

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

**2004-2005 BIENNIUM BUDGET**

**INTRODUCTION**

1. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by General Assembly resolution 302 (IV) of 8 December 1949. The mandate of UNRWA has been renewed repeatedly, most recently by the General Assembly in its resolution 56/52 of 10 December 2001, when it was extended until 30 June 2005.
2. UNRWA reports directly to the General Assembly to which the Commissioner-General submits an annual report. A general review of UNRWA programmes and activities is undertaken on an annual basis by the ten-member Advisory Commission, which includes representatives of the Agency's major donors and host authorities. The Advisory Commission has a working relationship with the Palestine Liberation Organisation.

**STRATEGIC GOALS**

3. The Agency's goal is to promote the human development of the Palestine refugees and strengthen the self-reliance of the refugee community. The long-term viability of its programmes and sustainability are key themes of its activities. Where feasible, UNRWA incorporates cost sharing and self-support measures into its programmes to ensure the efficient use of resources and to encourage participation by the beneficiary population in the provision of services.
4. During the biennium 2004-2005, UNRWA will continue to provide basic education, health, and relief and social services to more than four million registered Palestine refugees living in Jordan, Lebanon, the Syrian Arab Republic and in the West Bank and the Gaza Strip. It will also continue to offer services under its Microfinance and Microenterprise Programme.
5. The overall objective of UNRWA for the biennium 2004-2005 is to improve the health and education infrastructure and promote socio-economic development within Palestine refugee communities by continuing to provide services and assistance as it has for more than 50 years, waiting a just and durable solution of the Palestine refugee problem. Non-refugees are, from time to time, provided services when the Agency determines them to be in special need or when the General Assembly mandates.
6. The Agency also provides emergency assistance to Palestine refugees in situations of acute distress. Following the outbreak of strife in the occupied Palestinian territory (oPt) in September 2000, UNRWA launched a number of emergency appeals and with donor support began promoting emergency assistance to more than 1 million affected refugees, including food aid, employment generation, medical treatment as well as shelter repair and reconstruction. Selective cash and in-kind assistance is offered to families in a state of acute need. Should the current humanitarian crisis in the oPt continue, the Agency will seek further funding through additional emergency appeals to maintain its programme of emergency assistance.
7. UNRWA will continue to seek funding for projects including upgrading of school infrastructure, construction and repair of shelters for the most vulnerable families and improvement of environmental health infrastructure in the camps, thus contributing to the

improvement of living conditions and socio-economic development of the refugee community.

## **BUDGET FORMAT**

8. The 2004-2005 budget provides the Agency with a renewed opportunity to document the way it intends to allocate its resources to meet its programme, operational and management objectives. Programmatic aspects of the budget have been integrated with the resource narrative by employing a consistent results-based budgeting approach linking clearly defined programme activities to programme objectives and expected accomplishments, with assessment of the latter provided for by key performance indicators. This approach reinforces the usefulness of the budget as a planning, managerial and fundraising tool, while at the same time maintaining the Agency's financial transparency and integrity. Salient features of the budget are detailed below:
- (i) The budget hinges on a biennial programme of work, which specifies objectives, planned activities and expected accomplishments measured by key performance indicators for all Agency activities;
  - (ii) The budget covers the Agency's total financial requirements for regular programme activities. This includes both the general fund (with its in-kind component) and the project budget;
  - (iii) Coherent programme descriptions and justification for all budgeted activities have been provided;
  - (iv) Biennial estimates are provided for the 2004-2005 biennium together with comparative data for prior biennia, to facilitate comparisons, and where appropriate, to offer baseline data against which to discern programme and budget trends;
  - (v) Although UNRWA prepares its budget on a biennial basis, operations are financed on an annual basis. Because the fiscal year rather than the biennium is the most relevant for financial management and fundraising, annual as well as biennial figures are listed throughout the document;
  - (vi) As was the case for the previous two biennia, budget preparation has been guided by planning and budgeting assumptions based on maintaining services at the current level of activity, except in response to changed host authority requirements.
9. The regular budget and the project budget together comprise the total budget volume for 2004-2005. The budget text clarifies which programme activities fall under the General Fund, and which fall under the project budget component.

## **EXTERNAL FACTORS AFFECTING UNRWA'S OPERATIONS**

10. A number of scenarios for the work of UNRWA has arisen due to the current situation in the Middle East. Should conflict persist, military operations, security issues, deteriorating economic conditions for the refugees and the restrictions on the flow of goods, services and individuals will continue to affect UNRWA's work. Should peace talks progress, the Agency may be authorised to begin phasing out certain activities and may be asked to assume new temporary tasks as required by a peace settlement.
11. UNRWA operates in a turbulent region buffeted by the Arab-Israeli conflict and its consequences in terms of episodes of violence and a worsening socio-economic situation. Emergency situations, especially in the Gaza Strip and the West Bank, impose heavy operational and financial burdens on the Agency, threatening the sustainability and quality of

UNRWA services and necessitating emergency appeals, which may compete with fundraising for the regular budget.

