

# Diversification and Development of Funding Sources

UNRWA IN FOCUS

BRIEFING PAPER 11

## UNRWA's Diversification Project

UNRWA is seeking to diversify its funding sources away from reliance on a small number of large donor states by developing existing relationships with donors and cultivating new partnerships.<sup>1</sup> These partnerships may be with states, private corporations, non-governmental organisations, charitable foundations, or individuals. Humanitarian aid donations from existing donors are increasingly struggling to meet the growing demands for services from UNRWA.

To cope with ongoing crises and challenges, such as political conflict in Gaza, economic instability in Lebanon and the impact of the Covid-19 pandemic, it is imperative to expand the pool of donors for sustainable and predictable funding.

This briefing paper explores a selection of financial diversification options. These include, securing development aid loans from the World Bank, expanding into Islamic Philanthropic funding opportunities, and establishing investment partnerships. These represent a small number of many options and opportunities being explored as part of UNRWA's broader diversification project.<sup>2</sup>

## Expanding Partnerships: The World Bank

The establishment of an endowment fund or a direct loan from the World Bank would be a promising financial arrangement for UNRWA.<sup>3</sup> A loan would provide the injection of capital needed to stimulate economic growth and could fund infrastructure projects and improve education and healthcare. Negotiations between UNRWA and the World Bank were hindered by opposition from the US during the Trump administration and appear to have stalled since.<sup>4</sup> It is likely that a partnership with the World Bank would elicit the trust needed to attract other donors and investors.

The International Bank for Reconstruction and Development, part of the World Bank Group, has recently published their Assistant Strategy Framework for Gaza and the West Bank for 2022-2025.<sup>5</sup> Recognising the reluctance of the private sector to engage, the Framework focuses on strengthening institutions and building infrastructure with explicit purpose of attracting private investment.<sup>6</sup> One objective of the Framework is to achieve a 'well-connected Palestine' in terms of economic partnerships, technology and energy infrastructure.<sup>7</sup> It is thought that the attraction of private investment and these projects could hold promising implications for UNRWA in these areas.

<sup>1</sup> UNRWA, Resource Mobilisation Strategy 2019-2021 <<https://www.unrwa.org/resources/strategy-policy/resource-mobilization-strategy-2019-2021>>

<sup>2</sup> M. Dumper, 'The Future of UNRWA in the Face of Financial Challenges and Political Pressure', Palestinian Economic Policy Research Institute (MAS) Roundtable Briefing Paper, August 2020, pp. 7-9.

<sup>3</sup> Ibid., p. 9.

<sup>4</sup> Congressional Research Service Report, 'The Palestinians: Background and US Relations', 26 October 2021, pp. 11-12 <<https://crsreports.congress.gov/product/pdf/RL/RL34074>>

<sup>5</sup> The World Bank Group, 'Assistance Strategy for the West Bank and Gaza for the period FY2022-2025', Report No. 156451-GZ, p. 29 <<https://documents1.worldbank.org/curated/en/627701619710823261/pdf/West-Bank-and-Gaza-Country-Assistance-Strategy-for-the-Period-FY22-25.pdf>>

<sup>6</sup> Ibid., p.29.

<sup>7</sup> Ibid., pp.29-30.

## Islamic Philanthropy

Islamic philanthropy presents a promising sustainable funding opportunity for UNRWA. Advancing UNRWA's *zakat* fundraising program has been identified as a priority, as demonstrated in the 2022 Ramadan campaign.<sup>8</sup> In OIC member states, annual *zakat* funds amount to \$187 million, which is largely available for humanitarian action and development in Muslim-majority communities worldwide.<sup>9</sup>

Concerns have been raised over the suitability of Islamic philanthropy for UNRWA as the organisation's prioritisation of gender equality and female empowerment may be contradicted by the social conservatism of some Islamic foundations. Islamic philanthropy is criticised more broadly for contravening the humanitarian principle of non-discrimination given the lack of consensus over whether non-Muslims are eligible recipients.<sup>10</sup>

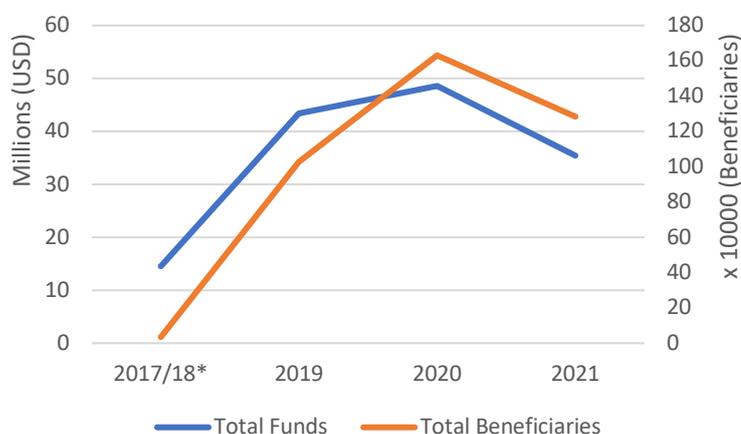
It can be argued that *sadaqah* offers a more flexible form of funding, with fewer constraints on eligible recipients than *zakat*. Given its voluntary nature, *sadaqah* funds can be rapidly mobilised during emergency situations, particularly given recent technological advancements in digital crowdfunding.<sup>11</sup> UNRWA established a *waqf* endowment fund in 2019 in partnership with the OIC but updates on its returns have not been published since.<sup>12</sup> Continuing to consolidate partnerships with major Islamic charitable foundations is showing to be fruitful, with \$500,000 recently committed by the International Islamic Charitable Organisation for emergency cash assistance programs in Gaza.<sup>13</sup>

