

The Operational and Financial Crisis Facing UNRWA

This policy brief provides an operational overview of the financial and structural challenges currently facing the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). It sets out the Agency's funding constraints, workforce realities, cost-containment measures, and strategic implications for the continuity of essential services to Palestine refugees. It draws attention to the seriousness of the current situation and the urgent need for a predictable multi-year funding model.

Operational and Financial Structure

1. UNRWA delivers education, healthcare, relief, and social services to approximately 6 million Palestinian refugees in Lebanon, Syria, Jordan and the occupied Palestinian territory (oPt) of the Gaza Strip and the West Bank including East Jerusalem. Its mandate by the UN General Assembly requires the provision of these services through a funding model largely dependent on voluntary contributions from Member States and private donors. However, the funds it receives rarely meets the expenditure required to serve a growing refugee population.
2. Developments since October 2023 have generated an unprecedented operational crisis that has reduced the Agency's capacity to deliver its services in 2026 and for the foreseeable future.
3. UNRWA's funding model consists of three primary channels:
 - the Programme Budget (PB)
 - the United Nations Regular Budget (UNRB)
 - emergency appeals and project funding.
4. The PB supports core service delivery and local personnel salaries. Approximately 90 per cent of Programme Budget expenditures are devoted to local personnel (area staff) costs. Consequently, any significant cost reduction measures inevitably affect workforce salaries and staffing levels.
5. The UNRB accounts for less than 10 per cent of total income and is strictly limited to international staff salaries and executive management costs. These funds cannot be reallocated to cover area staff salaries or programme expenditures, significantly limiting financial flexibility.
6. Emergency appeals and project funds are earmarked and offer only limited flexibility, although they occasionally offset programme expenses or generate supplementary income through "implementation support costs" and foreign exchange gains.

Workforce Composition and Structural Constraints

7. UNRWA maintains approximately 35,000 staff:
 - about 28,000 are currently filled due to underfunding and cost-control measures.
 - International staff represent about 1% of the workforce—the lowest proportion among all United Nations agencies.
 - Workforce in the oPt accounts for more than half of all UNRWA personnel.
8. The Agency faces an unfunded liability of approximately US\$300 million for indemnities, i.e. financial obligations for staff made redundant or retired early. Any restructuring or layoffs will require significant upfront financial resources to meet these indemnities. Layoffs are not without significant costs.
9. There are other pressures on the Agency's ability to deliver services effectively. These include
 - long-standing vacant posts maintained for cost control,
 - limited employment alternatives for local staff in some fields
 - a high turnover among international personnel, which increases operational strain.

Drivers of the Current Financial Crisis

10. The current financial crisis is driven by multiple converging factors.
 - The suspension of funding by the US and Sweden in 2024 eliminated 30% of PB income, creating a persistent funding gap that has not been fully offset by new contributions.
 - A global contraction in humanitarian assistance—estimated at reductions of 30–40 %—has significantly constrained fundraising opportunities.
 - Political pressures and criticism from the Israeli government have affected donor confidence, resulting in reduced, or conditional, funding commitments even where Israeli allegations lacked evidentiary support.
 - The Gulf reduced its funding to UNRWA in 2025 by 90% compared to 2024 funding levels.
11. Overall Agency income in 2025 declined to levels last seen in 2012 - when adjusted for nominal values - with projections indicating even lower revenue in 2026.

Operational Responses

12. In 2025, UNRWA implemented cost-containment measures exceeding US\$175 million, including:
 - discontinuation of discretionary allowances for area staff,
 - significant cuts to non-staff expenditures, and
 - the withdrawal of budget for vacant posts when area staff retire.
13. Operational decisions adopted in early 2026 included
 - outsourcing certain services to reduce costs,
 - laying off staff unable to meet operational requirements under existing regulations,
 - a 20 % reduction in “service delivery hours” and salary adjustments across most operations, saving an estimated US\$65 million of the US\$220 million short fall.
14. Despite these measures, the Agency still has a shortfall of more than \$150 million. Without additional funding, the Agency cannot avoid further reductions affecting personnel or services.
15. The crisis highlights broader structural weaknesses in UNRWA’s funding model and raises strategic policy questions regarding long-term sustainability, operational participation in potential governance transitions, as in Gaza, and the need for a more predictable financing mechanism.

Policy Implications

16. As a result of the unfounded attacks on the Agency, an increasing number of donors are asking to ringfence their contributions away from Gaza and even all the oPt.
17. President Trump’s Board of Peace is seeking to marginalize even to eliminate UNRWA leaving the fate of the Agency and its ability to provide basic needs and essential services to the people of Gaza unclear.
18. Failure to resolve these structural challenges risks significant disruptions to education, healthcare, and social services for Palestine refugees and will contribute to increased instability in the region.
19. As laid out in the [strategic assessment](#) of UNRWA, commissioned by UN Secretary-General in 2025, without an urgent commitment by UN Member States to a predictable multi-year funding model, UNRWA is likely to enter **“an unmanaged decline or disorderly collapse”**. (Para.93.)

The Palestine Refugee Policy Forum is an ad hoc group of independent analysts who seek to generate informed discussion on the future of UNRWA. Participants include Kjersti Berg, Mick Dumper, Mona Ali Khalil, Mezna Qato, Lex Takkenberg and Andrew Whitley.