12. The current conflict in the Gaza Strip and the West Bank also has disrupted the Agency's ability to deliver its services, has adversely affected the safety and security of UNRWA staff and has resulted in significant additional expenditure to counteract obstacles imposed by the Israeli authorities.
13. Obstacles to UNRWA operations include the imposition of border closures and restrictions on humanitarian access in the West Bank and the Gaza Strip, where some 45% of the Agency's regular budget is spent, and the imposition of charges at Israeli ports for goods destined for the West Bank and the Gaza Strip create additional economic costs for the Agency and hamper its operations.
14. UNRWA's budget, funded entirely by voluntary contributions (cash and in-kind), is subject to uncertainties in the timing and value of funding receipts. This limits the ability of the Agency to plan and implement programmes and project activities.
15. Although UNRWA's expenditure is incurred mainly in US dollars, 55% of the income is received in non-US dollar currencies, thus exposing the Agency to the risks of currency fluctuations.
16. Support for the Agency and increased co-ordination among the Agency and host authorities, other UN agencies, NGOs and the refugees themselves, contribute to the effective delivery of services by UNRWA.
17. Introduction of new courses such as English language and Information Technology into school curricula, change of textbooks and introduction of expensive vaccines into the national immunisation programmes place an additional burden on UNRWA's scarce resources that must accommodate these unplanned activities. In addition, sudden decrees promulgated by host authorities for increases in the cost of services such as medical care, port charges or the cost of supplies such as fuel and utilities, result in additional unforeseen expenditure.
18. Worsening socio-economic conditions and increased rates of unemployment in the Agency's areas of operation result in larger numbers of school drop outs and increase demand on medical care services, compromising community participation and causing a breakdown in cost-sharing systems.
19. Insufficient project funding for school construction and upgrading of camp infrastructure contributes to overcrowded schoolrooms, poor environmental health conditions and dilapidation of refugee shelters. All call for substantial capital investment.

## **IMPACT OF UNDERFUNDING ON THE AGENCY'S OPERATIONS**

20. Lack of funding forced the Agency to introduce lower salary scales in 1999 through a new set of Area Staff Rules (ASR). While this measure allowed the Agency to redeploy a proportion of its income, it created a wide range of problems associated with administering two unequal salary scales (under pre-1999 and 1999 rules) for staff members performing identical work in similar work environments. This measure has affected staff morale and motivation, and led to a significant decrease in compensation competitiveness, resulting in increased delays in recruitment, and a decline in the quality of staff recruited by the Agency.
21. In an effort to reduce the disparity created by the two ASRs, the Agency ensures that each time a salary increase is granted to area (local) staff, a larger proportion of the award is allotted to those staff employed under the less advantageous 1999 ASR. Currently 31% of the Agency's area staff are employed under the 1999 ASR.

22. The impact of this strategy is demonstrated by the fact that in 2001 the disparity between the two salary scales was in the region of 20-40%. In 2003 this disparity was ameliorated to the extent that the new ASR salary scales are lower than the pre-1999 ASR scales by 9-38%.
23. The Agency's continued inability to build up a provision for termination indemnities means that it will be severely constrained financially when operations eventually wind down. The Agency however, cannot afford to reduce staff as a deficit-reduction measure not only because the current level of staffing is below acceptable standards but also because of the short-term financial implications of paying termination indemnities.

