

Opening Statement by the Commissioner-General,
Filippo Grandi,
At the Meeting of the UNRWA Advisory Commission
Dead Sea, Jordan, 18 June 2012

Minister Azayzeh,
Mr Chairman,
Mr. Vice-Chairman,
Distinguished Delegates:

Welcome, everybody. I would like to thank Minister Wajieh Azayzeh, representing Foreign Minister Nasser Judeh of Jordan, for his opening remarks. He is of course an old friend of this Commission and of UNRWA, and of mine personally, and we warmly welcome him and appreciate his cooperation.

I would also like to welcome as special guests the Delegates of Brazil, Iraq, and Qatar. They represent countries that are not Advisory Commission members, but have been very active partners of UNRWA lately, and I am grateful to the Chair for agreeing to include them in our discussions. I also welcome Luxembourg's new status as a full member. And of course I thank all members and observers, hosts and donors alike, whose support is so critical to the Agency's mission.

Mr. Chairman,

For my opening remarks today, I have chosen to focus on UNRWA as an organization, with an eye to the future and with the Advisory Commission's past recommendations clearly in mind. Obviously, no such outlook can be isolated from the political, social and economic context and its impact on our work. The Field Directors will speak about this from their perspectives later. The present times - characterized by political and financial stress - have prompted me to share with you, the Agency's closest and most supportive stakeholders, our views of UNRWA's difficult current challenges and - at the same time - valuable opportunities.

One point needs to be made at the outset. Sixty-four years into the exile of the Palestine refugees, UNRWA's mandate is unchanged and remains clear: you and other United Nations Member States have asked and continue to ask UNRWA to assist the refugees until a just solution is found. We continue to do this in a political and economic climate that produces profound challenges. The protraction of the refugee issue, however, like other "final status issues" is trapped in a

stagnating peace process, and this increases pressure around the refugee question in the public domain. Efforts to dilute and change definitions of refugees put great pressure on UNRWA, on host countries and on donors supporting UNRWA. Even more important, they create huge anxiety in a population whose stability and security are essential to a region that continues to experience volatility - volatility which, in turn, contributes to the climate of uncertainty in which Palestine refugees live. Today, therefore, my first request to you - as our advisory body - is to reconfirm your support for UNRWA's role and mandate. This support, today, is more important than ever.

The 45-year Israeli occupation of Gaza and the West Bank, including East Jerusalem, the continuing blockade of Gaza, the illegal but relentless settlement expansion are destroying the ability of Palestinians to build a productive and peaceful future. What has been called the "Arab Spring" has created space and opportunity for expressions of civil and political rights, but it has also confronted us with challenges and dangers. Political upheavals or unrest have created tensions in or near all UNRWA's fields of operation. Refugees, in addition to the heavy burden of protracted and unresolved exile, are facing the challenges of political, social and economic change. If UNRWA were to reduce its humanitarian and human development support in this situation, it would have highly unpredictable consequences, and with uncertainty comes danger.

This must also be viewed in the context of the economic crisis that is affecting many of our donors and hosts, both of whom face growing difficulties in providing generous support to refugees.

Recent salary increases in Jordan - which Minister Azayzeh has spoken about - have recently reversed a positive trend towards substantially reducing this year's shortfall in the General Fund.

This needs to be understood clearly: first, we have scarce flexibility on the issue of salaries as we have long had a policy of matching public sector pay wages, and salary demands in Jordan were in line with this policy; second, it is a much less expensive policy than using United Nations' pay scales as the rest of the UN system; third, UNRWA's pay policy does not incorporate public sector benefits (for example access to universities for staff children or subsidized consumer purchasing), and we are well below market wages in some key professions and technical posts. Please remember that ensuring a qualified workforce is perhaps our most important task, as it is the main vehicle through which we deliver services to refugees - and it is a task that continues to be difficult.

Having said this, our pay policy clearly generates extremely problematic challenges in the present economic climate. A key aspect of the salary issue which needs to be clearly understood is that UNRWA is a very significant employer in the region - the second largest one after the government in Jordan and in the occupied Palestinian territory, and the largest employer of Palestinians in Syria and Lebanon. This poses acute challenges at a time when governments in the region seek to satisfy increasingly vocal, economically strained and politically volatile workforces, by raising public sector wages, at times - as in Jordan and in Lebanon - very significantly. Our own staff and their unions demand the same. When we do not follow suit, UNRWA quickly and uncomfortably falls into the political spotlight, with host governments preoccupied by the consequences of protests against the Agency, and donors resisting increases in UNRWA wages at a time when their own public services are under pressure. For years, through the use of salary reserves and intensive labour negotiations, we were able to contain the pressure. I am very concerned that our tools to respond to these demands are becoming less effective in the present political environment.

