

ADDRESS OF UNRWA COMMISSIONER-GENERAL PIERRE KRÄHENBÜHL TO THE UNRWA ADVISORY COMMISSION



16 November 2015

AS DELIVERED

INTRODUCTION

Mr. Chairman; Mr. Vice Chairman; Distinguished Delegates; Colleagues:

I am honored to participate with you in this meeting of the Advisory Commission. As always, I wish to thank Jordan for generously hosting the meetings of the Commission. I also want to begin by expressing sincere condolences to the delegations of France and Lebanon, following the recent deadly attacks.

Allow me also to extend sincere thanks to Mr. Ali Mustafa of Syria for chairing this meeting and the strong commitment he always expresses for the work of UNRWA. The active support of Ms. Veronique Hullman of Switzerland as Vice-Chair is also greatly appreciated. Ms. Segolene Adam of Switzerland Chairs the Sub-Committee with steady support from Mr. Guy Lawson of the United States and Mr. Yassin Abu Awad of Jordan as Vice-Chairs. Their work is indispensable to the Commission.

Allow me also to bring to your attention senior personnel changes in UNRWA. Mr. Shadi El-Abed succeeded Bernard Laufenberg as Director of Finance. Shadi is a veteran, having joined UNRWA 19 years ago and his deep knowledge of our financial systems and processes is critical as we navigate through new financial challenges.

We will soon bid farewell to Ms. Laura Londen, Director of Human Resources, who has been appointed Deputy Executive Director for Operations at UNFPA. She deserves congratulations and recognition for contributing to implementation of UNRWA's ERP, and managing our human resources at a difficult time.

We also wish a warm welcome to Mr. Bo Schack who joined us in September as new Director of Operations in Gaza after a distinguished career with UNHCR in some of their most challenging and complex field operations.

Finally, there is a further appointment that has left no one in UNRWA indifferent and that is Mr. Filippo Grandi's selection as the next High-Commissioner for Refugees. I would like to take this opportunity to warmly congratulate Filippo for this result.

A DEMANDING YEAR FOR UNRWA: SUMMER CRISIS AND SPECIAL MEASURES

We meet today with a sense of expectation, following the financial crisis last summer and developments since then. Having set the stage for new approaches to old challenges, the events are worth recapping in brief.

Before I do so, let me take a step back though and say this: UNRWA went through a special and demanding year and I am very satisfied that we have all together rediscovered the deep importance of dignity and accountability towards Palestine refugees. That we have rediscovered that UNRWA is not just any international organization, but is an agency with a soul and a huge impact in providing dignity and crucial services to a community that today still represents almost 40 percent of the world's protracted refugees.

That we have rediscovered that UNRWA is an agency rooted in the individual and collective experience of Palestine refugees and which plays a vital role in providing stability and advocating for the respect of rights of a particularly vulnerable community. At a time when the Middle East faces rising radicalization and a multiplicity of refugee flows in the region and beyond, UNRWA's role is both unique and hugely important.

Turning specifically to the events of this summer: into the month of August, we carried a \$101 million funding shortfall, which is what it costs us to run our education programme for roughly four months. The sheer size of the shortfall left us with no choice: We faced the risk of delaying the opening of all UNRWA schools in all fields for the academic year beginning in late August; started reviewing deficit reduction options; and began appealing for \$101 million so we could open our schools and operate them through 31 December 2015.

Funds already in our accounts were allocated for life-saving services, protection of the most vulnerable refugees from extreme hardship, and maintenance of public health and safety.

The worst scenarios – spelled out in my Special Report shared with you in mid-July – left little to the imagination. 500,000 Palestine refugee students on the street; 22,000 education staff possibly on indefinite unpaid leave; and waves of anger in the 5-million strong community of Palestinian refugees in this region, at a time of unprecedented instability in the Middle East.

Foreign Minister Nasser Judeh of Jordan was quick to speak out, warning that the crisis might affect national and even regional security. It was a view shared by others in the Commission and a number of external stakeholders including senior officials in the Government of Israel. UNRWA staff and Palestine refugees also actively contributed to raising the alarm about what many saw as a significant weakening of the Agency's role and response at a time of great uncertainty in the Middle-East.

The Agency's share of the responsibility for closing the deficit was clear: bold, difficult steps were required to reign in expenditures. In July and August we initiated a range of measures. The upper limit on the number of students per classroom was raised, recruitment of staff was frozen – with the exception of those essential to front-line delivery of services, and following a review we decided to discontinue 85% of international personnel working with the Agency on short-term contracts.