**TABLE 1: SUMMARY OF 2004-2005 TOTAL BUDGET VOLUME**  
(In Thousands of United States Dollars)

PROGRAMME	2004 Fiscal Year					2005 Fiscal Year					2004-2005 Biennium				
	Regular Budget			Project Budget	Total	Regular Budget			Project Budget	Total	Regular Budget			Project Budget	Total
	Cash	In-Kind	Total			Cash	In-Kind	Total			Cash	In-Kind	Total		
<b>Education</b>	187,902	617	188,519	22,054	210,573	193,975	636	194,611	20,415	215,026	381,877	1,253	383,130	42,469	425,599
<b>Health</b>	56,476	5,361	61,837	6,621	68,458	59,387	5,593	64,980	6,405	71,385	115,863	10,954	126,817	13,026	139,843
<b>Relief &amp; Social Services*</b>	19,726	14,631	34,357	9,460	43,817	20,067	15,440	35,507	13,460	48,967	39,793	30,071	69,864	22,920	92,784
<b>Microfinance &amp; Microenterprise Prog.*</b>	-	-	-	6,821	6,821	-	-	-	6,855	6,855	-	-	-	13,676	13,676
<b>Operational &amp; Technical Services</b>	22,903	29	22,932	990	23,922	22,352	30	22,382	-	22,382	45,255	59	45,314	990	46,304
<b>Common Services</b>	31,320	-	31,320	-	31,320	31,471	-	31,471	-	31,471	62,791	-	62,791	-	62,791
<b>Other Requirements</b>	12,000	-	12,000	-	12,000	12,000	-	12,000	-	12,000	24,000	-	24,000	-	24,000
<b>Total</b>	<b>330,327</b>	<b>20,638</b>	<b>350,965</b>	<b>45,946</b>	<b>396,911</b>	<b>339,252</b>	<b>21,699</b>	<b>360,951</b>	<b>47,135</b>	<b>408,086</b>	<b>669,579</b>	<b>42,337</b>	<b>711,916</b>	<b>93,081</b>	<b>804,997</b>

\* Includes \$ 3.1 million each year under project budget funded from Microfinance & Microcredit Programme (MMP) and Micro-Credit Savings Programme (MSP) income.