On the other hand, given the global economic climate, we are acutely aware of the need to address the shortfall through internal measures aimed at reducing or slowing expenditure. As you recall, last year we mainstreamed the cost of establishing an Enterprise Resource Programme into the General Fund. Although developing the ERP remains critical to the effective management of the Agency, we have decided to slow down its implementation. A partnership agreement with the World Food Programme will also allow us to reduce costs by taking advantage of their resources and experience in this area. Thus we will defer expenditures of US\$ 6 million this year for ERP. Tight management of expenditure related to our food programme and decreasing costs have allowed us to also reduce the food budget in the General Fund by US\$ 3.5 million. And we are undertaking other measures, all of which involve a degree of hardship to staff and refugees, generating nevertheless further savings.

Reducing expenditure alone, however, does not solve the problem of the shortfall. In terms of fundraising, while we will continue to depend on the generosity of traditional donors - and, whenever possible, on additional contributions on their part - we have multiplied our efforts in seeking income from new donors, especially among G-20 countries, and have had some success. I would like to single out the outstanding performances of Brazil, which increased its contribution to the General Fund from US\$ 200,000 in 2010 to US\$ 7.5 million in 2012 so far, and of Turkey, that has gradually grown from a contribution of US\$ 200,000 in 2002 to one likely to be similar to that of Brazil once its large in-kind donation of

food for Gaza (12,000 MT of wheat flour) is fully costed. Our fund-raising efforts in this region are also bearing fruit after some years of active development. Saudi Arabia in particular - our third largest donor overall in 2011 - has funded large reconstruction projects and this year provided US\$12 million to the General Fund so far. Saudi organizations have also been active, especially the Saudi Committee for the Relief of the Palestinian People, with which – and this is breaking news – a new agreement will be signed tomorrow, to provide US\$ 5 million to buy food for the Gaza poorest, also under the General Fund. Kuwait has provided additional General Fund financing this year. Iraq resumed its contributions to the General Fund last year and I have had recent, promising discussions in the United Arab Emirates and Qatar on increasing their General Fund contributions and strengthening partnerships with their institutions.

The combination of all these factors results in a General Fund shortfall of US\$ 62.8 million for 2012 to date: obviously still a major challenge for the Agency, and one that calls for support from all of you, and especially from new donors. But even more importantly, we will need to examine the implications of our cost structure in the present global context in terms of UNRWA's sustainability as an organization. In the short term, this means that salary demands – I repeat salary demands - will have to be addressed prudently - and for this, we will need support and understanding from you, and especially host authorities. In the medium and long term, it is of paramount importance that UNRWA's workforce is deliberately and sustainably developed in tandem with programming priorities, taking into account resource constraints as a crucial factor. It is thus very clear that the establishment of a sustainable workforce plan must be at the heart of UNRWA's medium-term strategy for 2016-2020, which we are about to start designing.

The General Fund, however, supports only about half of UNRWA's work. The rest is financed through different budgetary windows - an issue repeatedly questioned by some of you. I would like to reiterate our view that such portals are necessary. They reflect the specificity of the situations they are meant to address and they match the funding structures of many important donors.

I agree, however, that in some cases those situations have changed in complex ways and our responses have not evolved accordingly. The analysis of what has happened is relatively simple. Recurrent conflict in the past 10 to 15 years has generated new refugee needs. Shortages in the General Fund have obliged UNRWA to use emergency and project resources to address them, including recurrent costs. That was the right thing to do - but we did not plan long term, with sustainability in mind, and when resources started dwindling we faced problems.

This is especially true in respect of the Emergency Programmes in the West Bank and - to an extent - in Gaza, which we are reviewing in order to determine what must be pursued as humanitarian activities, and what is best mainstreamed or packaged otherwise, an exercise which will be conducted gradually to avoid dangerous shocks among refugee communities.

All should understand that there may have been lack of clarity in presenting needs, but needs have been and continue to be very real indeed. The Field Directors will elaborate further on our efforts to bring clarity to the issue, with your help. In doing this, diverse portals will actually be useful. A good example is provided by Gaza, where our Emergency Appeal, in spite of contributions from some loyal donors, first of all the United States, is funded this year at percentages lower than those of other UN agencies, putting key activities such as emergency food aid and job creation at serious risk, while at the same insufficient efforts are carried out by the international community to have the blockade lifted. However, by taking on construction and other projects in Gaza, which donors and especially Arab States are presently supporting strongly, some of the adverse effect of emergency underfunding is relieved. UNRWA is currently implementing projects in Gaza that create 27,000 jobs in the construction sector. On the other hand, because of the importance of projects, we must make further efforts to develop a solid capacity to prioritize and manage projects in a sustainable manner; an area in which we have not been strong.