An exceptional voluntary separation arrangement was introduced in July and August, to enable eligible staff interested in leaving the Agency to do so, bringing down our workforce numbers.

As you well know, these were very difficult decisions but we took them convinced that it was a matter of financial responsibility and credibility towards our partners and donors. Needless to say, internal reductions alone could not close the deficit by any stretch of the imagination, unless deep cuts were made to services we provide to the refugees, but this was not open to discussion and unacceptable to UNRWA's leadership and stakeholders.

Additional financial support was needed to bring the crisis to an end, and during the Extraordinary Session I convened on 26 July I called on the Commission to rally stakeholder support, appeal to donors to fulfill their share of responsibilities to keep UNRWA running without interruption, and to assist UNRWA in implementing the recommendations contained in my Special Report.

In the days that followed, a high-level international campaign was mounted with strong leadership by Foreign Minister Judeh, Palestinian President Abbas, Palestinian Prime Minister Hamdallah, Prime Minister Tammam Salam of Lebanon and UN Secretary-General Ban Ki-moon. Deep appreciation must again be expressed to them and to the Governments that contributed toward the \$101 million we sought to raise.

Special recognition of Saudi Arabia, Kuwait and the United Arab Emirates is also reiterated, with their pledges covering about 50% of the total amount required and achieving the target contributions of 7.8% of UNRWA's programme budget. These contributions are a landmark of support to UNRWA's operating budget by Gulf donors, and a strong reaffirmation of their faith in our work.

Sincere thanks also go to the United States of America, the European Union, Switzerland, the United Kingdom, Norway, Sweden, the Netherlands, Slovakia and Bulgaria for specific contributions during the summer. Many thanks also to our other regular contributors present in this room and beyond for the essential support.

SPECIAL MEASURES: IMPACT ON STAFF AND REFUGEES

As we begin to put the crisis of 2015 behind us, let me say a few words about its impacts inside the Agency, and on the refugees that we are mandated to assist and protect. To begin with, the size of the financial shortfall and the risk of postponing the school year sent shock-waves through the Palestine refugee community. And this is not difficult to understand: they have lived for 67 years without a political solution to their plight; in Palestine for almost 50 years under occupation; in Gaza for almost 9 years under a crippling blockade; they have faced repeated wars in Gaza and now a devastating one in Syria; as well as the upsurge of violence in East-Jerusalem and the West Bank. To have in addition to face the postponement of the one pillar of stability in their lives, the education for their children in UNRWA schools, was too much to bear.

Staff have conveyed feelings of insecurity, some profound, during our roll-out of measures. And refugees – in some fields more than others – had their fears stoked by the perception that UNRWA was reducing services or being “phased out”.

The anxieties expressed by refugees and staff have been a source of genuine concern for me and my senior management team during and after the summer crisis. Early on, I reached out directly to staff to address anxieties and give reassurance that we remain committed to them, and to maintaining appropriate conditions of service and job security. This message has been amplified by my Deputy, Sandra Mitchell, who has also engaged with staff and their representatives on my behalf, in the interest of transparency and to dispel fears and misconceptions about management's measures.

The crisis drew attention once again to the communication voids within UNRWA between senior management and staff at large, and the need for spaces to hold open, factual debates on divisive issues. At the same time, the crisis sparked renewed efforts to communicate internally, and the new channels of dialogue opened with staff including by our internal communications team and my Staff Relations Adviser through social media, are milestones. More open and transparent dialogue between all staff and management can strengthen the Agency, raise levels of internal awareness and tolerance for choices made (even if unpopular), and help shape a more trusting and creative organizational culture.

No less important but considerably more difficult is the task of developing communication between UNRWA and Palestine refugee communities. Where the most senior management is concerned, communication gaps are numerous and the reputational and other risks grow significantly when difficult decisions are made. All the more so in the current context where the refugees are experiencing extremes of insecurity in a region engulfed in conflict, and at a time when the Agency has clear and ultimately positive messages to deliver about the decisions recently made, and about others around the corner.

This is a matter we will be paying very careful attention to, including as part of specific projects, in 2016.

MOVING FORWARD AND EXPECTATIONS: EFFICIENCY, FINANCIAL STABILITY AND QUALITY

Mr. Chairman,

The financial crisis of 2015 was the tip of the iceberg for UNRWA. At the same time that we focused on the \$101 million deficit, we projected a shortfall of \$135 million for 2016. As we look forward, it should be plain for all to see that the financial stability of UNRWA has to be addressed over a medium-term horizon. UNRWA's leadership certainly has no intention of letting the crisis repeat itself; our work is too important, the investment over decades is too precious, and the refugees are too valuable a resource for this region and beyond, to allow financial instability to erode all we have done.