**TABLE 2: 2004-2005 REGULAR BUDGET BY PROGRAMME AND FIELD**  
(Cash and In-Kind, in Thousands of United States Dollars)

	JORDAN			LEBANON			SYRIAN ARAB REPUBLIC			WEST BANK			GAZA STRIP			HEADQUARTERS			TOTAL		
	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005
<b>EDUCATION PROGRAMME</b>																					
<b>General Education</b>																					
Elementary Education	28,510	29,023	57,533	12,092	12,230	24,322	7,695	8,042	15,737	15,570	16,324	31,894	35,354	36,893	72,247	-	-	-	99,221	102,512	201,734
Preparatory Education	17,665	18,001	35,666	9,199	10,023	19,222	5,756	5,502	11,258	8,051	8,490	16,541	24,299	25,453	49,752	-	-	-	64,970	67,469	132,439
Secondary Education (Lebanon)	-	-	-	1,848	1,912	3,760	-	-	-	-	-	-	-	-	-	-	-	-	1,848	1,912	3,760
<b>Sub-Total General Education</b>	<b>46,175</b>	<b>47,024</b>	<b>93,199</b>	<b>23,139</b>	<b>24,165</b>	<b>47,304</b>	<b>13,451</b>	<b>13,544</b>	<b>26,995</b>	<b>23,621</b>	<b>24,814</b>	<b>48,435</b>	<b>59,653</b>	<b>62,346</b>	<b>121,999</b>	-	-	-	<b>166,039</b>	<b>171,893</b>	<b>337,933</b>
<b>Technical &amp; Vocational Education &amp; Training</b>	<b>3,205</b>	<b>3,189</b>	<b>6,394</b>	<b>2,230</b>	<b>2,256</b>	<b>4,486</b>	<b>1,161</b>	<b>1,182</b>	<b>2,343</b>	<b>5,092</b>	<b>5,123</b>	<b>10,215</b>	<b>2,262</b>	<b>2,260</b>	<b>4,522</b>	-	-	-	<b>13,950</b>	<b>14,010</b>	<b>27,960</b>
<b>Teacher Education - Pre-Service</b>	<b>266</b>	<b>264</b>	<b>530</b>	<b>124</b>	<b>126</b>	<b>250</b>	-	-	-	<b>624</b>	<b>636</b>	<b>1,260</b>	-	-	-	-	-	-	<b>1,014</b>	<b>1,026</b>	<b>2,040</b>
<b>Planning &amp; Management</b>																					
In-Service Teacher Education	160	148	308	471	499	970	137	117	254	76	77	153	124	127	251	-	-	-	968	968	1,936
Placement & Career Guidance	-	-	-	1	1	2	-	-	-	20	20	40	15	15	30	43	44	87	79	80	159
Programme Management	1,121	1,147	2,268	480	471	951	453	467	920	850	869	1,719	1,507	1,569	3,076	2,059	2,109	4,168	6,470	6,632	13,102
<b>Sub-Total Education Planning &amp; Manag.</b>	<b>1,281</b>	<b>1,295</b>	<b>2,576</b>	<b>952</b>	<b>971</b>	<b>1,923</b>	<b>590</b>	<b>584</b>	<b>1,174</b>	<b>946</b>	<b>966</b>	<b>1,912</b>	<b>1,646</b>	<b>1,711</b>	<b>3,357</b>	<b>2,102</b>	<b>2,153</b>	<b>4,255</b>	<b>7,517</b>	<b>7,680</b>	<b>15,197</b>
<b>TOTAL EDUCATION PROGRAMME</b>	<b>50,927</b>	<b>51,772</b>	<b>102,699</b>	<b>26,445</b>	<b>27,518</b>	<b>53,963</b>	<b>15,202</b>	<b>15,310</b>	<b>30,512</b>	<b>30,283</b>	<b>31,539</b>	<b>61,822</b>	<b>63,561</b>	<b>66,317</b>	<b>129,878</b>	<b>2,102</b>	<b>2,153</b>	<b>4,255</b>	<b>188,520</b>	<b>194,609</b>	<b>383,130</b>
<b>HEALTH PROGRAMME</b>																					
<b>Medical Care Services</b>																					
Laboratory Services	493	529	1,022	358	369	727	271	256	527	415	416	831	604	624	1,228	-	-	-	2,141	2,194	4,335
Outpatient Services	5,411	5,697	11,108	3,706	3,795	7,501	2,221	2,287	4,508	3,549	3,662	7,211	6,290	6,525	12,815	-	-	-	21,177	21,966	43,142
Maternal & Child Health	532	559	1,091	346	354	700	123	131	254	391	395	786	1,321	1,349	2,670	-	-	-	2,713	2,788	5,501
Disease Prevention & Control	1,022	1,039	2,061	884	919	1,803	610	625	1,235	541	564	1,105	1,799	1,910	3,709	-	-	-	4,856	5,057	9,912
Physical Rehabilitation	130	130	260	37	37	74	85	85	170	278	281	559	270	273	543	-	-	-	800	806	1,606
Oral Health	562	601	1,163	519	518	1,037	221	235	456	368	362	730	429	428	857	-	-	-	2,099	2,144	4,243
School Health	124	127	251	-	-	-	16	17	33	74	75	149	281	293	574	-	-	-	495	512	1,007
Hospital Services	800	800	1,600	4,588	4,588	9,176	1,063	1,063	2,126	4,264	4,264	8,528	1,390	1,390	2,780	-	-	-	12,105	12,105	24,209