Meanwhile, I hope you will agree that our financial management and transparency has been vastly improved in recent years. We provide quarterly financial reports, and we have shared the monthly reports that I receive myself. The considerable work donors have invested in examining Agency transparency, accountability and risks has shown positive results. I would like to particularly thank the United Kingdom and Australia – two of our most reliable donors - for their recent assessments. DFID's Fiduciary Risk Assessment of January of this year revealed that UNRWA's risks have fallen from moderate to low in just over two years. And AUSAID's Multilateral Assessment included strong marks for delivering on our mandate, strategic management and performance, and satisfactory marks on efficiency, transparency and accountability. These are important statements indicating that we are on the right path. To further improve transparency, in November we will share for the first time with the Advisory Commission the Department of Internal Oversight Services' annual report on its areas of responsibility.

An area which has attracted questions is the manner in which we allocate resources internally. I agree that it is critical for us to be able to explain clearly allocation criteria. In fact, our priorities are clearly outlined in our Medium Term Strategy, which this Commission endorsed in 2009, and which provides a strategic umbrella for UNRWA until 2015. This is why I agree with those of you who have asked that we share a clear and precise plan on how we shall consult with you in designing the next Medium Term Strategy: that is the process through which you will be associated - among other issues - in identifying activities which are to receive priority funding in a situation of scarce resources. That is our key prioritization exercise and we want you to understand and contribute to it. We are also examining the possibility of an external evaluation of the current Medium Term Strategy, as an important exercise in preparing for the next.

And of course, at an operational level, we prioritize services, activities and expenses on a daily basis. Remember that our resource allocation is largely determined by our need to pay monthly salaries to our 30,000 staff who are front line service deliverers. At this level, allocation mechanisms are in place and we are always prepared to share information, as appropriate, without forgetting however that UNRWA - as a multi-lateral, non political agency - must maintain independence in this area in order to protect decision-making from political pressures.

Therefore, yes, we will work - in consultation with you - on improving the technical aspects of resource management. I hope, however, that this will not detract from the fact that unfortunately, in addition to our regular services, Palestine refugees will continue to require assistance over and above these core services. They have endured emergency after emergency, and UNRWA has been expected by you to respond to each swiftly and effectively: the second intifada, the destruction of Jenin Camp, the Gaza war, the Gaza blockade – all of course compounded by incursions, closures, settlement expansion and other features of a destructive and violent occupation. Further, 25,000 Palestinians remain displaced from Nahr el-Bared Camp, and 500,000 refugees in Syria live in growing hardship and under the stress of conflict. Creating financial tools to address the needs generated by these crises is not an administrative ploy, but the cost of responding - regrettably - to a string of political failures.

Mr Chairman,

Alongside transparency is the need to constantly strive to improve services. The 2004 stakeholder conference in Geneva was the beginning of an important

dialogue and marked a more systematic effort to show results, not only to donors and hosts, but to the refugees themselves. We began with managerial reform, on the evaluation of which we reported to you last November. In 2009 we launched a series of crucial reforms of our services which is improving our work where it matters most.

The Deputy Commissioner-General will report fully to you on this. I would like to make three points:

First, we are well aware of the importance of showing results of programme reform, and in this, we will be aided by the much improved performance indicators, which we will continue to develop with your help. Some health results are beginning to come in from the 14 of our 138 clinics that have adopted the family health team approach. We have already measured a high level of satisfaction among refugees and staff, and seen considerable signs of improved cost effectiveness. I refer to health because that is the programme in which most progress has occurred. In education and relief and social services - for which you have endorsed the general direction of reform - we are moving from strategy development to implementation, and grappling with the complex challenges typical of any change process - resources and resistances. The Deputy Commissioner-General will address this issue later. Our determination to reform, however, is undiminished, as is our awareness that only through showing concrete results we can prove that investments in reforms are worthwhile - for you and for us.

Second, the relationship between reform and resources is complex. Reforms will generate efficiencies. At the same time, reforms will require investments. We will thus face difficult dilemmas - above all, we will have to address the question of whether, when resources are freed, they should be reinvested in reform, or to mitigate immediate financial shortfalls. Fiscal prudence in the face of uncertain income would dictate mitigating our shortfall, but then we would not be able to improve quality and achieve efficiencies. Tough questions lie ahead. We will consult you, and expect advice and support.

Third, clearly UNRWA must strengthen its planning capacity. We are now framing our upcoming planning process for biennial implementation plans as well as the next medium-term strategy. We are also looking at redesigning our internal planning function as recommended by the OD evaluation - a process which has already begun and on which we will be reporting soon.

Besides reforms of our core services, I would like to describe three very important areas that have vast potential to improve refugee lives, and ones for which we seek your cooperation and collaboration.

