 3 683 | - | 2 935 |
| Self-Help Shelter Re-Roofing | - | - | - | 47 585 | (47 585) | - |
| Shu'fat - Establishment of a Community Centre | - | - | - | 6 789 | (6 789) | - |
| Latakia - Construction of Five Classrooms and Other Improvements at Jaba'/Atleet School | - | - | - | 36 431 | (36 431) | - |
| Construction of 8 Classrooms and 2 Administration Rooms at Nasser A & B Basic Boys School | - | - | - | 2 756 | - | 2 756 |
| Construction and Equipping of Co-education School at Camp No. 1; Nablus | - | - | - | 988 | - | 988 |
| Self- Help Pavement of Alleyways in Beach Camp | - | (33 581) | (33 581) | 33 581 | - | - |

Appendix 3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|---------------|--------------------|---|---|-------------------------------------|--|
| Poverty alleviation Programme - West Bank | - | - | - | 47 | (47) | - |
| Construction/Equipment of a New Health Centre at Sbeineh Camp | - | - | - | 305 | - | 305 |
| Yarmouk - Expansion of Mother and Child Centre Into a Full Health Centre | - | - | - | 4 077 | - | 4 077 |
| Sukhneh - Construction and Equipping of a Boys and Girls Schools | - | - | - | (910) | - | (910) |
| Provision of Medical Supplies | - | - | - | 18 125 | - | 18 125 |
| Shelter Rehabilitation - Gaza | 4 867 | - | 4 867 | 6 146 | (11 013) | - |
| Construction and Equipping of Rafah Preparatory D Girls School | 58 314 | - | 58 314 | 39 099 | (97 412) | - |
| Construction and Equipping of a Mother & Child Health Centre & Conversion of Existing Centre to a Dental Unit at Asker Camp | - | - | - | 5 752 | (5 752) | - |
| Construction, Equipping and Furnishing of Beit Sourik Elementary/Preparatory Girls School | - | - | - | 58 833 | (58 833) | - |
| Construction, Equipping and Furnishing of Amari Elementary Boys School | - | - | - | 59 856 | (59 856) | - |
| Construction, Equipping and Furnishing of Tulkarem Preparatory/Elementary School | - | - | - | (342 214) | 342 214 | - |
| Construction, Equipping and Furnishing of Hebron Co-education School | - | - | - | 25 391 | (25 391) | - |
| Infrastructure Improvements at Shu'fat Camp | - | - | - | 82 791 | (82 791) | - |
| Talbiyeh - Construction, Furnishing and Equipping of a Children Rehabilitation Centre | - | - | - | 407 | - | 407 |
| Shouneh - Construction of a Science Laboratory at North Shouneh Girls School | - | - | - | 2 | (2) | - |
| Upgrading of slow Learners Centres in Baqa'a, Husn, Marka and Amman New Camp | - | - | - | 65 | (65) | - |
| Beach - Coastal Defense Project A/B/C - Gaza | 222 162 | (1 417 893) | (1 195 731) | 1 543 725 | - | 347 994 |
| Construction and Equipping of Rafah Women's Programme Centre - Gaza | - | - | - | 1 892 | - | 1 892 |
| Construction, Equipping of Maghazi Preparatory Boys School | - | - | - | 279 | - | 279 |
| Construction and Equipping of Beit Lahiya Elementary Co-education School | - | - | - | 11 789 | - | 11 789 |
| Shelter Rehabilitation A | - | - | - | 5 714 | - | 5 714 |
| Construction and Equipping of Askar Elementary/Preparatory Boys School | - | - | - | (40 566) | - | (40 566) |

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|--------|-------------|--|--|-----------------------------|---|
| Construction and Equipping of Abu-Dees Elementary/Preparatory Co-education School | - | - | - | 136 | - | 136 |
| Construction and Equipping of Shu'fat Elementary Girls School | - | - | - | (32 585) | - | (32 585) |
| Procurement of Urgently needed Equipment for 3 Courses at Kalandia Training Centre - West Bank | - | - | - | 840 | - | 840 |
| Ramallah - Public Health Laboratory - West Bank | - | - | - | 120 480 | - | 120 480 |
| Construction and Equipping of Jabalia Preparatory A Boys School | - | - | - | 356 | (356) | - |
| Construction of up to 19 Classrooms at Four Schools in Gaza | 15 152 | - | 15 152 | 9 517 | (24 669) | - |
| Various projects in Jordan | - | - | - | 11 252 | - | 11 252 |
| Establishment of Nursery and Kindergarten at Baqa'a camp - Jordan | - | - | - | 580 | - | 580 |
| Services Rendered to the Palestinian Authority | - | - | - | 13 187 | - | 13 187 |
| Construction of two shading sheds at Nuseirat Elementary B & D Co-education and Tal Al-Sultan Elementary Co-education & Raffah Elementary | - | - | - | 2 628 | - | 2 628 |
| Construction of Classrooms and a Science Laboratory at Jerusalem/Yazour School A/B - Syria | - | - | - | 315 424 | (315 424) | - |
| Repatriation of Palestinians from Sinai to Tel El-Sultan in the Gaza Strip | - | - | - | 3 407 | - | 3 407 |
| Upgrading of Nine Schools - West Bank | - | - | - | 1 075 | - | 1 075 |
| Provision of 3 Mini-Size Refuse Compactor Trucks - Jordan | - | - | - | 25 631 | (25 631) | - |
| Yarmouk - Construction of Palestine Health Center | - | - | - | 15 343 | - | 15 343 |
| Shelter Rehabilitation - Gaza | - | (35 517) | (35 517) | 38 851 | - | 3 334 |
| Graduate Training Programme - Gaza | - | - | - | 3 510 | - | 3 510 |
| Kindergarten in Khan Eshieh Women's Programme Centre | - | (958) | (958) | 1 212 | - | 254 |
| Expansion of UNRWA's Family Health Programme | - | (3 990) | (3 990) | 8 544 | - | 4 554 |
| Training for Siblin Training Centre Staff on Material Testing Laboratory | - | (1 017) | (1 017) | 1 317 | - | 299 |
| Siblin Training Centre - Upgrading of Equipment for 4 Building Courses | - | (1 732) | (1 732) | 1 576 | - | (156) |
| Replacement of Tools and Instruments in the Mechanical Section at Siblin Training Centre | - | (191) | (191) | 553 | - | 362 |
| Equipping and Furnishing of Wadi Seer Training Centre - Jordan | - | - | - | 1 692 | - | 1 692 |
| Construction of Main Sewer Line - Beach Camp; Gaza | - | - | - | 2 915 | (2 915) | - |

Appendix 3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|-----------|-------------|--|--|-----------------------------|---|
| Design of the Central and Nuseirat Pumping Stations | - | - | - | 80 044 | (80 044) | - |
| Siblin Training Centre - Completion of 2 Attic Roofs; Conversion of Dormitories into Specialized Rooms | - | - | - | 78 420 | (77 044) | 1 376 |
| Completion of Internal Sewerage System at Tulkarm Camp A | - | - | - | 14 953 | (14 953) | - |
| Shu'fat - Replacement of Overhead High Voltage Transmission Line with Underground Cable Network | - | - | - | 36 148 | (36 148) | - |
| Siblin Training Centre - Upgrading of Existing Equipment for the Laboratory Technician Course | - | (546) | (546) | 833 | - | 287 |
| Siblin Training Centre - Replacement of Workbenches of the Workshops | - | (11 831) | (11 831) | 12 378 | 59 | 605 |
| Short Term Building Courses - Siblin Training Centre | - | - | - | 1 148 | (59) | 1 089 |
| Construction of Sewer and Water Networks in Eight Palestinian Refugee Camps | 3 883 981 | (293 931) | 3 590 051 | 334 103 | - | 3 924 153 |
| Equipment and Miscellaneous Supplies for Mechanical/Metal and Computer Courses | - | (27 903) | (27 903) | 29 164 | - | 1 261 |
| Construction and Equipment for Maintenance Fitter Machinist | - | (236) | (236) | 237 | (1) | - |
| Upgrading of Garbage Disposal - West Bank | - | - | - | 1 004 888 | (1 004 888) | - |
| Upgrading Municipal Refuse Collection and Disposal System - Gaza | - | - | - | 220 991 | (220 991) | - |
| Construction and Equipping of 12 Classrooms at Nuseirat Preparatory A Girls School | - | (143 968) | (143 968) | 201 801 | - | 57 833 |
| Construction and Equipping of 7 Classrooms and 2 Handicrafts Units at Jabalia Preparatory C Boys School | - | (199 440) | (199 440) | 278 140 | - | 78 700 |
| Replacement of Dilapidated Blocks at Arroub Boys School | - | (706 534) | (706 534) | 962 361 | - | 255 826 |
| Construction, Furnishing and Equipping Two Specialized Rooms at Dier Ammar Girls School | - | (234 816) | (234 816) | - | 232 699 | (2 118) |
| Equipping the Computer Workshop at Beit Ula Girls School | - | (5 154) | (5 154) | 7 175 | - | 2 021 |
| Equipping the Computer Workshop at Beit Ula Girls School | - | (19 247) | (19 247) | 22 621 | - | 3 374 |
| Equipment for Two Siblin Training Centre Courses, Sheet Metal and Aluminium Fabricator & Welder & Pipe Fabricator | - | (14 067) | (14 067) | 14 136 | - | 69 |
| Training Health Care Staff in Epidemiology, Reproductive Health Counseling | - | (2 107) | (2 107) | 56 632 | (54 525) | - |
| Construction and Furnishing of Fifteen Classrooms at Bani Suhaila Preparatory and Elementary Boy's School, Gaza | 1 664 | (241 582) | (239 918) | - | 261 256 | 21 339 |

A/59/5/Add.3

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|---|------------------|--------------------|--|--|-----------------------------|---|
| Rehabilitation of Roads at Siblin Training Centre | - | - | - | 138 | - | 138 |
| Various Projects in Gaza | 76 632 | - | 76 632 | - | - | 76 632 |
| Peace Implementation Programme Total | 4 626 900 | (5 523 289) | (896 390) | 10 159 601 | (3 929 037) | 5 334 175 |
| Lebanon Appeal : | | | | | | |
| Shelter Rehabilitation - Beddawi Camp | - | (7 310) | (7 310) | 7 310 | - | - |
| Mechanization of Solid waste Collection and Disposal Systems | - | (15 665) | (15 665) | 16 655 | - | 990 |
| Construction and Furnishing of Rashidieh Secondary School Al-Aqsa School | - | (171 870) | (171 870) | 271 356 | (98 354) | 1 133 |
| Short Term Courses at Siblin Training Centre | - | (48 904) | (48 904) | 69 738 | (20 978) | (144) |
| Running Costs of new computer courses at Siblin Training Centre | - | (21 934) | (21 934) | 41 325 | - | 19 391 |
| Upgrading of Equipment for Electrical/Electronic Courses at Siblin Training Centre | - | - | - | 44 366 | (44 366) | - |
| Medical Supplies for Rashidiah Health Centre | - | (3 705) | (3 705) | 4 301 | - | 596 |
| Shelter Rehabilitation | 147 638 | - | 147 638 | (140 451) | (7 187) | - |
| Upgrading the Equipment of Maintenance and Fitter Machinist Course at Siblin Training Centre, Lebanon | - | (44 366) | (44 366) | - | 44 366 | - |
| Construction and Equipping of six Classrooms at Sammou School in Ein- El-Hilweh Camp, Lebanon | - | (12 566) | (12 566) | - | 98 354 | 85 788 |
| Construction of Security Fence at Siblin Training Centre, Lebanon | - | (20 978) | (20 978) | - | 20 978 | - |
| Lebanon Appeal Total | 147 638 | (347 298) | (199 660) | 314 601 | (7 187) | 107 754 |
| Income Generation Programme : | | | | | | |
| Income Generation Programme, Agency Wide - Running Costs | 282 807 | (121 168) | 161 640 | 135 515 | 113 | 297 268 |
| Poverty Alleviation Programme, West Bank (Prefix K1) | 654 | - | 654 | 26 266 | - | 26 920 |
| Income Generating Programme related to Self-Supporting Projects Grants Funded from GF | 3 358 | (392) | 2 966 | - | - | 2 966 |
| Credit & Skill Training for IGP and Employment of Palestinian Women in Lebanon | 60 000 | (60 000) | - | - | - | - |
| RSSD Microfinance and Poverty Alleviation Project | 1 323 | (34 161) | (32 838) | - | 100 000 | 67 162 |
| Income Generation Programme Total | 348 142 | (215 720) | 132 421 | 161 781 | 100 113 | 394 316 |