<b>Sub-Total Medical Care Services</b>	<b>9,074</b>	<b>9,482</b>	<b>18,556</b>	<b>10,438</b>	<b>10,580</b>	<b>21,018</b>	<b>4,610</b>	<b>4,699</b>	<b>9,309</b>	<b>9,880</b>	<b>10,019</b>	<b>19,899</b>	<b>12,384</b>	<b>12,792</b>	<b>25,176</b>	-	-	-	<b>46,386</b>	<b>47,572</b>	<b>93,955</b>
<b>Environmental Health</b>																					
Sewerage & Drainage	18	18	36	35	35	70	4	4	8	66	66	132	5	5	10	-	-	-	128	128	256
Solid Waste Management	1,822	1,821	3,643	1,874	1,940	3,814	527	540	1,067	1,550	1,576	3,126	2,048	3,423	5,471	-	-	-	7,821	9,300	17,121
Water Supply	5	5	10	222	292	514	10	10	20	166	161	327	228	255	483	-	-	-	631	723	1,354
Special Environmental Health Programme (G)	-	-	-	-	-	-	-	-	-	-	-	-	274	443	717	-	-	-	274	443	717
<b>Sub-Total Environmental Health</b>	<b>1,845</b>	<b>1,844</b>	<b>3,689</b>	<b>2,131</b>	<b>2,267</b>	<b>4,398</b>	<b>541</b>	<b>554</b>	<b>1,095</b>	<b>1,782</b>	<b>1,803</b>	<b>3,585</b>	<b>2,555</b>	<b>4,126</b>	<b>6,681</b>	-	-	-	<b>8,854</b>	<b>10,594</b>	<b>19,448</b>
<b>Food &amp; Nutrition</b>	<b>1,070</b>	<b>1,126</b>	<b>2,196</b>	<b>258</b>	<b>281</b>	<b>539</b>	<b>438</b>	<b>460</b>	<b>898</b>	<b>449</b>	<b>472</b>	<b>921</b>	<b>1,207</b>	<b>1,266</b>	<b>2,473</b>	-	-	-	<b>3,422</b>	<b>3,605</b>	<b>7,027</b>
<b>Programme Management</b>	<b>452</b>	<b>446</b>	<b>898</b>	<b>548</b>	<b>560</b>	<b>1,108</b>	<b>259</b>	<b>248</b>	<b>507</b>	<b>588</b>	<b>596</b>	<b>1,184</b>	<b>480</b>	<b>497</b>	<b>977</b>	<b>850</b>	<b>863</b>	<b>1,713</b>	<b>3,177</b>	<b>3,210</b>	<b>6,387</b>
<b>TOTAL HEALTH PROGRAMME</b>	<b>12,441</b>	<b>12,898</b>	<b>25,339</b>	<b>13,375</b>	<b>13,688</b>	<b>27,063</b>	<b>5,848</b>	<b>5,961</b>	<b>11,809</b>	<b>12,699</b>	<b>12,890</b>	<b>25,589</b>	<b>16,626</b>	<b>18,681</b>	<b>35,307</b>	<b>850</b>	<b>863</b>	<b>1,713</b>	<b>61,837</b>	<b>64,980</b>	<b>126,817</b>
<b>RELIEF &amp; SOCIAL SERVICES PROGRAMME</b>																					
<b>Relief Services</b>	<b>5,294</b>	<b>5,540</b>	<b>10,834</b>	<b>5,919</b>	<b>6,154</b>	<b>12,073</b>	<b>3,275</b>	<b>3,392</b>	<b>6,667</b>	<b>3,901</b>	<b>4,070</b>	<b>7,971</b>	<b>10,294</b>	<b>10,674</b>	<b>20,968</b>	<b>19</b>	<b>19</b>	<b>38</b>	<b>28,702</b>	<b>29,849</b>	<b>58,550</b>
<b>Eligibility &amp; Registration</b>	<b>267</b>	<b>258</b>	<b>525</b>	<b>246</b>	<b>250</b>	<b>496</b>	<b>93</b>	<b>82</b>	<b>175</b>	<b>246</b>	<b>251</b>	<b>497</b>	<b>397</b>	<b>391</b>	<b>788</b>	-	-	-	<b>1,249</b>	<b>1,232</b>	<b>2,481</b>
<b>Social Services</b>																					
Community Development Programme	118	110	228	66	63	129	127	125	252	119	119	238	260	263	523	-	-	-	690	680	1,370
Women's Programme	139	139	278	100	102	202	54	58	112	200	202	402	62	62	124	-	-	-	555	563	1,118
Disability Programme	122	123	245	173	179	352	37	42	79	197	198	395	490	494	984	-	-	-	1,019	1,036	2,055
Children & Youth Programme	-	-	-	20	21	41	-	-	-	66	67	133	1	1	2	-	-	-	87	89	176
Micro-Credit & Savings Programme	200	200	400	187	189	376	38	38	76	111	112	223	60	60	120	-	-	-	596	599	1,195
<b>Sub-Total Social Services</b>	<b>579</b>	<b>572</b>	<b>1,151</b>	<b>546</b>	<b>554</b>	<b>1,100</b>	<b>256</b>	<b>263</b>	<b>519</b>	<b>693</b>	<b>698</b>	<b>1,391</b>	<b>873</b>	<b>880</b>	<b>1,753</b>	-	-	-	<b>2,947</b>	<b>2,967</b>	<b>5,914</b>
<b>Programme Management</b>	<b>143</b>	<b>137</b>	<b>280</b>	<b>221</b>	<b>225</b>	<b>446</b>	<b>90</b>	<b>75</b>	<b>165</b>	<b>173</b>	<b>176</b>	<b>349</b>	<b>240</b>	<b>243</b>	<b>483</b>	<b>591</b>	<b>605</b>	<b>1,196</b>	<b>1,458</b>	<b>1,461</b>	<b>2,919</b>
<b>TOTAL RELIEF &amp; SOCIAL SERVICES</b>	<b>6,283</b>	<b>6,507</b>	<b>12,790</b>	<b>6,932</b>	<b>7,183</b>	<b>14,115</b>	<b>3,714</b>	<b>3,812</b>	<b>7,526</b>	<b>5,013</b>	<b>5,195</b>	<b>10,208</b>	<b>11,804</b>	<b>12,188</b>	<b>23,992</b>	<b>610</b>	<b>624</b>	<b>1,234</b>	<b>34,357</b>	<b>35,507</b>	<b>69,864</b>

