

# UNRWA Funding Cutoff: What Next?

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Brief Analysis

**Despite the attendant risks and public outcry, Washington’s decision to halt all aid to the agency could spur some reform without drastically affecting its core humanitarian services.**

**O**n August 31, the State Department indicated that the United States was ceasing all contributions to the UN Relief and Works Agency, the primary aid organization for Palestinian refugees. In addition to citing “the very disproportionate share” of UNRWA costs being shouldered by the U.S. government, **the announcement called** (<https://www.state.gov/r/pa/prs/ps/2018/08/285648.htm>) the agency’s longstanding business model and fiscal practices “irredeemably flawed,” noting that they have created an “endlessly and exponentially expanding community of entitled beneficiaries.” The State Department also criticized “the failure of UNRWA and key members of the regional and international donor community to reform and reset the UNRWA way of doing business.” What repercussions might this decision have on affected Palestinian communities, and how might the various players overcome the organization’s longstanding resistance to certain reforms?

## THE LONG ROAD TO LAST WEEK’S DECISION

**T**he details of talks between the Trump administration and UNRWA over the past year have not been made public, but officials have clearly discussed reforming the agency. In broad terms, Washington is seemingly pushing to return UNRWA to the purpose it was assigned in 1950 by UN General Assembly Resolution 393 (V), paragraph 4, which emphasized “the reintegration of the refugees into the economic life of the Near East, either by repatriation or resettlement.” Given that Israel rejects repatriation outright, a return to Resolution 393 would entail a phased wind-down of UNRWA operations as registered refugees are politically and economically integrated into their host communities (Gaza, the West Bank, Jordan, Syria, and Lebanon).

Technically, many of these individuals are not refugees at all under the terms of the 1951 Convention Relating to the Status of Refugees, and most of them are already well integrated. Other than being on UNRWA rolls, refugees in the West Bank and Gaza have largely the same political and economic status as non-refugees, similar to the many

refugees who have been granted citizenship in Jordan. Likewise, many UNRWA “refugee camps” have become regular neighborhoods in host-country cities, with little or no demarcation between them. Yet UNRWA continues to resist U.S.-proposed reforms, undoubtedly backed by the supporters of Palestinian irredentism in the UN General Assembly, which formally oversees the agency

This resistance has appears to have angered the Trump administration. On January 16, the State Department announced that it was withholding \$65 million of its scheduled \$125 million contribution to UNRWA, noting that it “would like to see some reforms being made” and convince other countries to contribute more before it would disburse the frozen funds. Two days later, a scheduled U.S. contribution of \$45 million to a UNRWA emergency appeal was withheld under similar expectations.

Washington’s conditions were never met, it seems, since no withheld or additional funds have been disbursed, culminating in last week’s complete cutoff. The administration may be hoping that this approach will force UNRWA into more-serious discussions of reform—or, at the very least, it will mean no more American support for an agency that many U.S. officials view as recalcitrant and dysfunctional. From their perspective, the monies saved may be reprogrammed to assist Palestinians (or other communities) in ways that better support U.S. regional objectives, though no such reprogramming has been announced as of this writing.

UNRWA and some of its allies apparently wish to maintain the agency as it is, and they are busily trying to replace the U.S. contribution—which constitutes about one-third of the UNRWA budget—with funds from other sources. Additional pledges have already been announced by Germany, Qatar, and others, but so far they do not seem nearly sufficient to replace the U.S. contribution of approximately \$360 million per year. The Gulf states are rumored to have promised future increases, but only if UNRWA reduces the number of persons to whom it grants refugee status and provides services.

Washington has also cut some assistance to the Palestinian Authority, ostensibly for its recent reluctance to negotiate with Israeli or U.S. officials. Those cuts will make it difficult for the PA to transfer any of its own funds to UNRWA, assuming Ramallah would ever contemplate such a move.