One is the spin-off of our microfinance programme. Legal independence and the ability to attract corporate lending will allow it to vastly expand both range of services and outreach to refugees and others region-wide. Microfinance, savings and small enterprise development are important areas of economic development with untapped potential in the Middle East. The Director of the Microfinance Department, Alex Pollock, will brief you later and we look forward to hearing your views on this important issue.

Another area of opportunity is our approach to camp improvement. Working with German support and cutting edge urban planners, we have developed an innovative and holistic approach to the living environment that builds on refugee participation, which we have showcased in an exhibition last month sponsored by the German government in Berlin. We are proposing to have a discussion on this approach - and its vast potential - at our next meeting in November, to share our experiences and debate how to obtain the support necessary for making it more central to UNRWA's work.

A third issue is our developing work in support of youth, particularly since the convening of a stakeholder conference on youth and UNRWA in March this year, supported by the European Union and Belgium, that involved discussions with 24 youth from our five fields of operation, and proved to be a resounding affirmation that work with and for youth is a critical building block for UNRWA and for the prosperity of the region - we matched this by especially devoting to youth one year of work, and issuing ten public commitments to young refugees. The Deputy Commissioner-General will update you on our youth initiatives tomorrow.

Mr Chairman,

I am well-placed to understand that in order to steer our way through the complex web of circumstances and initiatives which I have outlined, the Agency requires strong, clear, communicative and consultative leadership. By leadership I mean the Commissioner-General, the Deputy Commissioner-General, the Executive Office and the Management Committee, which comprises all directors.

This is why last year I launched an initiative on "Executive Management," to examine how the executive function works and how it can be improved. While

this effort is on-going and the full report will be presented to you in November, I can share some of the results with you. We have re-organized the Executive Office, with an empowered Chief of Staff - Sandra Mitchell - coordinating formulation and implementation of decisions. We have developed a system called the Implementation Management Group, wherein the Chief of Staff gathers a group of relevant directors to hash out a thorny or complex issue and make recommendations to the Management Committee or to the Commissioner-General. This has proven an effective way to better define issues, bring them to articulated decision, and ensure follow-up. Recent meetings of this group have led to clearly understood decisions on a human rights policy in education, a protection policy, and more efficient medical procurement, just to mention a few.

We are also looking at the functions of the Relief and Social Services Department and have shifted to it the cross-cutting issues of gender, disability and youth so they can contribute better to a poverty-focused approach. As already mentioned, we will make further decisions concerning the Programme Coordination and Support Unit once we agree on how to strengthen the planning function in UNRWA, especially in view of the upcoming planning and other strategic challenges.

I am pleased to confirm the appointment of a new Director of External Relations and Communications, Salvatore Lombardo. Among his many priorities will be improving dialogue with you, particularly through the Advisory Commission and its Sub-Committee, whose Chair, Denmark, I would like to thank. We believe it is critical that you all have a much better and immediate sense of the Agency's challenges in order to provide more timely and effective input to the difficult choices that lie ahead. We take your input seriously and I will elaborate further on this matter when we discuss the follow-up to your recommendations.

In closing, I would like to return to the matter of the vulnerability of the refugees and of UNRWA's fragility, and of our shared obligation to move forward efficiently and effectively. The political context is dire. The Palestinian situation has not yet become dramatic, but the possibility that it will in the short-term is great. The stagnation of the Israeli-Palestinian peace process is seeing a steady and insidious erosion of Palestinian rights in the occupied territory. Palestinian rights in Lebanon remain severely limited. The crisis in Syria, if not contained, risks having a dangerous impact across the region, including in UNRWA's areas of operations. In this context, an efficient and effective UNRWA is all the more needed. It is my responsibility, in the current context, to warn you quite simply and bluntly of the extremely negative impact that the absence of UNRWA or a

significant decline in services would have on a situation that is balancing on the brink in so many ways.

The role of the Advisory Commission is also therefore critical at this juncture. UNRWA has a mandate from UN Member States, which this body represents, but is finding it increasingly difficult to deliver it. I appeal to you to re-invigorate your efforts to “advise and assist” the Agency and its Commissioner-General. Concretely, we ask donors to make every possible effort to assist with additional contributions; and we ask hosts to support our efforts to implement austerity measures in all areas, including in particular staff costs.

Last but not least, we ask for your trust. We will continue, of course, to report on progress on important efforts that promote efficiency and transparency. We do appreciate your concern and the thoroughness of our meetings with the Subcommittee, and are fully committed to maintaining this dialogue. We will continue to benefit from bilateral relationships with each of your countries - they are of vital importance to us. We must ensure, together, especially on difficult issues on which you may have divergent views, that this body is the place where these relationships come together, in a joint effort to uphold what - for millions of Palestine refugees - represents vital help, support and solidarity.

Thank you.