	JORDAN			LEBANON			SYRIAN ARAB REPUBLIC			WEST BANK			GAZA STRIP			HEADQUARTERS			TOTAL		
	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005
<b>OPERATIONAL &amp; TECHNICAL SERVICES</b>																					
Procurement & Logistics Services	1,632	1,640	3,272	2,208	2,255	4,463	1,171	1,115	2,286	2,476	2,594	5,070	3,478	3,632	7,110	4,339	3,903	8,242	15,304	15,139	30,444
Engineering & Minor Construction Services	417	429	846	426	425	851	294	277	571	635	631	1,266	1,353	1,329	2,682	543	528	1,071	3,668	3,619	7,287
Information & Communications Technology Services Management	129	119	248	132	127	259	99	71	170	152	155	307	226	241	467	2,912	2,597	5,509	3,650	3,310	6,960
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	310	313	623	310	313	623
<b>TOTAL OPERATIONAL SERVICES</b>	<b>2,178</b>	<b>2,188</b>	<b>4,366</b>	<b>2,766</b>	<b>2,807</b>	<b>5,573</b>	<b>1,564</b>	<b>1,463</b>	<b>3,027</b>	<b>3,263</b>	<b>3,380</b>	<b>6,643</b>	<b>5,057</b>	<b>5,202</b>	<b>10,259</b>	<b>8,104</b>	<b>7,341</b>	<b>15,445</b>	<b>22,932</b>	<b>22,382</b>	<b>45,314</b>
<b>COMMON SERVICES</b>																					
Commissioner-General's Office	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,940	1,980	3,920	1,940	1,980	3,920
Legal Services	24	24	48	92	92	184	8	8	16	10	10	20	-	-	-	1,234	1,264	2,498	1,368	1,398	2,766
Audit and Inspection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,083	1,104	2,187	1,083	1,104	2,187
External Relations	-	-	-	-	-	-	-	-	-	438	450	888	-	-	-	923	927	1,850	1,361	1,377	2,738
Public Information	62	63	125	63	61	124	29	29	58	50	53	103	91	84	175	694	680	1,374	989	970	1,959
Policy Analysis	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	550	556	1,106	550	556	1,106
New York & Geneva Liaison Offices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	684	695	1,379	684	695	1,379
Administration and Human Resources	2,253	2,274	4,527	2,648	2,683	5,331	1,457	1,424	2,881	3,470	3,496	6,966	3,583	3,617	7,200	4,974	4,938	9,912	18,385	18,432	36,817
Financial Services	397	406	803	505	518	1,023	291	288	579	460	468	928	456	453	909	2,851	2,826	5,677	4,960	4,959	9,919
<b>Other Requirements</b>																					
Working Capital Build-Up	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	3,000	10,000	7,000	3,000	10,000
Salary Increase Requirements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,000	8,000	12,000	4,000	8,000	12,000
Contingency Requirements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000	2,000	1,000	1,000	2,000
<b>Sub-Total Other Requirements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,000</b>	<b>12,000</b>	<b>24,000</b>	<b>12,000</b>	<b>12,000</b>	<b>24,000</b>
<b>TOTAL COMMON SERVICES</b>	<b>2,736</b>	<b>2,767</b>	<b>5,503</b>	<b>3,308</b>	<b>3,354</b>	<b>6,662</b>	<b>1,785</b>	<b>1,749</b>	<b>3,534</b>	<b>4,428</b>	<b>4,477</b>	<b>8,905</b>	<b>4,130</b>	<b>4,154</b>	<b>8,284</b>	<b>26,933</b>	<b>26,970</b>	<b>53,903</b>	<b>43,320</b>	<b>43,471</b>	<b>86,791</b>
<b>GRAND TOTAL REGULAR BUDGET</b>	<b>74,566</b>	<b>76,132</b>	<b>150,698</b>	<b>52,825</b>	<b>54,551</b>	<b>107,376</b>	<b>28,115</b>	<b>28,295</b>	<b>56,410</b>	<b>55,686</b>	<b>57,481</b>	<b>113,167</b>	<b>101,178</b>	<b>106,540</b>	<b>207,718</b>	<b>38,598</b>	<b>37,949</b>	<b>76,547</b>	<b>350,968</b>	<b>360,948</b>	<b>711,916</b>