On assuming my responsibilities as Commissioner-General in March 2014, I communicated to the Commission and its members, and to our staff, that there could be no illusion about the severity of UNRWA's funding crisis. I flagged the need for far-reaching reforms coupled with additional and continuing support, both needed for the achievement of financial stability and the best possible results for the refugees. These were central themes in my statements to the Advisory Commission in June and November of 2014.

As I began discussing new approaches to financial stability with my management team, it was also important to me in my first months to listen closely to key stakeholders and hear more about their expectations and needs. My engagements with refugees in all fields were diverse but ultimately focused on services – adequacy, quality, and access.

Parents, naturally, have profound concerns about the education of their children. There are also deep fears about livelihoods and food insecurity especially in areas of high unemployment and conflict. For their part, hosts and donors emphasized effectiveness, budget and costs, and the health and sustainability of our finances.

I would like to say to the same stakeholders that your voices are of high importance to me and I have heard them – and I am including here the Palestine refugees. As we move forward we will make every effort to channel your expectations into our planning and implementation. In this regard, it is important for me to underscore the comprehensive due diligence that continues to be done in relation to our actions, taking into account key parameters and risks – financial, humanitarian, programmatic, and political, among others. We lead this process with vision and integrity, keeping cost effectiveness, impact and quality, and beneficiary access at the center of our considerations.

PROJECTED RESULTS 2016 AND MOVING FORWARD

Let me first present some of the estimated financial impacts in 2015 and 2016 of decisions made this summer. We expect to close 2015 with a zero to 1.7 million Dollar balance in our programme budget, thanks first and foremost to the additional pledges received, but also to our own deficit reduction of \$8 million. It should not be lost on us that the decisions in 2015 result in the separation of over 470 personnel. We have, moreover, been able to break even in 2015 without “advancing” pledges from 2016 or suspending vendor payments.

For 2016 we now project a deficit of \$81 million, down from \$135 million as estimated earlier this year. This is the first time in ten years that UNRWA expects a zero-growth programme budget owing to strategic changes in staffing, business processes including procurement, budgeting norms, and service delivery models, amongst other things.

I am encouraged by the improving financial outlook for 2016, which will continue to be a focus of attention for us all, until the shortfall is bridged in its entirety. In my recent discussions with my senior management team we have not hesitated to explore other options that may be available to UNRWA internally to address 2016 but also with a view to the period beyond. This is an ongoing task, and we are confident progress will be made with the support of the Commission.

Notwithstanding these efforts, UNRWA's requirements increase over time, and we remain committed to strengthening the core services that lie at the heart of our mandate, and in line with the Agency's Medium Term Strategy for 2016-2021. Our finances will still have to be underpinned by UN Member States from whom we need consolidated, predictable, and multi-year funding commitments.

We recognise that our traditional donors who presently contribute about 85% of our core resources expect us to be innovative in developing new sources of funding, and we are forging ahead with our strategy to diversify UNRWA's donor base, assessing a wide range of actors including inter-governmental development institutions, the private sector, and civil society organizations engaged in global philanthropy. For example, World Bank Trust Funds in the field of education, Islamic Financing – “zakat” and “waqf” or social bonds, private-public partnerships, are being actively explored. In this context we would like an UNRWA project to be amongst the first pilot activities to demonstrate the potential of Islamic “zakat” financing at the World Humanitarian Summit in Istanbul in May 2016.

We will seek therefore to develop new funding opportunities but we will absolutely and urgently need the support of donors – for example at the World Bank – to open new funding portals for UNRWA. These avenues of support will be featured in the Resource Mobilization Strategy for 2016-2018 that is under development.

MOVING FORWARD

PARTNERSHIPS

I will turn now to some of the initiatives under preparation that aim to set a higher standard of quality, and deliver expanded and improved services for Palestine refugees in 2016 and beyond.

The field of partnerships is full of potential, and the international humanitarian and development community has promoted them in recent years as essential building blocks for development – pooling resources and expertise to achieve goals and reach more people. Partnerships form part of the Millennium Development Goals and are one of Sustainable Development Goals for 2015-2029, which were recently endorsed by the Membership of the UN General Assembly.

UNRWA pioneered partnerships with UNESCO and WHO, 50 years before the rest of the international aid system caught up. We know when we need to partner, and with whom – both conditions for success.

We decided recently that expanding the range of medical care in our hospital in Qalqilya is essential, where utilization of secondary and tertiary care is below the mark for Palestine refugees. My Deputy has concluded initial discussions with the head of Augusta Victoria Hospital in East Jerusalem to expand our existing partnership by giving them a platform to deliver needed treatment through our Qalqilya facility.