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|--|--------|------------------|--|--|-----------------------------|---|
| Capital & Special Projects : | | | | | | |
| Production of Mrs. Abu Risheh book for children | - | (1 815) | (1 815) | 1 904 | (89) | - |
| Environmental Sanitation Projects agency wide | - | - | - | 179 848 | - | 179 848 |
| Dheisheh Community Centre | - | - | - | 3 052 | - | 3 052 |
| Scholarships | - | - | - | 1 630 | - | 1 630 |
| Reconstruction of two sanitation offices in Khan Younis & Raffah | - | - | - | 1 | (1) | - |
| Equip for Diesel mechanic courses/Upgrading of the workshop at DTC | - | - | - | 37 259 | (37 259) | - |
| Hama Camp Community Rehabilitation Programme | - | - | - | 861 | - | 861 |
| Running costs of the existing 4 kindergartens in Lebanon. | - | - | - | 2 175 | - | 2 175 |
| University scholarships | - | (142 877) | (142 877) | 142 856 | 21 | - |
| Various Urgent Projects | - | - | - | 26 669 | - | 26 669 |
| University Scholarship Programme | - | (2 900) | (2 900) | 2 900 | 1 | - |
| University Scholarship Programme | - | (5 565) | (5 565) | 5 565 | - | - |
| Junior Professional Officer; Ms. Paola Cirrillo | - | - | - | 5 575 | (5 575) | - |
| 1st Year; Junior Professional Officer; Philippe Grandit; Ext. Relations & Projects Officer | - | - | - | 4 731 | (26) | 4 705 |
| Assistant to Field Administration Officer; P1 | - | - | - | 7 689 | - | 7 689 |
| French Junior Professional Officer; Ms. Marie-Anne Menier | - | - | - | 16 860 | (16 860) | - |
| URS Coordinator | - | - | - | (570) | 570 | - |
| Provision of Contraceptive Supplies, Agency Wide | - | - | - | 2 284 | - | 2 284 |
| Junior Professional Officer | - | - | - | 18 308 | - | 18 308 |
| Junior Professional Officers | - | - | - | 1 346 | - | 1 346 |
| Capital & Special Projects Total | - | (153 157) | (153 157) | 460 944 | (59 219) | 248 568 |
| Expanded Programme of Assistance : | | | | | | |
| Expanded Maternal health Programme in Gaza | - | - | - | 62 465 | - | 62 465 |
| Expanded Maternal Health in the WB | - | - | - | 72 | (72) | - |
| Construction and Connection of Sewerage Systems | - | - | - | 280 313 | - | 280 313 |
| Running Costs of Electric Generator | - | - | - | 4 896 | - | 4 896 |
| Development and Commissioning of a School of Nursing B | - | - | - | 39 687 | - | 39 687 |

| PROJECTS | Income | Expenditure | SURPLUS (DEFICIT) FOR THE PERIOD | Fund Balance as at 01 January 2002 | Prior Years' Adjustments | FUND BALANCE AS AT 31 DECEMBER 2003 |
|--|--------------------|----------------------|--|--|-----------------------------|---|
| Orthopedic Surgeon - Donation In-kind | - | - | - | 10 243 | (10 243) | - |
| Income Generating Projects in Jordan; West Bank & GAZA | - | - | - | 5 046 | - | 5 046 |
| WPC-Health and Education West Bank | - | - | - | 17 069 | - | 17 069 |
| Construction & Equipping of 4 Pre-fabricated classrooms - Gaza | - | - | - | 28 | (28) | - |
| 6 Ambulances; Equipment & Training - Gaza | - | - | - | 165 790 | - | 165 790 |
| Women Programme Center - WB | - | - | - | 630 | - | 630 |
| Relief, Medical and Training - Gaza & West Bank | - | - | - | 9 703 | - | 9 703 |
| Salary RHO - WB | - | - | - | 994 | - | 994 |
| Cost of Vehicles | - | - | - | 2 853 | - | 2 853 |
| Upgrading of East Jerusalem Health Clinic | - | - | - | 463 | - | 463 |
| Training of Medical Staff | - | - | - | 5 857 | - | 5 857 |
| Dental Unit for Raffah Health centre | - | - | - | 15 193 | - | 15 193 |
| Upgrading of East Jerusalem Health Center | - | - | - | 2 556 | - | 2 556 |
| Procurement of urgently needed equipment for 3 Courses at KTC | - | - | - | 21 231 | - | 21 231 |
| AIDS (IEC) Training Courses | - | - | - | 2 404 | - | 2 404 |
| Upgrading of Pumping Stations No. 1 & 2 at Beach Camp | - | - | - | 114 128 | (114 128) | - |
| Al Ahli Hospital , Gaza | - | - | - | 5 532 | - | 5 532 |
| Women's Programme Centre in Daraj, Gaza | - | - | - | 573 | - | 573 |
| Expanded Programme of Assistance Total | - | - | - | 767 726 | (124 471) | 643 255 |
| | | | | | | |
| Head Quarters Move to Gaza | - | - | - | (5 091 973) | - | (5 091 973) |
| | | | | | | |
| Total Projects | 17 512 572 | (33 926 937) | (16 414 364) | 32 524 227 | (593 641) | 15 516 221 |
| | | | | | | |
| TOTAL NON-REGULAR BUDGET FUNDS | 211 385 711 | (218 889 353) | (7 503 642) | 81 569 233 | (866 433) | 73 199 157 |
| | | | | | | |
| Microfinanace and Microenterprise Programme | 2 068 537 | (4 043 985) | (1 975 448) | (846 094) | 17 362 | (2 804 180) |
| | | | | | | |
| TOTAL ALL FUNDS | 848 033 527 | (824 598 908) | 23 434 618 | 98 547 659 | (4 794 891) | 107 187 389 |

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

**DONOR CONTRIBUTIONS AND
OUTSTANDING CONFIRMED PLEDGES
For The Biennium 2002-2003
(in USD)**

(A) INCOME BY DONOR:

| Biennium 2000-2001 | DONOR | REGULAR BUDGET FUNDS | | | NON-REGULAR BUDGET FUNDS | | | GRAND TOTAL |
|-----------------------|---------------------|----------------------|-----------|------------|--------------------------|-----------|-----------|----------------|
| | | Cash | In-Kind | Total | Emergency Appeal | Projects | Total | |
| | Governments: | | | | | | | |
| 4 753 521 | Australia | 4 317 000 | 400 | 4 317 400 | 993 560 | 133 660 | 1 127 220 | 5 444 620 |
| 984 131 | Austria | 1 223 126 | - | 1 223 126 | 356 295 | - | 356 295 | 1 579 421 |
| 75 000 | Bahrain | 60 000 | - | 60 000 | - | - | - | 60 000 |
| 4 862 176 | Belgium | 1 415 024 | 2 716 251 | 4 131 275 | 2 325 368 | 820 849 | 3 146 217 | 7 277 492 |
| 10 000 | Brunei Darussalam | 20 000 | - | 20 000 | - | - | - | 20 000 |
| 20 482 824 | Canada | 13 091 975 | - | 13 091 975 | 1 935 908 | - | 1 935 908 | 15 027 883 |
| 10 000 | Chile | 5 000 | - | 5 000 | - | - | - | 5 000 |
| 120 000 | China | 119 985 | - | 119 985 | - | - | - | 119 985 |
| 4 915 | Colombia | - | - | - | - | - | - | - |
| 25 000 | Cyprus | 42 750 | - | 42 750 | 18 310 | - | 18 310 | 61 060 |
| 51 843 | Czech Republic | 66 450 | - | 66 450 | 35 000 | - | 35 000 | 101 450 |
| 18 269 821 | Denmark | 13 817 065 | - | 13 817 065 | 3 483 848 | 287 952 | 3 771 800 | 17 588 865 |
| 154 230 | Egypt | 20 000 | - | 20 000 | - | - | - | 20 000 |
| 4 524 268 | Finland | 4 412 236 | - | 4 412 236 | 1 864 777 | - | 1 864 777 | 6 277 013 |
| 19 132 417 | France | 5 320 078 | 767 892 | 6 087 970 | 243 542 | 875 282 | 1 118 824 | 7 206 794 |
| 13 074 584 | Germany | 12 431 976 | 106 175 | 12 538 151 | 6 305 851 | 1 811 849 | 8 117 700 | 20 655 851 |
| 800 000 | Greece | 800 000 | - | 800 000 | - | - | - | 800 000 |
| 25 475 | Holy See | - | - | - | - | 73 000 | 73 000 | 73 000 |
| 7 000 | Iceland | 105 000 | - | 105 000 | - | - | - | 105 000 |
| 9 480 | India | 10 133 | - | 10 133 | - | - | - | 10 133 |
| 3 139 510 | Ireland | 2 542 650 | - | 2 542 650 | 3 451 817 | - | 3 451 817 | 5 994 467 |
| 17 252 066 | Italy | 17 843 602 | 2 320 | 17 845 922 | 390 109 | 1 352 101 | 1 742 210 | 19 588 132 |
| 27 119 537 | Japan | 8 211 248 | 8 945 182 | 17 156 430 | 2 529 526 | 849 351 | 3 378 877 | 20 535 307 |
| 172 672 | Jordan | - | 649 396 | 649 396 | - | - | - | 649 396 |
| 200 000 | Korea, Republic Of | 200 000 | - | 200 000 | - | - | - | 200 000 |
| 3 503 407 | Kuwait | 2 999 946 | - | 2 999 946 | - | - | - | 2 999 946 |
| 38 153 | Lebanon | - | 22 840 | 22 840 | - | - | - | 22 840 |
| 3 488 761 | Luxembourg | 3 146 977 | - | 3 146 977 | 762 771 | 452 112 | 1 214 883 | 4 361 860 |
| 1 000 000 | Libya | - | - | - | - | - | - | - |
| 75 210 | Malaysia | 50 000 | - | 50 000 | - | - | - | 50 000 |
| 2 000 | Maldives | 2 000 | - | 2 000 | - | - | - | 2 000 |
| 6 000 | Malta | - | - | - | - | - | - | - |
| 9 000 | Mexico | 2 913 | - | 2 913 | - | - | - | 2 913 |
| 10 000 | Monaco | 10 000 | - | 10 000 | - | - | - | 10 000 |
| 20 053 | Morocco | 45 923 | - | 45 923 | - | - | - | 45 923 |

| Biennium 2000-2001 | DONOR | REGULAR BUDGET FUNDS | | | NON-REGULAR BUDGET FUNDS | | | GRAND TOTAL |
|-----------------------|--|----------------------|-------------------|--------------------|--------------------------|-------------------|--------------------|--------------------|
| | | Cash | In-Kind | Total | Emergency Appeal | Projects | Total | |
| 41 243 625 | Netherlands | 23 671 685 | - | 23 671 685 | 2 458 210 | 254 205 | 2 712 415 | 26 384 100 |
| 318 935 | New Zealand | 284 456 | - | 284 456 | 405 781 | - | 405 781 | 690 237 |
| 25 766 623 | Norway | 25 403 037 | - | 25 403 037 | 6 896 230 | - | 6 896 230 | 32 299 267 |
| 25 000 | Oman | 25 000 | - | 25 000 | - | - | - | 25 000 |
| 2 921 051 | Palestine | 57 829 | 3 767 910 | 3 825 739 | - | - | - | 3 825 739 |
| - | Poland | 40 000 | - | 40 000 | - | - | - | 40 000 |
| 25 000 | Portugal | 225 000 | - | 225 000 | - | - | - | 225 000 |
| 70 000 | Qatar | 70 000 | - | 70 000 | - | - | - | 70 000 |
| 12 985 367 | Saudi Arabia | 3 600 000 | - | 3 600 000 | 10 000 000 | - | 10 000 000 | 13 600 000 |
| 64 944 | South Africa | 147 000 | - | 147 000 | - | - | - | 147 000 |
| 7 138 502 | Spain | 6 494 651 | - | 6 494 651 | - | - | - | 6 494 651 |
| 35 378 470 | Sweden | 37 174 199 | - | 37 174 199 | 7 628 627 | - | 7 628 627 | 44 802 826 |
| 13 419 135 | Switzerland | 10 849 903 | - | 10 849 903 | 4 185 799 | 844 230 | 5 030 029 | 15 879 932 |
| 85 732 | Syrian Arab Republic | - | 61 634 | 61 634 | - | - | - | 61 634 |
| - | Thailand | 30 000 | - | 30 000 | - | - | - | 30 000 |
| 34 981 | Tunisia | 20 810 | - | 20 810 | - | - | - | 20 810 |
| 612 815 | Turkey | 400 000 | - | 400 000 | 199 950 | - | 199 950 | 599 950 |
| 1 000 000 | United Arab Emirates | 1 000 000 | - | 1 000 000 | 1 776 199 | - | 1 776 199 | 2 776 199 |
| 68 543 858 | United Kingdom | 40 908 706 | 1 400 000 | 42 308 706 | 20 507 435 | 968 646 | 21 476 081 | 63 784 787 |
| 212 177 170 | United States Of America | 172 750 267 | 218 049 | 172 968 316 | 76 185 212 | 4 534 400 | 80 719 612 | 253 687 928 |
| 565 224 259 | Total Governments | 415 485 600 | 18 658 051 | 434 143 651 | 154 940 125 | 13 257 637 | 168 197 762 | 602 341 413 |
| 480 000 | Inter-Governmental Organizations: Arab Fund for Economic and Social Development (AFESD) | - | - | - | - | - | - | - |
| 387 500 | Arab Gulf Programme for United Nations Development Organizations (AGFUND) | - | - | - | 379 000 | 40 000 | 419 000 | 419 000 |
| 168 749 417 | European Union | 136 157 865 | 9 743 106 | 145 900 971 | 14 199 049 | 3 195 944 | 17 394 993 | 163 295 964 |
| 5 000 000 | Islamic Development Bank (IDB) | - | - | - | - | 76 000 | 76 000 | 76 000 |
| 174 616 916 | Total IGOs | 136 157 865 | 9 743 106 | 145 900 971 | 14 578 049 | 3 311 944 | 17 889 993 | 163 790 964 |
| 25 600 000 | UN Organizations: United Nations | 29 386 657 | - | 29 386 657 | - | - | - | 29 386 657 |
| 69 544 | UNDP | - | 17 507 | 17 507 | 393 115 | - | 393 115 | 410 622 |
| 910 736 | UNESCO | 242 761 | 420 759 | 663 520 | - | 30 000 | 30 000 | 693 520 |
| 1 094 069 | UNICEF | - | 280 389 | 280 389 | - | - | - | 280 389 |
| 639 000 | World Health Organization | 200 000 | 610 590 | 810 590 | 480 000 | - | 480 000 | 1 290 590 |
| 84 000 | Office for the Coordinator Of Humanitarian Affairs | - | - | - | - | - | - | - |
| - | ILO | - | - | - | - | 60 000 | 60 000 | 60 000 |
| - | OCHA | - | - | - | 156 245 | - | 156 245 | 156 245 |
| - | UNFPA | - | 45 926 | 45 926 | 100 000 | - | 100 000 | 145 926 |
| - | UN Women's Guild | - | - | - | - | 5 998 | 5 998 | 5 998 |
| 28 397 349 | Total UN Organizations | 29 829 418 | 1 375 171 | 31 204 589 | 1 129 360 | 95 998 | 1 225 358 | 32 429 947 |