**TABLE 3: AGENCY-WIDE EXPENDITURES BY CATEGORY**  
(Cash and In-Kind, in Thousands of United States Dollars)

		2000-2001 Expenditure	2002-2003 Appropriation	2004-2005 Estimate
<b>Staff</b>	International Staff	25,215	29,462	38,170
	Area Staff	399,252	440,292	469,678
	<b>Sub-Total</b>	<b>424,467</b>	<b>469,754</b>	<b>507,848</b>
<b>Services</b>	Travel	1,781	2,250	2,386
	Communication	2,127	2,477	3,181
	Transport Services	569	1,044	1,087
	Port Operation	675	1,031	1,695
	Training	455	1,979	2,012
	Maintenance of Equipment & Furniture	972	1,478	1,649
	Miscellaneous Services	5,590	7,513	7,855
	Consultancy Services	582	1,203	1,114
	Hospital Services	12,667	16,469	18,314
	<b>Sub-Total</b>	<b>25,418</b>	<b>35,444</b>	<b>39,294</b>
<b>Supplies</b>	Medical Supplies	14,112	19,309	22,189
	Transportation Supplies	1,645	2,730	3,360
	Clothing Supplies	395	589	568
	Textbooks & Library Books	9,691	11,112	12,239
	Sport Supplies	196	256	256
	Fresh Food	1,034	1,275	1,189
	Miscellaneous Supplies	6,799	7,213	7,371
	Teaching Supplies	87	195	198
	Basic Commodities	35,102	40,853	37,439
<b>Sub-Total</b>	<b>69,061</b>	<b>83,532</b>	<b>84,809</b>	
<b>Equipment &amp; Minor</b>	Computer Hard/Software	1,636	2,083	5,662
	Equipment & Furniture	2,781	3,319	3,864
<b>Construction</b>	Transport Equipment	774	2,978	3,076
	Minor Construction	769	690	878
	<b>Sub-Total</b>	<b>5,960</b>	<b>9,071</b>	<b>13,480</b>
<b>Premises</b>	Rental of Premises	2,564	2,655	2,522
	Utilities	3,392	3,775	4,386
	Maintenance	5,594	6,343	6,073
	<b>Sub-Total</b>	<b>11,550</b>	<b>12,773</b>	<b>12,981</b>
<b>Subsidies</b>	Patient Subsidies	2,666	2,784	4,748
	Other Subsidies	18,868	21,237	23,429
	<b>Sub-Total</b>	<b>21,534</b>	<b>24,021</b>	<b>28,177</b>
<b>Reserves</b>	Operational Reserve	-	1,175	1,327
	<b>Sub-Total</b>	<b>-</b>	<b>1,175</b>	<b>1,327</b>
<b>Total</b>		<b>557,990</b>	<b>635,770</b>	<b>687,916</b>
<b>Other</b>	Other Requirements	-	31,000	24,000
	Residual Effect of emergency	-	8,059	-
	<b>Sub-Total</b>	<b>-</b>	<b>39,059</b>	<b>24,000</b>
<b>Total Regular Budget</b>		<b>557,990</b>	<b>674,829</b>	<b>711,916</b>
<b>Total Project Budget</b>		<b>101,712</b>	<b>116,909</b>	<b>93,081</b>

## NEGATIVE GROWTH

**Table 4: SIGNIFICANT WORKLOAD INDICATORS RELATING TO RESOURCE REQUIREMENTS**

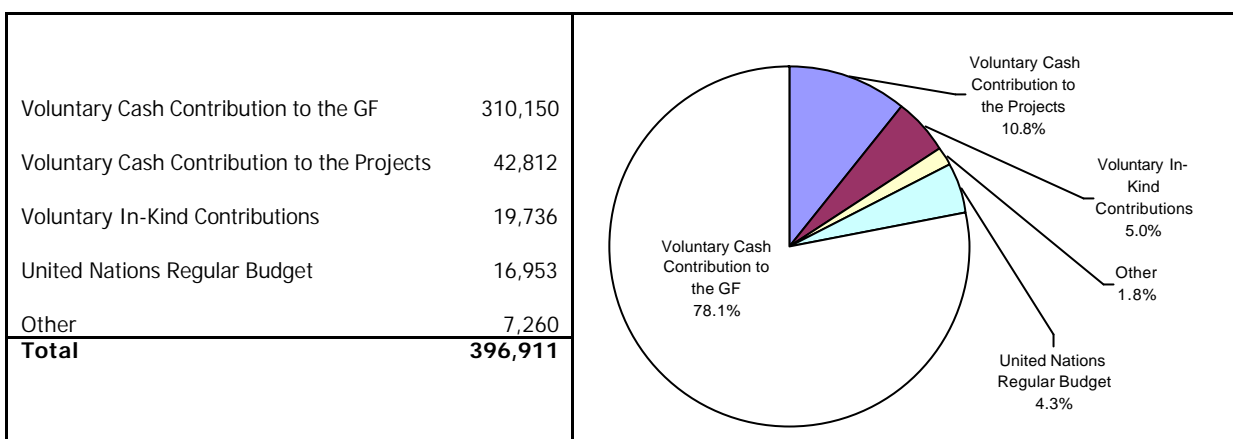
Indicator	1996-1997 Actual	1998-1999 Actual	2000-2001 Actual	2002-2003 Estimate	2004-2005 Estimate	% growth 2004-2005 over 2002-2003
Area staff posts	21,553	22,212	23,151	24,503	26,242	7.1
Pupils	447,268	458,716	486,026	500,973	518,321	3.5
Teacher posts	12,952	13,667	14,615	15,735	16,416	4.3
Patient visits	7,198,288	7,163,056	7,784,357	8,900,000	9,000,000	1.1
Special hardship cases	176,739	191,529	206,601	223,725	239,660	7.1
Registered refugees	3,469,109	3,625,592	3,926,787	4,166,593	4,463,359	7.1

