

EXECUTIVE SUMMARY

In 2002, the Agency continued to face under-funding of its regular budget. Against its GA-approved cash and in-kind budget of USD 326.2 million, the Agency received USD 305.9 million in income. As a result of the shortage in contributions, cost containment measures and strict financial management were implemented to bring expenditures in line with income. UNRWA ended the year 2002 with a net excess of income over expenditure of USD 7.0 million for its regular budget activities. The closing balance of the Agency's working capital in respect of its cash regular budget activities amounted to USD 18.7 million as compared with USD 9.1 million at 31 December 2001. However, it should be noted that this amount is not represented by cash at bank, as it includes USD 4.9 million of accrued contribution income and the balance is represented by other receivables, namely VAT due from the Palestine Authority.

The consolidated cash balance, which was USD 54.1 million at the beginning of the year, increased to USD 92.1 million at 31 December 2002. Of the USD 92.1 million, USD 52.6 million was committed for the Emergency Appeal, USD 6.2 million was earmarked for the purchase of basic commodities and USD 4.7 million was held for the Microfinance and Microenterprise Programme, leaving a balance of USD 28.6 million available for funding project activities and regular budget operations.

UNRWA's total regular and non-regular budget for the year was USD 554.8 million. Against that, the Agency received a total income, including other income, of USD 419.7 million during the year and spent USD 392.2 million, resulting in a total excess of income over expenditure of USD 27.5 million for the period on regular and non-regular budget activities.

As in the past, the education programme accounted for a major portion of the expenditure under the regular budget with 59.7 per cent of total expenditure. The health programme was next with 17.8 per cent, followed by operational and common services with 13.0 per cent and relief and social services with 9.5 per cent.

Programme	Approved Budget		Actual Expenditure		Variance in Exp.	
	USD	%	USD	%	USD	%
Education	172,255,000	52.8	175,453,031	59.7	(3,198,031)	(1.9)
Health	58,911,000	18.1	52,256,166	17.8	6,654,834	11.3
Relief & Social Services	33,630,000	10.3	27,800,691	9.5	5,829,309	17.3
Operational & Common Services	61,422,000	18.8	38,352,299	13.0	23,069,701	37.6
Total	326,218,000	100.0	293,862,187	100.0	32,355,813	9.9

An exceptional increase in salaries was approved following a comprehensive salary survey in UNRWA's fields of operation, resulting in over expenditure of USD 3.2 million in the education programme, where majority of UNRWA staff is employed as teachers.

Expenditure against non-regular funds during the year totalled USD 98.3 million. The Emergency Appeal, Post 1999 projects and Peace Implementation Programme absorbed a large portion of this expenditure, at USD 82.1 million, USD 13.5 million and USD 2.2 million, respectively.

The severe economic contraction in the West Bank and the Gaza Strip adversely affected the MMP's lending activities and loan repayments during the year. As a result, the MMP incurred a net loss of USD 1.7 million on its operations in 2002, leading to the partial erosion of its capital base.

The market value of the investments of Area Staff Provident Fund at the year end was USD 776.6 million. The income available as credit to participants in the Provident Fund, as of 31 December 2002, totalled USD 39.8 million.