The discussions reconfirmed how attractive the UNRWA “brand” is to many leading institutions in this region, and opportunities exist for us to affiliate with others to steer resources and assets towards the Palestine refugees in pursuit of common humanitarian objectives.

Life-saving chemotherapy, and diabetic care including early detection – and prevention – of diabetic-blindness, are in East Jerusalem and difficult to access for West Bankers owing to Israeli military restrictions. Augusta Victoria is considering the possibility to deliver these treatments through Qalqilya. This expanded partnership would also enable UNRWA to focus on what it does best – primary care through the hospital clinic. Options will be explored for Augusta Victoria to take on administrative responsibility and reduce the financial burdens on UNRWA. Feasibility and terms of partnering are being developed, and a joint committee will coordinate with the Palestinian Authority Ministry of Health.

There are other important partnership opportunities we are exploring. Skilled labour and livelihoods rank high on the list of needs of Palestine refugees. We make a direct impact on both through our vocational training centers, whose graduates enjoy employment rates of up to 80%, the majority in jobs related to their vocational specialty.

Let me emphasize this point: our vocational centers offer a passage to productive employment, far above the overall rate for youth in the region. But curricula should keep pace with market needs, and we lack funds to invest on an ongoing basis. Moreover, expanding of the number of trainee places would require innovative solutions such as evening classes.

We are assessing options for partnerships.

As part of our assessment, I am reviewing the role of our Educational Science Faculties / teacher training facilities. Unemployment rates for teachers are high, and demand for our teaching posts is off the charts. At the beginning of the year, our Jordan and Gaza Field Offices advertised for placement on a roster for teachers – this was not a job announcement. We received 45,400 applications (18,400 in Jordan, 27,000 in Gaza). With astronomical numbers of teachers seeking employment, the odds are high of finding qualified candidates.

We have to question the utility of dedicated teacher training institutes that either produce graduates who join the unemployment line or seek employment elsewhere.

We are also launching a partnership between the UNRWA Microfinance Programme and the UN Capital Development Fund, to facilitate the Programme's transition into an independent institution in Gaza and the West Bank, Jordan, and Syria. This step is essential if the programme is to survive, and expand credit for struggling entrepreneurs, including youth and women.

Financial losses from the conflict in Syria have eaten into its capital base, and UN policy in Gaza creates legal obstacles to expansion – despite high demand for loans. As a UN entity

the Programme is also unable to access private or commercial finance. Numbers of staff have lost their jobs in a trend that may continue, and we have concluded that that it will either grow with transformation or die without it.

The remarkable success of the Programme until recently, plus staff concerns in the face of possible change, and high political anxiety in the region, have made discussions about transformation difficult. But the financial challenges are not getting any easier, and transformation is likely to double the amount of cash – at lower interest rates I might add – in the hands of enterprising, working class individuals who are investing in the future of their families and communities, including in the refugee camps. For the Microfinance Programme to survive and flourish, it is high time transformation moves forward, and we hope to sign MoUs with the UNCDF in the near future.

ORGANIZATIONAL SYNERGIES / STREAMLINING

We continue to explore new working methods to tackle new challenges, with an eye on value for money. Our departments of Health and Administrative Support teamed up last year to overhaul procurement of pharmaceuticals and write up protocols ensuring quality. The Agency now has a quality assurance framework in place for all drugs dispensed in its clinics, a first for UNRWA, and aligned with WHO and international standards. Thanks to the new procurement strategies, we are concluding a tender for pharmaceuticals which will save some \$2.5 million. Recurrent savings will fund cholesterol treatment for refugees in all fields, also a first for the Agency. With Non-Communicable Diseases the leading cause of death in the Middle East, this is a significant accomplishment.

MTS IMPLEMENTATION

There is positive news to report on our food aid. Our relief and social services programme has worked with Lebanon, West Bank and Jordan fields to phase in food vouchers for eligible refugees, replacing food baskets that have been the Agency's norm. The voucher programme is undertaken with WFP support, and is recommended in UNRWA's MTS for 2016-2021 as the preferred means to deliver food aid to the roughly 300,000 refugees currently recorded in our Social Safety Net Programme. Considered to be good practice, with advantages over bulk distribution when it comes to targeting, efficiency, and convenience, as well as the dignity of recipients, and I am pleased to see it being integrated Agency-wide after years of management planning. UNRWA will progress with the transition to vouchers in 2016 and expects to see a decrease in administrative and distribution costs of food aid. Savings will be re-invested in programming for vulnerable refugees.