APPENDIX 4

| Biennium 2000-2001 | DONOR | REGULAR BUDGET FUNDS | | | NON-REGULAR BUDGET FUNDS | | | GRAND TOTAL |
|-----------------------|--|----------------------|---------|---------|--------------------------|----------|------------|----------------|
| | | Cash | In-Kind | Total | Emergency Appeal | Projects | Total | |
| | Non-Governmental Organizations: | | | | | | | |
| - | American Friends Service Committee, USA | - | 3 600 | 3 600 | - | - | - | 3 600 |
| 21 479 | ANERA | - | 5 752 | 5 752 | - | - | - | 5 752 |
| 2 000 | Arab Cultural Association In Tokyo | - | - | - | - | - | - | - |
| 60 417 | CARE International | - | 36 275 | 36 275 | - | - | - | 36 275 |
| 70 837 | Children International | - | 15 000 | 15 000 | - | - | - | 15 000 |
| - | CISCO Press | - | 13 750 | 13 750 | - | - | - | 13 750 |
| 33 947 | Danish Refugee Council | - | - | - | - | - | - | - |
| 8 433 | Deutsche Stiftung | - | - | - | - | 29 548 | 29 548 | 29 548 |
| - | Direct Relief International | - | 350 920 | 350 920 | - | - | - | 350 920 |
| 58 044 | Egyptian Red Crescent Society | - | - | - | 1 058 306 | - | 1 058 306 | 1 058 306 |
| - | Focus International | - | - | - | 14 068 | - | 14 068 | 14 068 |
| - | French Cultural Centre | - | 2 200 | 2 200 | - | - | - | 2 200 |
| - | Hashemite Fund | - | 5 650 | 5 650 | - | - | - | 5 650 |
| 564 587 | Holy Land Christian Mission | - | 353 | 353 | - | - | - | 353 |
| - | Hope Haven International | - | - | - | 6 000 | - | 6 000 | 6 000 |
| - | International Committee of the Red Cross | - | 10 395 | 10 395 | - | - | - | 10 395 |
| - | Islamic Cultural Center, Kuwait | - | - | - | 10 000 | - | 10 000 | 10 000 |
| - | Japan International Cooperation Agency (JICA) | - | 6 150 | 6 150 | - | - | - | 6 150 |
| 2 857 | Japan Women's Association for the Middle East & Africa | 5 433 | - | 5 433 | - | - | - | 5 433 |
| 50 000 | King Hussein Foundation | - | - | - | - | - | - | - |
| - | Lutheran World Relief, USA | - | 617 082 | 617 082 | - | - | - | 617 082 |
| 114 183 | Movimondo | - | - | - | - | - | - | - |
| - | Nour International Relied Aid | - | - | - | 48 513 | - | 48 513 | 48 513 |
| - | Palestine Right to Return Coalition | - | - | - | 27 600 | - | 27 600 | 27 600 |
| - | OPEC | - | - | - | - | 70 000 | 70 000 | 70 000 |
| - | Red Crescent Society, Ramallah | - | 155 | 155 | - | - | - | 155 |
| - | Red Crescent Society, UAE | - | - | - | 11 844 031 | - | 11 844 031 | 11 844 031 |
| - | Response International | - | - | - | - | 142 708 | 142 708 | 142 708 |
| - | Right to Play, Canada | - | - | - | - | 167 000 | 167 000 | 167 000 |
| 757 217 | Rissho Kosei-Kai, Japan (RKK) | - | 337 972 | 337 972 | - | 24 927 | 24 927 | 362 900 |
| - | SAGAMIHARA Green Rotary Club | - | - | - | - | 1 667 | 1 667 | 1 667 |
| - | Saudi Committee | - | - | - | 1 164 000 | - | 1 164 000 | 1 164 000 |
| 365 | Save The Children Fund, Uk | - | - | - | - | - | - | - |
| - | Society of Friends of RCVI, Gaza | - | 9 235 | 9 235 | - | - | - | 9 235 |
| 22 000 | Swiss & German Aid Caritas, Switzerland | - | - | - | - | - | - | - |
| - | Syrian Arab Popular Committee | - | - | - | 3 538 276 | - | 3 538 276 | 3 538 276 |
| 595 | The British Council | - | - | - | - | - | - | - |
| - | The Islamic American Relief Agency | - | - | - | 60 000 | - | 60 000 | 60 000 |
| - | United Arab Emirates Friends Society | - | - | - | 99 982 | - | 99 982 | 99 982 |
| - | United Arab Emirates RCA | - | - | - | 2 619 183 | - | 2 619 183 | 2 619 183 |
| 5 250 | Univ.Trust For Educ. Exchange With Pales | - | - | - | - | - | - | - |
| 17 426 | US Based NGO | - | - | - | - | - | - | - |

| Biennium 2000-2001 | DONOR | REGULAR BUDGET FUNDS | | | NON-REGULAR BUDGET FUNDS | | | GRAND TOTAL |
|-----------------------|---|----------------------|-------------------|--------------------|--------------------------|-------------------|--------------------|--------------------|
| | | Cash | In-Kind | Total | Emergency Appeal | Projects | Total | |
| 20 767 | Welfare Association | - | - | - | - | - | - | - |
| 47 250 | World Vision International, Lebanon | - | - | - | - | - | - | - |
| 1 857 653 | Total Non-Governmental Organizations | 5 433 | 1 414 493 | 1 419 926 | 20 489 957 | 435 852 | 20 925 809 | 22 345 735 |
| 1 626 403 | Other Resources | 160 286 | 912 706 | 1 072 992 | 1 257 283 | 123 000 | 1 380 283 | 2 453 275 |
| 771 722 580 | TOTAL CONTRIBUTIONS INCOME | 581 638 602 | 32 103 527 | 613 742 128 | 192 394 774 | 17 224 431 | 209 619 205 | 823 361 333 |

(B) OUTSTANDING PLEDGES BY DONOR:

| Biennium 2000-2001 | | | DONOR | REGULAR BUDGET FUNDS | | | NON-REGULAR BUDGET FUNDS | | | GRAND |
|--------------------|--------------------|------------|---|----------------------|---------|------------|--------------------------|------------|------------|------------|
| Regular Budget | Non-Regular Budget | Total | | Cash | In-Kind | Total | Emergency Appeal | Projects | Total | TOTAL |
| 186 800 | - | 186 800 | Governments: | | | | | | | |
| 218 216 | 1 125 786 | 1 344 002 | Australia | - | - | - | - | - | - | - |
| - | 892 791 | 892 791 | Belgium | 797 750 | - | 797 750 | - | 820 849 | 820 849 | 1 618 599 |
| - | - | - | Canada | - | - | - | - | - | - | - |
| - | - | - | Chile | 5 000 | - | 5 000 | - | - | - | 5 000 |
| - | 360 395 | 360 395 | Denmark | - | - | - | - | - | - | - |
| - | 2 579 630 | 2 579 630 | France | - | - | - | - | - | - | - |
| - | 910 581 | 910 581 | Germany | - | - | - | 624 220 | - | 624 220 | 624 220 |
| 4 727 | - | 4 727 | India | 4 971 | - | 4 971 | - | - | - | 4 971 |
| 2 727 765 | 2 759 344 | 5 487 109 | Italy | - | - | - | 96 506 | 1 248 439 | 1 344 945 | 1 344 945 |
| - | 260 252 | 260 252 | Japan | - | - | - | 1 134 392 | - | 1 134 392 | 1 134 392 |
| 1 500 000 | - | 1 500 000 | Kuwait | 3 258 230 | - | 3 258 230 | - | - | - | 3 258 230 |
| - | 220 742 | 220 742 | Luxembourg | - | - | - | 357 604 | - | 357 604 | 357 604 |
| 1 000 000 | - | 1 000 000 | Libya | - | - | - | - | - | - | - |
| 20 053 | - | 20 053 | Morocco | - | - | - | - | - | - | - |
| - | 2 229 694 | 2 229 694 | Netherlands | - | - | - | - | 183 753 | 183 753 | 183 753 |
| - | 559 284 | 559 284 | Norway | - | - | - | - | - | - | - |
| - | - | - | Palestine | 57 829 | - | 57 829 | - | - | - | 57 829 |
| - | 6 814 891 | 6 814 891 | Saudi Arabia | - | - | - | 10 000 000 | - | 10 000 000 | 10 000 000 |
| - | 161 564 | 161 564 | Switzerland | - | - | - | - | 19 981 | 19 981 | 19 981 |
| - | - | - | Tunisia | 9 524 | - | 9 524 | - | - | - | 9 524 |
| 500 000 | - | 500 000 | United Arab Emirates | - | - | - | 1 776 199 | - | 1 776 199 | 1 776 199 |
| - | 3 732 080 | 3 732 080 | United Kingdom | - | - | - | 1 879 290 | 976 909 | 2 856 199 | 2 856 199 |
| - | 8 095 830 | 8 095 830 | United States Of America | - | - | - | - | - | - | - |
| 6 157 561 | 30 702 864 | 36 860 425 | Total Governments | 4 133 304 | - | 4 133 304 | 15 868 211 | 3 249 931 | 19 118 142 | 23 251 446 |
| - | 333 539 | 333 539 | Inter-Governmental Organizations: | | | | | | | |
| - | 100 000 | 100 000 | Arab Fund for Economic and Social Development (AFESD) | - | - | - | - | - | - | - |
| - | 48 955 238 | 48 955 238 | Arab Gulf Programme for United Nations Development Organizations (AGFUND) | - | - | - | 210 000 | 191 000 | 401 000 | 401 000 |
| 17 259 859 | (12 259 859) | 5 000 000 | European Union | 5 523 333 | - | 5 523 333 | 9 017 155 | 7 651 644 | 16 668 799 | 22 192 132 |
| - | - | - | Islamic Development Bank (IDB) | - | - | - | - | 76 000 | 76 000 | 76 000 |
| 17 259 859 | 37 128 918 | 54 388 777 | Total IGOs | 5 523 333 | - | 5 523 333 | 9 227 155 | 7 918 644 | 17 145 799 | 22 669 132 |
| - | - | - | UN Organizations: | | | | | | | |
| - | - | - | United Nations | 546 657 | - | 546 657 | - | - | - | 546 657 |
| - | - | - | UNESCO | 44 287 | - | 44 287 | - | - | - | 44 287 |
| - | - | - | Total UN Organizations | 590 944 | - | 590 944 | - | - | - | 590 944 |
| - | 77 556 | 77 556 | Non-Governmental Organizations: | | | | | | | |
| - | - | - | Movimondo | - | - | - | - | - | - | - |
| - | - | - | OPEC | - | - | - | - | 70 000 | 70 000 | 70 000 |
| - | - | - | Response International | - | - | - | - | 85 200 | 85 200 | 85 200 |
| - | - | - | Right to Play, Canada | - | - | - | - | 142 800 | 142 800 | 142 800 |
| - | - | - | Saudi Committee | - | - | - | 1 164 000 | - | 1 164 000 | 1 164 000 |
| - | - | - | Syrian Arab Popular Committee | - | - | - | 699 029 | - | 699 029 | 699 029 |
| - | - | - | United Arab Emirates RCA | - | - | - | 2 619 183 | - | 2 619 183 | 2 619 183 |
| - | 13 709 | 13 709 | Welfare Association | - | - | - | - | - | - | - |
| - | 91 265 | 91 265 | Total Non-Governmental Organizations | - | - | - | 4 482 212 | 298 000 | 4 780 212 | 4 780 212 |
| 23 417 420 | 67 923 047 | 91 340 467 | TOTAL OUTSTANDING CONFIRMED PLEDGES | 10 247 581 | - | 10 247 581 | 29 577 578 | 11 466 575 | 41 044 153 | 51 291 734 |

**UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST**

**GENERAL FUND
PRODUCTION UNITS AND CANTEEN REVENUES
For The Biennium 2002-2003
(in USD)**

| | Schools Contributions & Canteen Revenues | Production Units | | | | GRAND TOTAL |
|----------------------|---|------------------|------------------|-----------------|------------------|------------------|
| | | Contracting | Carpentry | Embroidery | Total | |
| GAZA: | | | | | | |
| Sales(Income) | 774 996 | 2 503 213 | 2 137 573 | 141 454 | 4 782 241 | 5 557 237 |
| Cost of Sales | 751 877 | 2 398 173 | 1 927 349 | 183 323 | 4 508 845 | 5 260 722 |
| Net income | 23 119 | 105 040 | 210 224 | (41 868) | 273 396 | 296 515 |
| LEBANON: | | | | | | |
| Sales(Income) | 601 442 | | | | - | 601 442 |
| Cost of Sales | 557 437 | | | | - | 557 437 |
| Net income | 44 005 | - | - | - | - | 44 005 |
| SAR: | | | | | | |
| Sales(Income) | 300 909 | | | | - | 300 909 |
| Cost of Sales | 190 674 | | | | - | 190 674 |
| Net income | 110 235 | - | - | - | - | 110 235 |
| JORDAN: | | | | | | |
| Sales(Income) | 1 313 619 | | | | - | 1 313 619 |
| Cost of Sales | 1 304 367 | | | | - | 1 304 367 |
| Net income | 9 252 | - | - | - | - | 9 252 |
| W.B.: | | | | | | |
| Sales(Income) | 362 015 | | | | - | 362 015 |
| Cost of Sales | 398 469 | | | | - | 398 469 |
| Net income | (36 454) | - | - | - | - | (36 454) |
| TOTALS : | | | | | | |
| Sales(Income) | 3 352 981 | 2 503 213 | 2 137 573 | 141 454 | 4 782 241 | 8 135 222 |
| Cost of Sales | 3 202 824 | 2 398 173 | 1 927 349 | 183 323 | 4 508 845 | 7 711 669 |
| Net income | 150 157 | 105 040 | 210 224 | (41 868) | 273 396 | 423 553 |

C. Financial statements of the microfinance and microenterprise programme

STATEMENT A

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

MICROFINANCE AND MICROENTERPRISE PROGRAMME BALANCE SHEET As at 31 December 2003 (in USD)

| YEAR 2002 | PARTICULARS | Note | YEAR 2003 |
|-------------------|---|------|-------------------|
| | <u>ASSETS</u> | | |
| | Current Assets : | | |
| 9 020 302 | Cash on Hand and Deposits with Banks | 3 | 6 324 601 |
| 57 547 | Contribution Receivable | | - |
| 2 085 745 | Loans Receivable, net | 4 | 3 901 481 |
| 341 | Prepayments and Other Receivables | | 334 |
| 11 163 935 | | | 10 226 416 |
| 187 193 | Fixed Assets, net of Accumulated Depreciation | 5 | 171 309 |
| 11 351 128 | Total Assets | | 10 397 725 |
| | <u>LIABILITIES, NET ASSETS AND SHARE CAPITAL</u> | | |
| | Current Liabilities : | | |
| 77 516 | Payables and Accruals | | 43 932 |
| - | Inter-Office Accounts | | - |
| 161 073 | Bills Payable to UNRWA | 6 | 26 547 |
| 500 000 | UNRWA's Contribution to MMP | 7 | - |
| 738 589 | Total Liabilities | | 70 479 |
| | Net Assets: | | |
| (2 640 010) | General Undesignated | | (2 926 367) |
| - | Temporary Restricted | 8 | - |
| 144 521 | Board Designated Fund | 9 | 122 187 |
| - | Temporary Restricted | | - |
| 13 108 028 | Revolving Loan Fund | 10 | 13 131 426 |
| 10 612 539 | Total Net Assets (Statement - C) | | 10 327 246 |
| 11 351 128 | Total Liabilities and Net Assets | | 10 397 725 |

STATEMENT B

**UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST**

**MICROFINANCE AND MICROENTERPRISE PROGRAMME
STATEMENT OF OPERATING ACTIVITIES
For the Year Ended 31 December 2003
(in USD)**

| YEAR 2002 | PARTICULARS | Note | YEAR 2003 |
|--------------------|--|------|------------------|
| | Operating Revenues: | | |
| 708 942 | Interest Received on Loans | | 868 354 |
| 408 760 | Recovery of Written Off Loans | | 836 308 |
| 161 886 | Bank Interest | | 91 749 |
| 1 279 588 | | | 1 796 411 |
| (1 138 377) | Releases (Additional Provision) for Loan Losses | 4.3 | 55 009 |
| 141 211 | Total Operating Revenues | | 1 851 420 |
| | Operating Expenses: | | |
| 1 376 724 | Salaries and Related Expenses | | 1 575 331 |
| 56 762 | Special Service Contracts | | 90 550 |
| 20 000 | Audit Fees | | 43 500 |
| 115 942 | Occupancy | | 136 213 |
| 51 007 | Communication | | 61 839 |
| 5 436 | Stationery and Supplies | | 7 831 |
| 37 283 | Minor Equipment and Maintenance | | 31 846 |
| 36 356 | Travel and Transportation | | 70 143 |
| 52 349 | Depreciation | | 60 117 |
| 7 848 | Loss (Gain) on Exchange Differences | | (5 235) |
| - | Program Support Cost | | 48 327 |
| 6 871 | Others | | 17 315 |
| 1 766 578 | Total Operating Expenses | | 2 137 777 |
| | | | |
| (1 625 367) | Operating Loss for the Year (Statement - C) | | (286 357) |

**UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST**

**MICROFINANCE AND MICROENTERPRISE PROGRAMME
STATEMENT OF ACTIVITIES IN RESTRICTED FUNDS
AND CHANGES IN NET ASSETS
For the Year Ended 31 December 2003
(in USD)**

| PARTICULARS | Unrestricted Fund | Temporary Restricted | Board Designated | Revolving Loan Fund | Total |
|--|------------------------------|---------------------------------|-----------------------------|--------------------------------|--------------|
| Net Assets at Beginning of Year | (2 640 010) | - | 144 521 | 13 108 028 | 10 612 539 |
| Operating Loss for the Year (Statement - B) | (286 357) | - | - | - | (286 357) |
| Non-operating Revenues: | - | - | - | - | - |
| Training Unit Revenues | - | - | 48 220 | - | 48 220 |
| Training Unit Expenses | - | - | (77 156) | - | (77 156) |
| Releases to procure Fixed Assets | - | - | - | - | - |
| AG Fund | - | - | 30 000 | - | 30 000 |
| AG Fund- MEC Loans Issued | - | - | (23 398) | 23 398 | - |
| Net Assets at End of Year (Statement - A) | (2 926 367) | - | 122 187 | 13 131 426 | 10 327 246 |

**UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST**

**MICROFINANCE AND MICROENTERPRISE PROGRAMME
STATEMENT OF CASH FLOW
For the Year Ended 31 December 2003
(in USD)**

| YEAR 2002 | PARTICULARS | YEAR 2003 |
|------------------|--|--------------------|
| | Cash Flows from Operating Activities: | |
| 60 000 | Contributions Received | 87 547 |
| 1 309 887 | Interest on Loans and Other Revenues | 1 844 631 |
| (2 194 168) | Cash Paid to Employees and Suppliers | (2 322 919) |
| (824 281) | Net cash provided by operating activities | (390 741) |
| | Cash Flows from Financing Activities: | |
| - | Payment of Loans | (500 000) |
| - | Net cash provided by Financing activities | (500 000) |
| | Cash Flows from Investing Activities: | |
| (76 121) | Procurement of Fixed Assets | (44 233) |
| (5 151 528) | Loans Extended | (8 744 224) |
| 5 530 528 | Loans' Collections | 6 983 497 |
| 302 879 | Net cash provided by Investing activities | (1 804 960) |
| (521 402) | Increase in Cash and Banks During the Period | (2 695 701) |
| 9 541 704 | Cash at Beginning of the Year | 9 020 302 |
| 9 020 302 | Cash on Hand and Deposits With Banks at end of Year | 6 324 601 |
| | Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | |
| (1 589 394) | Change in Net Assets | (285 293) |
| 1 138 377 | Provision for Loans Losses | (55 009) |
| 52 349 | Depreciation | 60 117 |
| (20 114) | Decrease (Increase) in Contribution Receivable | 57 547 |
| 7 135 | Decrease (Increase) in Prepaid Expenses | 7 |
| 57 516 | (Decrease) Increase in Payables and Accruals | (33 584) |
| (470 150) | (Decrease) Increase in Bills Payable to UNRWA | (134 526) |
| (824 281) | | (390 741) |

Notes to the microfinance and microenterprise programme financial statements

Note 1

Organization

Since June 1991, the UNRWA microfinance and microenterprise programme in the West Bank and Gaza has helped to promote small business development, create employment, improve the income of microenterprises and reduce poverty through the establishment of a number of targeted credit programmes aimed at small businesses, microenterprises and women. The programme is organized around three revolving loan funds in Gaza and two in the West Bank. It supports businesses varying in size from a micro-vending enterprise, employing just one or two individuals, to small industries, and aims to satisfy a variety of needs, such as capital funding and working capital financing.

The programme's funds are disbursed to borrowers under three credit programme categories: small-scale enterprise credit, solidarity-group lending and microenterprise credit.

The small-scale enterprise credit was the original credit instrument. Its objective is to provide small-scale enterprises with loans.

The microenterprise credit was introduced in Gaza in February 1996 and in the West Bank in March 1998 to meet the demand for working capital needs with existing micro and small-scale enterprises that were unable to secure credit from commercial institutions primarily because of a lack of required collateral.

Solidarity-group lending was introduced in Gaza in May 1994 to enable Palestinian women to participate in the local community.

The bank guarantee programme was established in 1993 through an agreement with Cairo Amman Bank. Under that agreement, UNRWA guaranteed each loan disbursed by its deposits. The Bank disbursed the loans upon instructions from intergovernmental organizations and UNRWA. This programme was in operation from 1993 to 1995.

The consumer-lending product was established in 2002 in the Gaza area. This product aims to help workers and employees to purchase household requirements through loans from the microfinance and microenterprise programme. Target clients are people who have a fixed monthly income.

During 2003 two new microfinance and microenterprise programme branches were established, in the Syrian Arab Republic (Yarmouk branch) and Jordan (Wehdat branch). The two branches disburse microenterprise credit loans only. Management is planning to introduce new products in 2004.

Note 2

Summary of significant accounting policies

The financial statements have been prepared in conformity with the International Accounting Standards on the accrual basis of accounting, except for interest accrued on unpaid loan principal, which is recognized as income on the date of receipt. A summary of significant accounting policies is described below.

2.1 Basis of presentation

Funds of the microfinance and microenterprise programme and changes therein are classified and reported as follows:

- Unrestricted net assets — utilization of net assets by the microfinance and microenterprise programme is not subject to donor-imposed restrictions.
- Temporary restricted net assets — net assets whose use by the microfinance and microenterprise programme is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and released by actions of the programme pursuant to those donor-imposed stipulations. Contributions receivable represent the amount of grants due from donors for expenses and costs incurred prior to 31 December 2001.
- Revolving loan fund — includes restricted contributions received for on-lending purposes, which were expended as loans.
- Board-designated fund — represents balances remaining from unrestricted prize money received from the Arab Gulf Programme for United Nations Development Organizations prize and course fees charged for business/management training conducted for entrepreneurs and managers to cover costs of the training unit. These were designated by the Board to cover the launch of a pilot consumer-lending product for the poor, the development of a management information system and training.
- Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporary restricted net assets are classified as non-operating revenues and are reported in the statement of activities of restricted funds and changes in net assets.

2.2 Loans receivable and allowance for loan losses

Loans are stated at the amount of outstanding principal reduced by an allowance for loan losses. Management provides for loan losses every quarter in order to maintain the allowance for loan losses at adequate levels. The adequacy of the allowance for loan losses is determined by applying defined percentages to the outstanding balances in various ageing categories, as follows:

| <i>Loan status</i> | <i>Allowance (percentage)</i> |
|----------------------|-------------------------------|
| 1-30 days overdue | 5 |
| 30-60 days overdue | 10 |
| 60-90 days overdue | 25 |
| 90-120 days overdue | 50 |
| 120-180 days overdue | 75 |
| 180-360 days overdue | 100 |

Outstanding loans that have been overdue for more than one year are automatically written off every quarter.