## HUMANITARIAN EFFECTS?

**W**ashington’s announcement should not have a dire impact on the Palestinians. Their first humanitarian need is food, and only a small percentage of UNRWA-registered refugees receive food rations as part of the agency’s means-tested welfare scheme (spending on “relief and social services” consumes about 9% of its budget (<https://www.unrwa.org/how-you-can-help/how-we-spend-funds>)). UNRWA has sufficient resources to take care of those services even without U.S. funds.

Another pressing humanitarian need is shelter, but only about 4% of UNRWA’s budget is devoted to “Infrastructure and Camp Improvement.” Again, the agency has sufficient resources to cover this.

UNRWA’s biggest expenses lie in education (54% of the budget) and healthcare (17%), so that is where any potential cuts would be felt the most. Yet education and healthcare are entitlements, not means-tested benefits. UNRWA could reduce the costs of these programs by making them means-tested. For example, except for registered refugees who have been confirmed as being in need of welfare like food rations and cash supplements, most people could be charged a small fee for visiting a UNRWA clinic.

The remainder of the budget (16%) falls under “Support Services,” including “Protection.” This broad category encompasses activities such as ensuring the safety of women, children, and the disabled, but also promoting “the rights of Palestine refugees under international law, through the monitoring and reporting of violations and by engaging in private and public advocacy,” principally with regard to alleged Israeli actions. “Emergency Response” and “Microfinance” also fall under this part of the budget. Although some of these activities are undoubtedly

worthwhile, the task of representing Palestinians against Israel should not be the responsibility of a humanitarian organization. And the obvious benefits of a microfinance program are nevertheless expendable when weighed against potential cuts in essential sectors such as education and healthcare. In short, UNRWA has enough funds to finance its core functions without U.S. assistance.

## MANAGING THE RISKS

One theoretical danger of Washington's approach is that withheld funding may be replaced by entities less inclined to press UNRWA on reform. Yet the administration's risk calculations seem to hinge on two considerations: (1) that U.S. funding is unlikely to be fully replaced, and the resultant financial pressure may convince UNRWA to accept at least some of Washington's reform proposals; (2) even if the funds are replaced, they will come from either rogue states or countries that can be embarrassed before their own populations by American information campaigns (e.g., Europeans). In the former case, the administration may believe that rogue donors would then have less money to use for other nefarious purposes (with the side benefit of bolstering Washington's separate effort to increase economic pressure on such actors in order to change their behavior).

One can imagine other risks. For instance, however problematic some aspects of UNRWA-provided education may be, the potential schooling provided by alternate donors such as Hamas, the Syrian regime, and the Hezbollah-led government in Lebanon would almost certainly be worse. Yet UNRWA may be able to make up for the loss of U.S. funding by revising rather than replacing its current educational programs—for instance, by making them means-tested and/or eliminating non-core programs as mentioned previously (e.g., microfinance initiatives; the portion of the "Protection" budget dedicated to representing Palestinian viewpoints against Israel). Those reforms alone would represent significant improvements.

As for the risk of unrest, any U.S. insistence on reducing UNRWA's rolls via resettlement would almost certainly provoke resistance, demonstrations, and even riots among the refugees affected. Yet the Trump administration has shown little concern about other recent Palestinian protests, such as those that stemmed from its decision to move the U.S. embassy to Jerusalem. Similarly, opposition from UNRWA host governments would raise few worries in the White House, with the possible exception of Jordan's pro-American leadership. Although Amman is required by domestic sentiment to formally oppose any efforts that erode Palestinian refugee status, it may see some positives in the situation—especially if Washington used the funds it withholds from UNRWA to quietly boost assistance to Jordan. The king has long sought to unify his population, so he may favor replacing UNRWA's Palestinian-focused services with Jordanian government services. Increased U.S. or international funding would certainly help in that regard.

*James Lindsay served as UNRWA's chief lawyer and general counsel between 2002 and 2007. ❖*

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