24. UNRWA's clientele population, and consequently the overall demand on the Agency's services, are expected to grow by 3.5% annually. At the same time the annual weighted average rate of inflation in the Agency's area of operations is calculated at 4%. The combined effect of these two factors warrants a budget growth of 7.5% annually.
25. The regular budget estimates for the biennium 2004-2005 reflect an overall nominal growth of 5.5% (i.e. 2.75% per annum) over the 2002-2003 regular budget appropriations. Therefore, in real terms, this budget has a negative growth of 4.75% per annum (7.50% - 2.75%) with the concomitant negative impact on the Agency's ability to implement its programmes and provide services to the refugees. The 2002-2003 regular budget demonstrated an annual negative growth of 3%.
26. The proposed regular budget for the biennium 2004-2005 reflects at best the bare minimum funding requirements to sustain essential services at the current level and to cater for additional funding requirements. These additional funding requirements result from integration of new programmes introduced by the host authorities such as Information Technology courses in the General Education Programme, as well as the accommodation of additional requirements resulting from natural growth into the regular budget. Because of this negative budgetary growth, the Agency will, in reality, be striving to maintain its core programme activities at a lower level of resources than would have been justified under a needs-based budget, should the Agency receive full funding of its actual requirements.

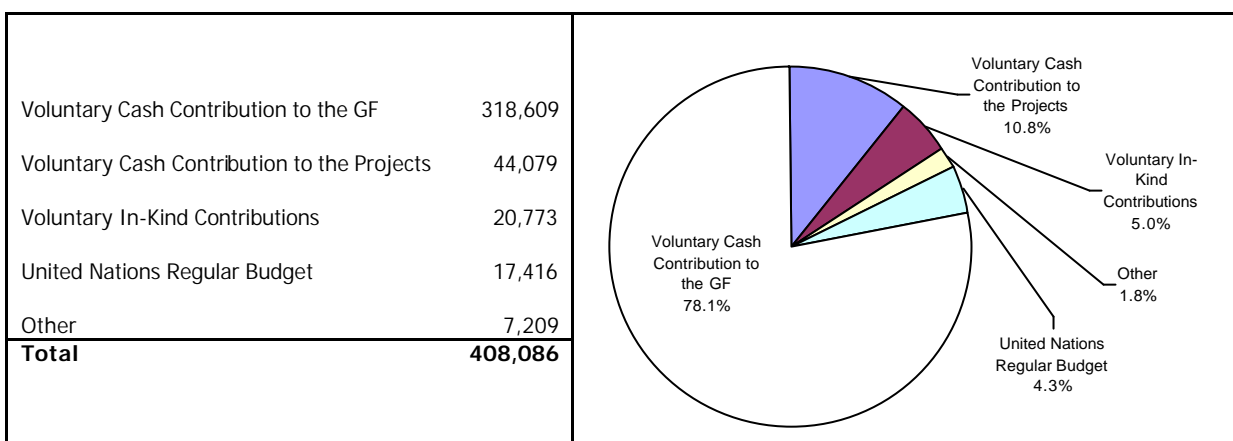
## SOURCES OF FUNDING

27. UNRWA is funded through a variety of sources. The ability of the Agency to provide its regular services to a clientele population that grows at approximately 3.5% per annum is entirely dependent on sufficient voluntary funding being made available to it annually. The Agency is also dependent on additional funding being made available to it to carry out its project budget and emergency operations. Figures 1 and 2 show the expected sources of funding for each year of the Agency's total budget volume for the years 2004 and 2005 respectively, including both the regular and project budgets.

**FIGURE 1: FUNDING OF TOTAL BUDGET VOLUME - 2004**  
(Cash and In-Kind, in Thousands of United States Dollars)



**FIGURE 2 FUNDING OF TOTAL BUDGET VOLUME - 2005**  
(Cash and In-Kind, in Thousands of United States Dollars)



28. As UNRWA does not have a system of assessed contributions, its budget is funded almost entirely by voluntary cash and in-kind contributions from governments, inter-governmental and non-governmental bodies.

29. Voluntary contributions are expected to cover about 93.9% of total budget volume for 2004-2005, of which 78.1% are cash contributions to the GF, 10.8% cash contributions to projects, and about 5.0% are in-kind contributions.

30. The funding of 105 international posts out of the United Nations regular budget accounts for about 4.3% each year of total budget volume. The remaining 1.8% of expected income is from the following sources:

- (i) Other income includes interest income, programme support costs and miscellaneous income in the range of \$ 3.0 million per annum;
- (ii) Income of \$ 3.1 million annually for MMP and MSP from credit activities covers the programmes' recurrent costs making them self-funding;
- (iii) Funding of 7 staff posts (2 international and 5 area posts) by the United Nations Educational, Scientific and Cultural Organization (UNESCO) and 4 posts (2 international and 2 area posts) by the World Health Organization (WHO) as part of their technical assistance to the Education and Health programmes, respectively (\$ 1.13 million per annum).