Interest on loans is recorded on the cash basis of accounting when repayments are received. Owing to the nature of the programme, the short maturity period of the portfolio and the conservative provisioning policy described above, the cash basis of accounting for interest revenue is not materially different from the accrual basis required under the International Accounting Standards.

2.3 Fixed assets

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful life of the respective assets, as follows:

| | |
|-------------------------|----------|
| Furniture and equipment | 10 years |
| Computers and printers | 3 years |
| Vehicles | 7 years |
| Leasehold improvements | 5 years |

2.4 Employee separation benefits

(a) *Provident Fund*

All area staff members of the UNRWA microfinance and microenterprise programme participate in the Provident Fund contributory scheme. Staff monthly contributions are set at 7.5 per cent of basic salary and the UNRWA share is set at 15 per cent. Under the Provident Fund rules, staff members are allowed to make additional voluntary contributions up to a maximum of 50 per cent of monthly payroll. All participants receive the lower of book or market value return on the Fund for the period of membership in the Fund. The Provident Fund is administered by the Provident Fund secretariat, with supervision and guidance provided by two committees, the Provident Fund Committee and the Investment Advisory Committee.

(b) *End-of-service benefits*

UNRWA staff are categorized under three categories of employment. These are:

- A category: staff contracted before 1990
- X category: staff contracted between 1990 and 1995
- Z category: staff contracted after 1 September 1999

The microfinance and microenterprise programme includes nine staff members in the A category, and the rest are in the X and Z categories. A category staff are entitled to end-of-service benefits computed at 8.5 per cent of the last annual basic salary multiplied by the number of years of service.

X and Z category staff are not entitled to end-of-service benefits except in cases of disability, ordinary death and death at work.

(c) *Provision for staff benefits*

The microfinance and microenterprise programme is charged by UNRWA for total staff costs, including benefits. Those costs are paid by the programme to UNRWA on a quarterly basis. Last-quarter costs are included under "bills payable to UNRWA" in the financial statements.

2.5 Foreign currency transactions

The books of accounts are maintained in United States dollars. Transactions in other currencies are translated to dollars at the United Nations exchange rate in effect as at the date of the transaction (see table below). Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated to dollars at the exchange rate in effect as at that date. Exchange rate differences arising upon translation are recognized in the statement of operating activities. All other assets and liabilities are presented in the dollar equivalent at their historical values.

| Currency | United States dollar equivalent | | |
|-------------------|---------------------------------|-------|---------------------|
| | 2003 | 2002 | Change (percentage) |
| 1 Jordanian dinar | 0.708 | 0.708 | 0.00 |
| 1 Israeli shekel | 4.450 | 4.640 | (4.09) |
| 1 Syrian pound | 51.50 | - | 0.00 |

Note 3

Cash on hand and deposits with banks

Composition (in United States dollars):

| | 2003 | 2002 |
|-------------------------------|------------------|------------------|
| Deposits in banks | | |
| Current accounts | 2 842 980 | 2 776 362 |
| Time deposits | 1 736 488 | 1 570 926 |
| Time deposits held with UNRWA | 1 745 133 | 4 673 014 |
| | 6 324 601 | 9 020 302 |

Note 4

Loans receivable

Loans receivable include loans outstanding from funds disbursed through both initial donor contributions (first-time loans) and revolving loan funds.

Net loans receivable

| Programme | 2003 | | | 2002 | | |
|-------------------------------|------------------|------------------|------------------|------------------|--------------------|------------------|
| | Loan | Provision | Net | Loan | Provision | Net |
| Small-scale enterprise credit | 659 586 | (138 500) | 521 086 | 957 533 | (476 754) | 480 779 |
| Microenterprise credit | 2 644 314 | (190 789) | 2 453 525 | 1 678 991 | (695 542) | 983 449 |
| Solidarity-group lending | 865 592 | (56 461) | 809 131 | 688 877 | (102 915) | 585 962 |
| Consumer-lending product | 124 132 | (6 393) | 117 739 | 36 859 | (1 304) | 35 555 |
| Total | 4 293 624 | (392 143) | 3 901 481 | 3 362 260 | (1 276 515) | 2 085 745 |

Net loans receivable represent the outstanding balance of loans receivable as at 31 December 2003 less the calculated provision for uncollectable loans as at the same date. Net loans receivable constitute the net realizable value of loans disbursed.

Changes in loan balances in 2003

| <i>Programme</i> | <i>Beginning</i> | <i>Issued</i> | <i>Repaid</i> | <i>Written off</i> | <i>Total</i> |
|-------------------------------|------------------|------------------|--------------------|--------------------|------------------|
| Gaza | | | | | |
| Small-scale enterprise credit | 811 620 | 311 500 | (378 952) | (88 832) | 655 336 |
| Microenterprise credit | 1 000 620 | 3 830 650 | (3 181 440) | (130 609) | 1 519 221 |
| Solidarity-group lending | 688 877 | 2 081 150 | (1 835 719) | (68 716) | 865 592 |
| Consumer-lending product | 36 859 | 324 850 | (236 364) | (1 213) | 124 132 |
| Subtotal | 2 537 976 | 6 548 150 | (5 632 475) | (289 370) | 3 164 281 |
| West Bank | | | | | |
| Small-scale enterprise credit | 145 913 | - | (20 938) | (120 725) | 4 250 |
| Microenterprise credit | 678 371 | 1 408 090 | (910 750) | (419 268) | 756 443 |
| Subtotal | 824 284 | 1 408 090 | (931 688) | (539 993) | 760 693 |
| Jordan | | | | | |
| Microenterprise credit | - | 532 062 | (281 626) | - | 250 436 |
| Subtotal | - | 532 062 | (281 626) | - | 250 436 |
| Syrian Arab Republic | | | | | |
| Microenterprise credit | - | 255 922 | (137 708) | - | 118 214 |
| Subtotal | - | 255 922 | (137 708) | - | 118 214 |
| Total | 3 362 260 | 8 744 224 | (6 983 497) | (829 363) | 4 293 624 |

The average monthly portfolio before allowances, calculated on a monthly basis, was \$426,917 during 2002 and \$496,683 during 2003.

In 2003, of the total loans receivable, 17.72 per cent were in the West Bank, 73.70 per cent were in Gaza, 5.83 per cent were in Jordan and 2.75 per cent were in the Syrian Arab Republic, against 24.47 per cent in the West Bank and 75.53 per cent in Gaza in 2002.

Loans receivable, in 2003, comprised 15.36 per cent small-scale enterprise credit loans, 61.58 per cent microenterprise credit loans, 20.16 per cent solidarity-group lending loans and 2.9 per cent consumer-lending product loans. In 2002 loans receivable comprised 28.5 per cent small-scale enterprise credit loans, 50 per cent microenterprise credit loans, 20 per cent solidarity-group lending loans and 1.5 per cent consumer-lending product loans.

Changes in the provision for loan losses in 2003

| <i>Programme</i> | <i>Beginning</i> | <i>Additions (releases)</i> | <i>Written off</i> | <i>Total</i> |
|-------------------------------|------------------|-----------------------------|--------------------|----------------|
| Gaza | | | | |
| Small-scale enterprise credit | 341 098 | (115 607) | (88 832) | 136 659 |
| Microenterprise credit | 156 364 | 106 000 | (130 609) | 131 755 |
| Solidarity-group lending | 102 915 | 22 262 | (68 716) | 56 461 |
| Consumer-lending product | 1 304 | 6 302 | (1 213) | 6 393 |
| Subtotal | 601 681 | 18 957 | (289 370) | 331 268 |
| West Bank | | | | |
| Small-scale enterprise credit | 135 656 | (13 090) | (120 725) | 1 841 |
| Microenterprise credit | 539 178 | (61 837) | (419 268) | 58 073 |
| Subtotal | 674 834 | (74 927) | (539 993) | 59 914 |
| Jordan | | | | |
| Microenterprise credit | - | 871 | - | 871 |
| Subtotal | - | 871 | - | 871 |
| Syrian Arab Republic | | | | |
| Microenterprise credit | - | 90 | - | 90 |
| Subtotal | - | 90 | - | 90 |
| Total | 1 276 515 | (55 009) | (829 363) | 392 143 |

Of the total amount written off, 25.27 per cent was for small-scale enterprise credit loans, 66.30 per cent was for microenterprise credit loans, 8.29 per cent was for solidarity-group lending loans and 0.14 per cent was for consumer-lending product loans.

Loans receivable as at 31 December 2003, by sector

| <i>Programme</i> | <i>Agriculture</i> | <i>Commerce</i> | <i>Industry</i> | <i>Service</i> | <i>Total</i> |
|---|--------------------|------------------|-----------------|------------------|------------------|
| Gaza | | | | | |
| Small-scale enterprise credit | 3 289 | - | 382 035 | 270 012 | 655 336 |
| Microenterprise credit | 106 745 | 709 703 | 164 262 | 538 511 | 1 519 221 |
| Solidarity-group lending | 228 221 | 419 800 | 160 863 | 56 708 | 865 592 |
| Subtotal | 338 255 | 1 129 503 | 707 160 | 865 231 | 3 040 149 |
| Consumer-lending product loans ^a | - | - | - | - | 124 132 |
| Subtotal | 338 255 | 1 129 503 | 707 160 | 865 231 | 3 164 281 |
| West Bank | | | | | |
| Small-scale enterprise credit | - | - | - | 4 250 | 4 250 |
| Microenterprise credit | 706 | 318 658 | 96 255 | 340 824 | 756 443 |
| Subtotal | 706 | 318 658 | 96 255 | 345 074 | 760 693 |
| Jordan | | | | | |
| Microenterprise credit | 777 | 117 788 | 25 585 | 106 286 | 250 436 |
| Subtotal | 777 | 117 788 | 25 585 | 106 286 | 250 436 |
| Syrian Arab Republic | | | | | |
| Microenterprise credit | - | 66 997 | 11 982 | 39 235 | 118 214 |
| Subtotal | - | 66 997 | 11 982 | 39 235 | 118 214 |
| Total | 339 738 | 1 632 946 | 840 982 | 1 355 826 | 4 293 624 |

^a Consumer-lending product loans are disbursed to individuals for household improvements and are not distributed among any sector.

The agriculture sector had 7.91 per cent of the outstanding loan balance, the commerce sector had 38.03 per cent, the industry sector had 19.58 per cent, the service sector had 31.57 per cent and other sectors had 2.91 per cent.

Loans receivable as at 31 December 2003, by geographic area

| <i>Programme</i> | <i>Gaza area</i> | <i>Middle area</i> | <i>Southern area</i> | <i>Total</i> |
|-------------------------------|------------------|--------------------|----------------------|------------------|
| Gaza | | | | |
| Small-scale enterprise credit | 240 029 | 241 680 | 173 627 | 655 336 |
| Microenterprise credit | 845 434 | 267 815 | 405 972 | 1 519 221 |
| Solidarity-group lending | 370 718 | 232 643 | 262 231 | 865 592 |
| Consumer-lending product | 124 132 | - | - | 124 132 |
| Subtotal | 1 580 313 | 742 138 | 841 830 | 3 164 281 |

| <i>Programme</i> | <i>Nablus</i> | <i>Tulkarem</i> | <i>Jenine</i> | <i>Hebron</i> | <i>Total</i> |
|------------------------|---------------|-----------------|---------------|---------------|--------------|
| West Bank | | | | | |
| Microenterprise credit | 296 294 | 158 616 | 75 678 | 225 855 | 756 443 |

| <i>Programme</i> | <i>Bethlehem</i> | <i>Jerusalem</i> | <i>Ramallah</i> | <i>Total</i> |
|-------------------------------|------------------|------------------|-----------------|----------------|
| West Bank | | | | |
| Small-scale enterprise credit | - | 2 468 | 1 782 | 4 250 |
| Subtotal, West Bank | | | | 760 693 |

| | | | | |
|-----------------------------|--|--|--|------------------|
| Jordan | | | | |
| Microenterprise credit | | | | 250 436 |
| Syrian Arab Republic | | | | |
| Microenterprise credit | | | | 118 214 |
| Total | | | | 4 293 624 |

In 2003, of total loans receivable, 17.71 per cent were in the West Bank, 73.69 per cent were in Gaza, 5.83 per cent were in Jordan and 2.77 per cent were in the Syrian Arab Republic.

Note 5
Fixed assets

Composition of fixed assets (in United States dollars):

| | <i>Furniture and equipment</i> | <i>Computers and printers</i> | <i>Vehicles</i> | <i>Leasehold improvements</i> | <i>Total</i> |
|---------------------------------|------------------------------------|-----------------------------------|-----------------|-----------------------------------|----------------|
| Cost | | | | | |
| Balance 1 January | 109 215 | 51 181 | 151 929 | 52 965 | 365 290 |
| Additions | 14 965 | 29 268 | - | - | 44 233 |
| Disposals | - | - | - | - | - |
| Balance 31 December | 124 180 | 80 450 | 151 928 | 52 965 | 409 523 |
| Accumulated depreciation | | | | | |
| Balance 1 January | 39 906 | 26 633 | 97 321 | 14 237 | 178 097 |
| Additions | 11 398 | 20 291 | 17 835 | 10 593 | 60 117 |
| Disposals | - | - | - | - | - |
| Balance 31 December | 51 304 | 46 924 | 115 156 | 24 830 | 238 214 |
| Net book value | 72 877 | 33 526 | 36 771 | 28 135 | 171 309 |

Note 6
Bills payable to UNRWA

Bills payable represent expenses incurred by UNRWA on behalf of the microfinance and microenterprise programme in respect of operating expenses, billed quarterly by UNRWA during 2002 and monthly during 2003.