RISK MANAGEMENT

Risks cut across the Agency, and come in different sizes. As the recent crisis has shown, vulnerability is especially high when it comes to financial risks, and there is no shortage of other glaring examples that prove the point. Take for example the total depletion of our working capital. Organizations our size are supposed to hold an amount equivalent to 3 months. We have an amount that would barely help us cover a day and a half.

Restoring our equilibrium requires us to reduce risks at all levels. One area we are tightening is currency exchange risks, which are passed on to UNRWA through its income streams and can be significant. Exposure to currency exchange risks will be reduced through enhanced hedging strategies, supported by a new advisory committee of external experts. This increasing vigilance about risks can also lead to opportunities, for example when finance managers this year took independent action with our Area Staff pension fund, leading to a \$6.9 million gain when numerous other funds worldwide suffered losses during the slide in asset and share values.

CONCLUDING REMARKS

Ladies and gentlemen, dear colleagues,

I noted earlier that UNRWA will, for the first time in years, achieve a zero-growth budget in 2016. Why, one could ask, are we doing this at a time when the least one can say is that, in the Middle-East, there is no such thing as a zero-growth in needs?

We are doing this out of an acute sense of responsibility. First and foremost towards the Palestine refugees themselves. Managing the agency with a combined focus on service quality and financial accountability is an investment in protecting UNRWA's mandate and role.

Many times this summer I faced questions from refugees and staff about whether there was a political conspiracy at play to weaken UNRWA. Is this not a politically motivated crisis I was asked time and time again. My view on this was always that no one is naïve about the fact that UNRWA operates in a highly politicized and polarized environment. However, I am deeply convinced that the mandate is well protected at the UN General Assembly and with the support of Advisory Commission members.

Nevertheless, to ignore the financial challenges facing the agency is a high-risk strategy and one that will only end up weakening the mandate and the quality of services. I am deeply convinced that UNRWA is best placed to identify and lead the implementation of the measures I have described. We will do so with great resolve because we are convinced that this is the way to preserve our ability to provide services and defend the rights of Palestine refugees.

We will do so also because we are convinced of the immense value UNRWA has related to issues like "leaving no-one behind" or "ensuring no lost generation". We are also a remarkable example of an agency that has long integrated humanitarian and development action, a prominent theme at next year's World Humanitarian Summit. We are here in the middle of a region engulfed in conflict, we are very much alive as an organization and working with patience and determination, delivering hope to vulnerable refugees.

Finally, we believe that showing resolve and taking difficult measures will lead to increased confidence by hosts and donors that we are focusing on what we are best at and serious about making the best possible use of the funds we receive. If explained well, these measures will also lead to increased trust on the part of staff and refugees.

In my view this only increases the need for hosts and donors to remain as committed – if not even more committed – to the Palestine refugees. This is a community thrust into extreme insecurity, facing severe conditions on a scale unprecedented since 1948. 2.3 million Palestine refugees endure military occupation that has lasted almost 50 years, a suffocating and illegal blockade, and full-fledged armed conflict. Among them are the roughly 700,000 refugees who have experienced displacement in the last four years in Gaza and Syria, many with no homes to return to. The effects at a human level are appalling, and to put things in perspective let me remind everyone in this room that roughly half of the Palestine refugee population are children who live these traumas every day. Many will carry these traumas into their youth, into adulthood; the costs of chronic, unresolved conflict are deep and lasting for the region, and all affected by the events in it.

These are the existential risks the refugees face today, compounded by the risks of radicalization, and of joining the hundreds of thousands leaving the region, if their needs are not properly met.

Palestine refugee youth, in particular, deserve our attention, our response and the preservation of hope. We must work together to ensure that this is achievable. We cannot see them only as victims. They are, with our humble support, actors of their own destiny and we cannot betray their expectations.

I thank you.

BACKGROUND INFORMATION

UNRWA is funded almost entirely by voluntary contributions, and financial support has not kept pace with an increased demand for services caused by growing numbers of registered refugees, deepening poverty and conflict. As a result, the UNRWA General Fund, which supports core essential services and most staffing costs, operates with a large deficit. UNRWA emergency programmes and key projects, also operating with large deficits, are funded through separate funding portals.

UNRWA is a United Nations agency established by the General Assembly in 1949 and mandated to provide assistance and protection to some 5 million registered Palestine refugees. Its mission is to help Palestine refugees in Jordan, Lebanon, Syria, West Bank and the Gaza Strip achieve their full human development potential, pending a just solution to their plight. UNRWA services encompass education, health care, relief and social services, camp infrastructure and improvement, and microfinance.

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