Note 7
Agency contribution to the programme

This represents the contribution made by UNRWA to the microfinance and microenterprise programme at its inception. The whole amount was paid back to UNRWA during 2003.

Note 8
Temporary restricted fund

Temporary restricted net assets represent net assets whose use by the microfinance and microenterprise programme is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and released by actions of the programme pursuant to those donor-imposed stipulations. Contributions receivable represent the amount of grants due from donors for expenses and costs incurred prior to 31 December and reimbursed by donors in the subsequent period.

On 10 December 2000 a grant agreement was signed by UNRWA and the Arab Gulf Programme for United Nations Development Organizations (AGFUND) concerning a project for training small and microenterprises in the Gaza Strip. According to that agreement, AGFUND allocated the amount of \$100,000 towards the achievement of the following project objectives:

- (a) The provision of training courses to the business community;
- (b) The promotion of entrepreneurial spirit and the requisite skills;
- (c) The development of a local training capacity;
- (d) The encouragement of trainers to transfer their experience to universities and vocational schools;
- (e) The development of business curricula relevant to the economy;
- (f) The promotion of private enterprises and small businesses to grow and compete in regional and global markets.

The financing requirements of the programme for the three-year period are estimated at \$670,000, of which \$570,000 will be mobilized by UNRWA from other sources and \$100,000 will be provided by AGFUND. The AGFUND component shall be used to finance the following components:

| <i>Item</i> | <i>Budgeted</i> | <i>Actual</i> | | <i>Total</i> |
|-----------------------------|-----------------|---------------|-----------------------|----------------|
| | | <i>2001</i> | <i>2002</i> | |
| Personnel | 33 228 | 31 780 | 1 448 | 33 228 |
| Training | 47 600 | 35 448 | 12 151 | 47 599 |
| Equipment | 8 458 | 1 909 | 6 549 | 8 458 |
| Project support | 10 714 | 8 296 | 2 419 | 10 715 |
| Total | 100 000 | 77 433 | 22 567 | 100 000 |
| Amount received from AGFUND | | 40 000 | 60 000 | 100 000 |
| Outstanding balance | | 37 433 | (37 433) ^a | - |

^a Claimed and recognized as receivable in 2002 and received in 2003.

On 2 February 2002, UNRWA signed a new agreement with AGFUND concerning a project for training small and microenterprises in the Gaza Strip. According to that agreement, AGFUND allocated the amount of \$68,000 towards the achievement of the above-mentioned objectives.

The external financing requirements of the project for the 12-month period are estimated at \$176,000, of which \$108,000 will be mobilized by UNRWA from other sources and \$68,000 will be provided by AGFUND. The AGFUND component shall be used to finance the following components:

| <i>Item</i> | <i>Budget</i> | <i>Actual 2002</i> | <i>Remaining 2002</i> | <i>Actual 2003</i> |
|-----------------|---------------|---------------------------|-----------------------|--------------------|
| Personnel | 36 000 | 30 503 | 5 497 | 5 497 |
| Training | 24 714 | 20 878 | 3 836 | 3 836 |
| Project support | 7 286 | 6 166 | 1 120 | 1 120 |
| Total | 68 000 | 57 547^a | 10 453 | 10 453 |

^a Claimed and recognized as receivable in 2002 and received in 2003.

Note 9**Board-designated funds**

Board-designated funds represent balances remaining from unrestricted resources (prize) received from the following sources:

(a) AGFUND prize of \$150,000. The prize money was designated by the Board to cover the launching of a pilot consumer-lending product for the poor, the development of a management information system and training. The budget for this project is as follows (in United States dollars):

| | |
|--|----------------|
| Piloting a consumer-lending product for the poor | 60 000 |
| Travel | 16 000 |
| Staff training | 29 000 |
| Management information system development | 45 000 |
| Subtotal | 150 000 |
| Less: transfer to loan revolving fund (2002) | 60 000 |
| Total | 90 000 |

(b) Training fund comprising course fees charged for business/management training provided to entrepreneurs and managers to cover costs of the training unit. The composition of this fund is as follows (in United States dollars):

| | |
|-----------------------------------|----------------|
| Training fees, 2000 | 34 735 |
| Training fees, 2001 | 34 624 |
| Training fees, 2002 | 30 299 |
| Training fees, 2003 | 48 220 |
| Subtotal | 147 878 |
| Less: training costs and expenses | 122 293 |
| Balance 31 December 2003 | 25 585 |

(c) During 2003 AGFUND granted \$30,000 to the microfinance and microenterprise programme Syrian Arab Republic branch to be used as start-up capital for issuing loans. Of the total amount granted, \$23,398 was disbursed as loans during 2003 and was released from board-designated fund to the loan revolving fund. The remaining balance of \$6,602 was carried forward to 2004 as part of board-designated funds.

Note 10
Revolving loan funds

Restricted contributions received for on-lending purposes, which were expended as loans, are included in the revolving loan fund. The composition of this fund by funding source is as follows:

| <i>Funding source</i> | <i>Gaza</i> | <i>West Bank</i> | <i>Syrian Arab Republic</i> | <i>Total</i> |
|--|-------------------|------------------|-----------------------------|-------------------|
| Australia | 619 272 | - | - | 619 272 |
| Canada | 200 370 | 170 220 | - | 370 590 |
| Germany | 1 682 252 | 1 276 323 | - | 2 958 575 |
| Italy | 725 750 | 218 500 | - | 944 250 |
| Japan | 357 142 | 223 199 | - | 580 341 |
| New Zealand | 122 822 | - | - | 122 822 |
| Norway | 2 794 013 | 340 968 | - | 3 134 981 |
| UNRWA | 80 000 | - | - | 80 000 |
| AGFUND | 60 000 | - | 23 398 | 83 398 |
| United States Agency for International Development | 4 237 197 | - | - | 4 237 197 |
| Total | 10 878 818 | 2 229 210 | 23 398 | 13 131 426 |

Note 11
Geographical segments

The microfinance and microenterprise programme operates out of field offices located in the West Bank, Gaza, Jordan and the Syrian Arab Republic. In the tables that follow, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

Balance sheet by geographical segment

(United States dollars)

| | <i>Gaza</i> | | <i>West Bank</i> | | <i>Jordan</i> | | <i>Syrian Arab Republic</i> | | <i>Total</i> | |
|--|--------------------|--------------------|------------------|------------------|----------------|----------------|-----------------------------|---------------|-------------------|-------------------|
| | <i>2003</i> | <i>2002</i> | <i>2003</i> | <i>2002</i> | <i>2003</i> | <i>2002</i> | <i>2003</i> | <i>2002</i> | <i>2003</i> | <i>2002</i> |
| Assets | | | | | | | | | | |
| Current | | | | | | | | | | |
| Cash on hand and deposits with banks | 4 379 697 | 7 058 561 | 1 446 173 | 1 461 741 | 322 421 | 500 000 | 176 310 | - | 6 324 601 | 9 020 302 |
| Contributions receivable | - | 57 547 | - | - | - | - | - | - | - | 57 547 |
| Loans receivable, net | 2 833 013 | 1 936 293 | 700 779 | 149 452 | 249 565 | - | 118 124 | - | 3 901 481 | 2 085 745 |
| Prepayments and other receivables | 334 | 341 | - | - | - | - | - | - | 334 | 341 |
| | 7 213 044 | 9 052 742 | 2 146 952 | 1 611 193 | 571 986 | 500 000 | 294 434 | - | 10 226 416 | 11 163 935 |
| Fixed assets, net of accumulated depreciation | 53 910 | 62 110 | 62 618 | 75 667 | 32 944 | 30 567 | 21 837 | 18 849 | 171 309 | 187 193 |
| Total assets | 7 266 954 | 9 114 852 | 2 209 570 | 1 686 860 | 604 930 | 530 567 | 316 271 | 18 849 | 10 397 725 | 11 351 128 |
| Liabilities, net assets and share capital | | | | | | | | | | |
| Current liabilities | | | | | | | | | | |
| Payables and accruals | 10 875 | 10 000 | 11 307 | 67 516 | 10 875 | - | 10 875 | - | 43 932 | 77 516 |
| Inter-office accounts | (3 035 064) | (1 483 511) | 2 004 714 | 983 511 | 680 106 | 500 000 | 350 244 | - | - | - |
| Bills payable to UNRWA | 5 635 | 66 420 | 20 912 | 15 013 | - | 49 165 | - | 30 475 | 26 547 | 161 073 |
| UNRWA contribution to the microfinance and microenterprise programme | - | 150 000 | - | 350 000 | - | - | - | - | - | 500 000 |
| Subtotal | (3 018 554) | (1 257 091) | 2 036 933 | 1 416 040 | 690 981 | 549 165 | 361 119 | 30 475 | 70 479 | 738 589 |
| Net assets | | | | | | | | | | |
| General undesignated | (708 895) | (651 396) | (2 056 573) | (1 958 390) | (86 051) | (18 598) | (74 848) | (11 626) | (2 926 367) | (2 640 010) |
| Board-designated funds | 115 585 | 144 521 | - | - | - | - | 6 602 | - | 122 187 | 144 521 |

| | <i>Gaza</i> | | <i>West Bank</i> | | <i>Jordan</i> | | <i>Syrian Arab Republic</i> | | <i>Total</i> | |
|---|-------------------|-------------------|------------------|------------------|-----------------|-----------------|-----------------------------|-----------------|-------------------|-------------------|
| | <i>2003</i> | <i>2002</i> | <i>2003</i> | <i>2002</i> | <i>2003</i> | <i>2002</i> | <i>2003</i> | <i>2002</i> | <i>2003</i> | <i>2002</i> |
| Temporary restricted funds | - | - | - | - | - | - | - | - | - | - |
| Revolving loan fund | 10 878 818 | 10 878 818 | 2 229 210 | 2 229 210 | - | - | 23 398 | - | 13 131 426 | 13 108 028 |
| Subtotal | 10 285 508 | 10 371 943 | 172 637 | 270 820 | (86 051) | (18 598) | (44 848) | (11 626) | 10 327 246 | 10 612 539 |
| Total liabilities and net assets | 7 266 954 | 9 114 852 | 2 209 570 | 1 686 860 | 604 930 | 530 567 | 316 271 | 18 849 | 10 397 725 | 11 351 128 |

Statement of operating activities by geographical segment

(United States dollars)

| | <i>Gaza</i> | | <i>West Bank</i> | | <i>Jordan</i> | | <i>Syrian Arab Republic</i> | | <i>Total</i> | |
|--|------------------|------------------|------------------|--------------------|-----------------|-----------------|-----------------------------|-----------------|------------------|--------------------|
| | <i>2003</i> | <i>2002</i> | <i>2003</i> | <i>2002</i> | <i>2003</i> | <i>2002</i> | <i>2003</i> | <i>2002</i> | <i>2003</i> | <i>2002</i> |
| Operating revenues | | | | | | | | | | |
| Interest received on loans | 699 952 | 544 254 | 119 499 | 164 688 | 32 773 | - | 16 130 | - | 868 354 | 708 942 |
| Recovery of written-off loans | 451 783 | 320 854 | 384 525 | 87 906 | - | - | - | - | 836 308 | 408 760 |
| Bank interest and other | 60 371 | 133 775 | 26 195 | 28 111 | 3 334 | - | 1 849 | - | 91 749 | 161 886 |
| | 1 212 106 | 998 883 | 530 219 | 280 705 | 36 107 | - | 17 979 | - | 1 796 411 | 1 279 588 |
| Releases (additional provisions) for (provision) for loan losses | (18 957) | (331 717) | 74 927 | (806 660) | (871) | - | (90) | - | 55 009 | (1 138 377) |
| Total operating revenues | 1 193 149 | 667 166 | 605 146 | (525 955) | 35 236 | - | 17 889 | - | 1 851 420 | 141 211 |
| Operating expenses | | | | | | | | | | |
| Salaries and related expenses | 987 063 | 989 536 | 502 613 | 384 224 | 53 034 | 2 964 | 32 621 | - | 1 575 331 | 1 376 724 |
| Special service contracts | 34 449 | 31 973 | 42 397 | 22 695 | 8 749 | 1 081 | 4 955 | 1 013 | 90 550 | 56 762 |
| Audit fees | 10 875 | 10 000 | 10 875 | 10 000 | 10 875 | - | 10 875 | - | 43 500 | 20 000 |
| Occupancy | 60 737 | 72 327 | 51 570 | 38 985 | 9 567 | 3 326 | 14 339 | 1 304 | 136 213 | 115 942 |
| Communication | 35 796 | 30 397 | 21 203 | 19 387 | 4 377 | 1 223 | 463 | - | 61 839 | 51 007 |
| Stationery and supplies | 6 336 | 4 431 | 775 | 368 | - | 558 | 720 | 79 | 7 831 | 5 436 |
| Minor equipment and maintenance | 10 544 | 10 156 | 14 594 | 11 061 | 3 950 | 7 792 | 2 758 | 8 274 | 31 846 | 37 283 |
| Travel and transportation | 50 006 | 28 033 | 17 455 | 7 306 | 273 | 1 017 | 2 409 | - | 70 143 | 36 356 |
| Depreciation | 24 637 | 29 660 | 24 487 | 22 689 | 7 009 | - | 3 984 | - | 60 117 | 52 349 |
| Loss on exchange differences | (5 670) | 7 709 | 435 | 139 | - | - | - | - | (5 235) | 7 848 |
| Programme support cost | 21 578 | - | 16 166 | - | 4 148 | - | 6 435 | - | 48 327 | - |
| Other | 14 297 | 3 116 | 759 | 2 164 | 707 | 638 | 1 552 | 953 | 17 315 | 6 871 |
| Total operating expenses | 1 250 648 | 1 217 338 | 703 329 | 519 018 | 102 689 | 18 599 | 81 111 | 11 623 | 2 137 777 | 1 766 578 |
| Operating loss for the year | (57 499) | (550 172) | (98 183) | (1 044 973) | (67 453) | (18 599) | (63 222) | (11 623) | (286 357) | (1 625 367) |

Note 12
Risk

Risk is inherent in the microfinance industry, and effective risk management is seen as the only way for microfinance institutions to keep functioning.

Ultimate responsibility for the effective management of risks rests with the Director of the microfinance and microenterprise programme. Several types of risks apply to the programme, namely:

- Credit risk is the risk that a counterparty will not settle its obligations in accordance with the agreed terms.
- Country risk is the risk that a counterparty will be unable to meet its contractual obligations as a result of adverse economic conditions or actions taken by the Government of the relevant country.
- Market risk is the exposure created by potential changes in market prices.
- Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due.
- Operational and other risks is the risk of direct and indirect loss due to an event or action causing the risks having operational risk impact.
- Political risk is the risk that an existing political situation will make it difficult for microfinance institutions to function, for example, war situations.

In Palestine, because of the present circumstances, political risk, country risk and credit risk are very high. To mitigate these risks the following steps were taken:

(a) Small-scale enterprise credit loans were significantly reduced during 2001. In this category the amount of loans is relatively high, which is a high risk factor because of the present situation. Management decided to significantly reduce its activities under this programme in both Gaza and the West Bank.

(b) Management concentrated on expanding activities under the microenterprise credit and solidarity-group lending programme categories. Those loans, ranging from \$1,000 to \$8,000 and \$400 to \$4,000 respectively, aim at distributing the risk to a larger number of borrowers.

(c) An effective internal control system and procedures were implemented. Constant follow-up and loan-monitoring procedures were introduced to reduce the credit risk of borrowers. This is shown by the collectability ratios under those programmes, which are shown in the following table for 2003.

(United States dollars)

| | <i>Programme</i> | | | | <i>Total</i> |
|--|--|-----------------------------------|--------------------------------------|-------------------------------------|--------------|
| | <i>Small-scale enterprise credit</i> | <i>Microenterprise credit</i> | <i>Solidarity- group lending</i> | <i>Consumer lending product</i> | |
| Gaza | | | | | |
| Beginning balance | 811 620 | 1 000 620 | 688 877 | 36 859 | 2 537 976 |
| Issued during 2003 | 311 500 | 3 830 650 | 2 081 150 | 324 850 | 6 548 150 |
| Average amount due | 822 310 | 1 390 530 | 845 954 | 81 709 | 3 140 503 |
| Amount collected | 378 952 | 3 181 440 | 1 835 719 | 236 364 | 5 632 475 |
| Collectability ratio (percentage) | 121.65 | 83.05 | 88.21 | 72.76 | 86.02 |
| West Bank | | | | | |
| Beginning balance | 145 913 | 678 371 | - | - | 824 284 |
| Issued during 2003 | - | 1 408 090 | - | - | 1 408 090 |
| Average amount due | 195 807 | 1 136 670 | - | - | 1 332 477 |
| Amount collected | 20 938 | 910 750 | - | - | 931 688 |
| Collectability ratio (percentage) | 10.69 | 64.68 | - | - | 66.16 |
| Jordan | | | | | |
| Beginning balance | - | - | - | - | - |
| Issued during 2003 | - | 532 062 | - | - | 532 062 |
| Average amount due | - | 125 218 | - | - | 125 218 |
| Amount collected | - | 281 626 | - | - | 281 626 |
| Collectability ratio (percentage) | - | 52.93 | - | - | 52.93 |
| Syrian Arab Republic | | | | | |
| Beginning balance | - | - | - | - | - |
| Issued during 2003 | - | 255 922 | - | - | 255 922 |
| Average amount due | - | 59 107 | - | - | 59 107 |
| Amount collected | - | 137 709 | - | - | 137 709 |
| Collectability ratio (percentage) | - | 53.81 | - | - | 53.81 |
| Total (percentage) | 128.38 | 74.86 | 88.21 | 72.76 | 79.86 |

D. Financial statements of the Area Staff Provident Fund

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

**AREA STAFF PROVIDENT FUND
STATEMENT OF
FINANCIAL PERFORMANCE
For the Year 2003
(in USD)**

| 2002 | | NOTE | 2003 |
|-------------------|---|------|--------------------|
| | Income: | | |
| 42 578 183 | Gross Investment Income | 4 | 114 814 663 |
| 168 990 | Income from loans scheme | 6 | 54 294 |
| 42 747 173 | TOTAL INCOME | | 114 868 957 |
| | Expenses: | | |
| 1 796 127 | Investment Management fees | 8 | 1 726 461 |
| 348 746 | General administration expenses | 9 | 304 839 |
| 48 344 | Participants loan scheme administration expenses | 9 | 71 580 |
| 2 193 217 | TOTAL EXPENSES | | 2 102 880 |
| 40 553 956 | NET INCOME FOR THE YEAR | | 112 766 077 |
| (120 646) | Transfer (To)/From Reserve For Loan Administration Expenses | 7 | 17 286 |
| 40 433 310 | INCOME AVAILABLE TO THE CREDIT OF MEMBERS | | 112 783 363 |

**UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST**

**AREA STAFF PROVIDENT FUND
STATEMENT OF
NET ASSETS
As at 31 December 2003
(in USD)**

| 31.12.2002 | | | NOTE | 31.12.2003 | |
|--------------------|-------------|--|---------|-------------|--------------------|
| | 337 693 | ASSETS | | | |
| | 764 004 648 | Security Lending and cash | | 62 121 | |
| 764 342 341 | | Investments: | 13 & 14 | 861 311 088 | 861 373 209 |
| (2 887 544) | | Accounts Receivable-UNRWA | 10 | | 3 150 069 |
| 12 872 297 | | Accrued Investment Income | | | 13 148 107 |
| 59 267 350 | | Humanitarian loans to members | 6 | | 53 985 302 |
| 833 594 444 | | TOTAL ASSETS | | | 931 656 687 |
| | | LIABILITIES | | | |
| | 676 326 | Accrued Management fees | | 721 591 | |
| | 282 083 | Ex-participants' credits | | 187 753 | |
| 958 409 | | Total Liabilities | | | 909 344 |
| 832 636 035 | | NET ASSETS | | | 930 747 343 |
| | | REPRESENTED BY: | | | |
| | 732 969 691 | Member's credits | 12 | 766 453 758 | |
| | 59 267 350 | Restricted members' credits on loans | 6 | 53 985 302 | |
| | 39 800 559 | Income available to members | | 109 727 134 | |
| | 598 435 | Reserve for loan administration expenses | 7 | 581 149 | |
| 832 636 035 | | MEMBERS BALANCES & RESERVES | | | 930 747 343 |

**UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST**

**PROVIDENT FUND
STATEMENT OF CHANGES IN
MEMBERS CREDITS & INCOME
For the Year 2003
(in USD)**

| 2002 | | DETAILS | 2003 | |
|--------------------|--------------------|---|--------------------|--------------------|
| Members credits | Income / (Loss) | | Members credits | Income / (Loss) |
| 789 148 221 | (4 087 139) | Balance as at 1 January 2003 | 732 969 691 | 39 800 559 |
| 15 283 510 | | Contributions - Members | 13 755 797 | |
| 25 225 361 | | Contributions - Agency | 25 269 331 | |
| 11 146 123 | | Loan Repayments | 10 711 456 | |
| (87 479 874) | | Withdrawals | (53 675 997) | |
| (16 899 262) | | New Loans | (5 429 407) | |
| (4 017 863) | 4 017 863 | 2002 Interest Credited to Members | 39 464 513 | (39 464 513) |
| (124 283) | 124 283 | 2002 Interest Paid to separated Members | 350 796 | (350 796) |
| | | Additional interest paid to Members | | (3 901) |
| 687 758 | (687 758) | 2003 Interest paid to separated Members | 3 037 578 | (3 037 578) |
| | 40 433 310 | 2003 Interest Income available to Members | | 112 783 363 |
| 732 969 691 | 39 800 559 | Balance as at 31 December 2003 | 766 453 758 | 109 727 134 |

**UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST**

**AREA STAFF PROVIDENT FUND
CASH FLOW STATEMENT
For The Year 2003
(in USD)**

| Year 2002 | DETAILS | Year 2003 |
|----------------|---|------------------|
| | CASH FLOWS FROM OPERATING ACTIVITIES: | |
| 40 433 310 | Net Income Available For Distribution | 112 783 363 |
| | Add: | |
| (98 527) | Increase in Accrued Management Fees | 45 265 |
| | Less: | |
| 547 136 | Increase in Accrued Income | (275 810) |
| 40 881 919 | Net Cash flows from Operating activities | 112 552 818 |
| | CASH FLOWS FROM INVESTING ACTIVITIES : | |
| 10 898 746 | Increase in Investments | (97 306 440) |
| | Add: | |
| (3 603 131) | Decrease in Humanitarian Loans to Members | 5 282 048 |
| 7 295 615 | Net Cash flows from Investing Activities | (92 024 392) |
| | CASH FLOWS FROM FINANCING ACTIVITIES : | |
| (56 178 530) | Increase in Members Credits | 33 484 067 |
| | Less: | |
| 3 603 131 | Decrease in Restricted Funds for Loan Scheme | (5 282 048) |
| 120 646 | Reduction in Reserve for Loan Administration Expenses | (17 287) |
| 3 454 388 | Income Credited to Members | (42 856 788) |
| 2 253 869 | Increase in Accounts Receivable - UNRWA | (6 037 613) |
| (1 329 880) | Decrease in Ex-Participants Credits | (94 329) |
| (48 076 376) | Net Cash Flows from Financing Activities | (20 803 998) |
| | | |
| 101 158 | NET DECREASE IN CASH BALANCES | (275 572) |
| 236 535 | Opening Cash Balance | 337 693 |
| 337 693 | Closing Cash Balance | 62 121 |
| 101 158 | Net Increase/(Decrease) in Cash Balance | (275 572) |

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

AREA STAFF PROVIDENT FUND
STATEMENT OF
INVESTMENTS AND INVESTMENT INCOME
For the Year 2003
(in USD)

| | Baring Int'l | Deutsche Bank | Fiduciary Trust | Julius Baer | Lombard Odier | Gulf Int'l Bank - Equitly | Putnam Investment | Security Lending & Cash | Total |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------------|----------------------|----------------------------|--------------------|
| Investments as at 01.01.2003 | 201 828 635 | 110 174 585 | 195 546 750 | 106 141 359 | 71 763 798 | 67 865 895 | 22 942 526 | 274 764 | 776 538 312 |
| add: | | | | | | | | | |
| Funding and transfers during the year | (5 500 000) | (1 000 000) | (2 500 000) | (6 400 000) | (79 292 454) | 75 603 584 | 3 582 163 | (320 111) | (15 826 818) |
| Investments Net of Funding | 196 328 635 | 109 174 585 | 193 046 750 | 99 741 359 | (7 528 656) | 143 469 479 | 26 524 689 | (45 347) | 760 711 494 |
| Realized Investment Income | 19 271 997 | 6 452 477 | 20 386 801 | 10 283 655 | 7 656 321 | 30 045 103 | 7 273 388 | 296 843 | 101 666 585 |
| add: | | | | | | | | | |
| Accrued Income | 3 319 300 | 2 790 915 | 4 046 559 | 2 629 610 | 29 | 292 119 | 69 534 | 42 | 13 148 107 |
| deduct: | | | | | | | | | |
| Accrued Management Fees | 53 716 | 86 069 | 156 167 | 43 079 | 69 232 | 137 911 | 112 292 | 63 125 | 721 591 |
| Investment managers' fees | 156 542 | 85 239 | 153 957 | 125 974 | 127 665 | 78 335 | 87 783 | 189 375 | 1 004 870 |
| Net investment income | 22 381 038 | 9 072 084 | 24 123 236 | 12 744 212 | 7 459 453 | 30 120 976 | 7 142 847 | 44 385 | 113 088 231 |
| Investments as at 31.12.2003 | 215 444 090 | 115 541 823 | 213 279 594 | 109 899 040 | 0 | 173 436 247 | 33 710 294 | 62 121 | 861 373 209 |

**UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST**

**AREA STAFF PROVIDENT FUND
Percentage Breakdown of Investment
Balances
31 December 2003**

| | Baring Int'l | Deutsche Bank | Fiduciary Trust | Julius Baer | Gulf Int'l Bank - Equity | Putnam Investment | Totals |
|----------------------|--------------|---------------|-----------------|-------------|--------------------------|-------------------|------------|
| EUROPE | 22 | 21 | 33 | 47 | 30 | 28 | 30 |
| PACIFIC BASIN | 17 | 8 | 12 | 8 | 12 | 8 | 12 |
| NORTH AMERICA | 61 | 71 | 55 | 45 | 58 | 64 | 58 |
| TOTAL | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

**Percentage Breakdown of Investment By
Type (Market Value)
31 December 2003**

| | Baring Int'l | Deutsche Bank | Fiduciary Trust | Julius Baer | Gulf Int'l Bank - Equity | Putnam Investment | Totals |
|------------------|--------------|---------------|-----------------|-------------|--------------------------|-------------------|------------|
| %CASH | 7 | 6 | 7 | 3 | 5 | 1 | 5 |
| %BONDS | 93 | 94 | 93 | 97 | - | - | 73 |
| %EQUITIES | - | - | - | - | 95 | 99 | 22 |
| %TOTAL | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

**UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST**

**PROVIDENT FUND
ADMINISTRATION EXPENSES
For the Year 2003
(in USD)**

| 2002 | | 2003 |
|----------------|--------------------------------------|----------------|
| | Provident Fund Secretariat: | |
| 150 355 | Staff Costs - Established Posts | 163 019 |
| 5 212 | Computer Equipment & Furniture | 4 813 |
| 51 568 | Travel Costs | 32 131 |
| 5 571 | Telecommunications | 1 036 |
| 20 748 | Other Costs | 5 407 |
| 233 454 | Total | 206 406 |
| 163 636 | Agency's Administration Expenses | 170 013 |
| 397 090 | Total Administration Expenses | 376 419 |
| | Allocated between: | |
| 348 746 | General Administration | 304 839 |
| 48 344 | Loan Scheme Administration | 71 580 |
| 397 090 | Total Administration Expenses | 376 419 |

Notes to the Provident Fund financial statements

Note 1

Description of the Provident Fund

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) Provident Fund is a retirement benefit plan, which applies to all area staff members, who are eligible to participate after six months' service. It is a defined-contribution plan, whereby the amounts to be paid as retirement benefits are determined by contributions to the Fund together with investment earnings thereon. The Provident Fund had 24,660 members as at 31 December 2003. The staff contribution is a mandatory 7.5 per cent of salary and is matched by an Agency contribution of 15 per cent. Staff members can also make additional voluntary contributions. The Fund is administered by the Provident Fund secretariat. Two committees, the Provident Fund Committee and the Investment Advisory Committee, provide additional governance. The Commissioner-General has ultimate authority over the Fund.

Note 2

Summary of significant accounting policies

Basis of presentation

(a) The financial statements have been prepared in conformity with International Accounting Standards and generally accepted accounting principles.

(b) The fundamental accounting assumptions of going concern, consistency and accrual are followed in the financial statement presentation.

(c) The financial statements are prepared under the historical cost convention, with the exception of investment assets, which are reported at market value.

Investment valuation

(d) The investments have been valued as at 31 December 2003 on the basis of current market value. The basis of valuation was changed prospectively from 1 July 2002 from the lower of book or market value to market value.

Investment income recognition

(e) Interest income is accrued at the balance sheet date. Realized and unrealized capital gains and losses on bonds and equity investments are included as income or are charged against income.

Rates of exchange

(f) The Provident Fund is denominated in United States dollars. Investment managers' transactions executed in other currencies are booked in dollars at the market rates of exchange prevailing at the time of the transaction. Provident Fund liabilities and expenses in other currencies are translated to dollars at the United Nations operational rate of exchange prevailing at the time of the transaction.

Changes in accounting policy

(g) The financial reporting period for the Provident Fund has been changed from a biennial to an annual basis, as the income available to members is calculated and credited to members' accounts annually.

Note 3

Investments and asset allocation

The asset allocation strategy of 75 per cent bonds and 25 per cent equities remains unchanged. However, the actual asset allocation of the portfolio as at 31 December 2003 was 71 per cent bonds, 22 per cent equities and 7 per cent cash owing to market movements. The Provident Fund employed the services of six investment managers in 2003, four with bond mandates and two with equity mandates. The service of a third equity manager, Lombard Odier, was terminated during the year. The custody of the Fund's assets is with a global custodian, the Northern Trust Company. Northern Trust also administers a securities-lending programme on behalf of the Fund, as well as being responsible for measuring manager performance. The market value of investments as at 31 December 2003 was \$861,373,209, in addition to an accrued income of \$13,148,107.

Note 4

Investment Income

Gross investment income for 2003 comprises the following:

(United States dollars)

| 2002 | <i>Investment income</i> | 2003 |
|-------------------|---------------------------------------|--------------------|
| 30 544 896 | Interest from fixed-income securities | 29 403 932 |
| 3 128 000 | Dividends from equities | 3 872 906 |
| (15 849 283) | Realized capital gains/(losses) | 33 139 188 |
| 24 434 308 | Unrealized capital gains/(losses) | 48 128 782 |
| 320 262 | Income on cash and securities lending | 269 855 |
| 42 578 183 | Total | 114 814 663 |

Note 5

Investment performance

Investment objective

The fund managers' investment performance is measured against UNRWA customization of market benchmarks. The construction of these benchmarks is as follows:

- Combined custom benchmark: 75 per cent fixed income and 25 per cent equities
- Fixed-income custom benchmark: Lehman Global Aggregate Index 40 per cent hedged to the United States dollar

- Equity custom benchmark: Morgan Stanley Capital International world developed markets net index

The fixed-income managers Baring International, Deutsche Asset Management, Fiduciary Trust and Julius Baer are expected to achieve returns in excess of the UNRWA fixed-income custom benchmark, whereas the global equity managers Gulf International Bank and Putnam are expected to achieve performance in excess of the return from the UNRWA equity custom benchmark. For all managers, preservation of capital is to be deemed of primary importance, with liquidity secondary.

Fund performance

The total fund achieved positive performance in 2002 and 2003. The following table summarizes Provident Fund aggregate and asset class performance against the relative benchmarks for 2002 and 2003:

(Percentage)

| <i>2002</i> | <i>Asset class/benchmark</i> | <i>2003</i> |
|-------------|--|-------------|
| 15.00 | Total fixed-income managers | 11.45 |
| 14.02 | Market fixed-income customized benchmark | 9.00 |
| (20.99) | Total equity managers | 27.80 |
| (20.09) | Market equity customized benchmark | 33.11 |
| 5.57 | Total Provident Fund | 14.97 |
| 4.92 | Market combined customized benchmark | 14.79 |

Note 6

Provident Fund loan scheme

For purposes of greater transparency, the Provident Fund loan scheme has been included in the statement of net assets for 2002 and 2003 rather than in the notes to the financial statements. UNRWA staff members are eligible for humanitarian loans for the purposes of education, medical and housing needs. Loans are granted only to those staff members qualifying under the strict eligibility criteria of the scheme. Loans are restricted in that members do not earn income on the amount of their balances distributed as loans. An administration fee of 1 percentage point is charged on all Provident Fund loans. As at 31 December 2003, 9,895 members had 16,459 loans outstanding amounting to \$53,985,302, while at 31 December 2002, 10,151 members had 16,683 loans outstanding amounting to \$59,267,350.

Note 7**Reserve for loan administration expenses**

A reserve account has been established for any excess remaining from the administrative fee levied on Provident Fund loans and actual loan administrative expenses. This allows for any future shortfalls in expenditure during the life of the loans.

(United States dollars)

| 2002 | <i>Reserve for loan administration expenses</i> | 2003 |
|----------------|---|----------------|
| 477 789 | Balance as at 1 January | 598 435 |
| 120 646 | Transfer to/(from) reserve | (17 286) |
| 598 435 | Balance as at 31 December | 581 149 |

Note 8**Management fees**

Investment management and custodial fees are deducted from the earnings of the Provident Fund.

Note 9**Administrative costs**

The administrative expenses statement outlines expenses incurred by the Provident Fund secretariat and other Agency departments in the course of administering the Fund. The Agency expenses are allocated between general and loan scheme administration.

Note 10**Accounts receivable**

The movement of funds and the resulting amount owed by UNRWA to the Fund as at 31 December 2003 is given below.

(United States dollars)

| 2002 | <i>Accounts receivable, UNRWA</i> | 2003 |
|-------------------|--|-------------------|
| (633 675) | Amount due to UNRWA as at 1 January | (2 887 544) |
| | Add: inflows to the Fund | |
| 15 283 510 | Members' mandatory and voluntary contributions | 13 755 797 |
| 25 225 361 | Agency contributions | 25 269 331 |
| | Add: adjustments to members' credits | 64 453 |
| 40 508 871 | Subtotal | 39 089 581 |
| 11 146 123 | Loan repayments | 10 711 456 |
| 168 990 | Loan administration fees | 54 294 |
| 52 028 253 | Net Fund transfers to UNRWA | 15 826 818 |
| 63 343 366 | Total inflows | 26 592 568 |

| 2002 | <i>Accounts receivable, UNRWA</i> | 2003 |
|--------------------|---|-------------------|
| | Less: outflows from the Fund | |
| 87 479 874 | Withdrawals by separating members | 53 675 997 |
| 16 899 262 | Humanitarian loans | 5 429 407 |
| 397 090 | Administrative expenses | 376 420 |
| 1 329 880 | Payments from ex-participants' credits | 158 783 |
| - | Additional interest paid to participants | 3 929 |
| 106 106 106 | Total outflows | 59 644 536 |
| (2 887 544) | Amount due (to)/from UNRWA as at 31 December | 3 150 069 |

Note 11**Membership details**

Changes in the membership of the Provident Fund during 2003 are as follows:

| 2002 | <i>Membership details</i> | 2003 |
|---------------|--|---------------|
| 22 987 | Number of members as at 1 January | 23 663 |
| 1 789 | Add: new members' accounts | 1 657 |
| 1 113 | Less: members' accounts closed | 660 |
| 23 663 | Number of members as at 31 December | 24 660 |

Note 12**Members' credits**

Members' credits comprise the Provident Fund balances applicable to staff at the following locations:

(United States dollars)

| 2002 | <i>Location</i> | 2003 |
|--------------------|--------------------------------|--------------------|
| 251 815 768 | Gaza and Cairo | 266 961 869 |
| 76 438 348 | Lebanon | 80 167 680 |
| 61 425 554 | Syrian Arab Republic | 64 852 854 |
| 204 520 458 | Jordan | 208 470 717 |
| 122 285 674 | West Bank | 129 197 360 |
| 9 716 247 | Headquarters (Amman) | 10 324 648 |
| 6 767 642 | Headquarters (Gaza and Vienna) | 6 478 630 |
| 732 969 691 | Total | 766 453 758 |

Note 13
Investments by fund managers

The market value of investments held by each of the fund managers as at year's end is shown below:

| <i>Market value</i> 2002 | <i>Fund manager</i> | <i>Market value</i> 2003 |
|-----------------------------|----------------------------------|-----------------------------|
| 197 972 067 | Baring International | 215 444 090 |
| 108 156 932 | Deutsche Bank | 115 541 823 |
| 191 073 275 | Fiduciary Trust | 213 279 594 |
| 104 262 454 | Julius Baer | 109 899 040 |
| 67 804 998 | Gulf International Bank — Equity | 173 436 247 |
| 71 743 536 | Lombard Odier | - |
| 22 991 386 | Putnam Investment | 33 710 294 |
| 764 004 648 | Total | 861 311 088 |

Note 14
Investment by type

A breakdown of the type of investments held and their market value at year's end is given below:

(United States dollars)

| <i>Market value</i> 2002 | <i>Investment type</i> | <i>Market value</i> 2003 |
|-----------------------------|---------------------------|-----------------------------|
| 14 626 013 | Cash and cash equivalents | 42 423 182 |
| 591 883 242 | Bonds | 620 230 741 |
| 157 495 393 | Equity | 198 657 165 |
| 764 004 648 | Total | 861 311 088 |

Note 15
Reclassifications

Certain accounts in the financial period were reclassified or have been restated to comply with the Financial Regulations and recommendations made by the United Nations Board of Auditors and to improve the presentation of the financial statements.