**ZAKAT** – is a compulsory charitable donation given by Muslim families. The minimum contribution is 2.5% of annual earnings and is usually given yearly during Ramadan. The people eligible to receive *zakat* funds include those who are poor, hungry, in captivity or are stranded or struggling travellers, among other criteria.

**SADAQAH** – is voluntary charity given by Muslims. *Sadaqah* does not always refer to financial offerings but any gesture of kindness. *Sadaqah Jariyah* is charitable contributions where the effects are long-lasting such as supporting mosque building projects or sponsoring children through their education.

**WAQF** – An endowment fund that involves investment returns on a pool of assets that can be used to provide ongoing charitable and social welfare services. Assets including real estate, shares, land, and cash held by donors, are immobilised and protected but the returns on those assets accrued as interest or investment returns provide the funds available.

UNHCR Zakat Fund: Total Funds (USD) and Total Beneficiaries<sup>16</sup>



The UNHCR Zakat Fund has been highly successful since its launch in 2019 and presents a replicable model for UNRWA.<sup>14</sup> Over \$35 million was raised in 2021, mostly supporting IDPs in Yemen and Rohingya refugees in Bangladesh.<sup>15</sup> This was a decrease from 2019 and 2020, possibly explained by diversion of funds due to the pandemic. The model relies upon 100% of *zakat* and *sadaqah* funds being received by beneficiaries with UNHCR covering overhead administrative costs. UNRWA is well-positioned to provide this administrative direction and has the infrastructure for funds to reach Palestinian refugees directly.

\* 2017/8 pilot phase only

<sup>8</sup> UNRWA, Ramadan Campaign 2022 <<https://www.unrwa.org/tags/ramadan>>

<sup>9</sup> Z. Ismail (2018) 'Using Zakat for International Development', K4D Helpdesk Report, Birmingham UK: University of Birmingham. <[https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/13647/Using\\_Zakat\\_for\\_International\\_Development.pdf](https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/13647/Using_Zakat_for_International_Development.pdf)>

<sup>10</sup> C. Stirk (2015) 'An Act of Faith: Humanitarian Financing of Zakat', Bristol: Global Humanitarian Assistance. <<https://gsdrc.org/document-library/an-act-of-faith-humanitarian-financing-and-zakat/>>

<sup>11</sup> E. Jarvela, 'Working with Islamic Finance to Achieve SDGs: a Win-Win?', UNDP Innovation for Development, 13 May 2019 <<https://innovation.eurasia.undp.org/working-with-islamic-finance-to-achieve-the-sdgs-a-win-win/>>

<sup>12</sup> UNRWA, 'The Organization of Islamic Cooperation Approves Waqf Fund to Support Palestine Refugees', <<https://www.unrwa.org/newsroom/press-releases/organization-islamic-cooperation-approves-waqf-fund-support-palestine>>

<sup>13</sup> UNRWA, Press Release <<https://www.unrwa.org/newsroom/press-releases/international-islamic-charity-organization-contributes-us-500000-provide>>

<sup>14</sup> UNHCR Refugee Zakat Fund <<https://zakat.unhcr.org/en>>

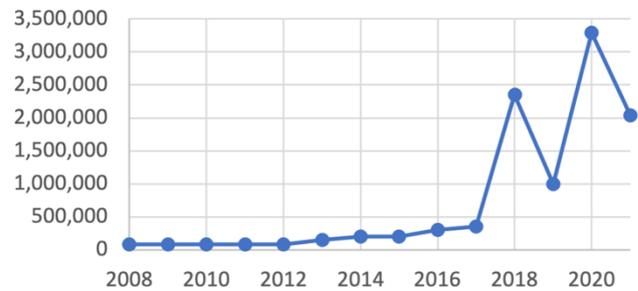
<sup>15</sup> UNHCR Refugee Zakat Fund, Islamic Philanthropy Annual Report 2022 <<https://giving.unhcr.org/en/annualreport-2022>>

<sup>16</sup> UNHCR Refugee Zakat Fund, Islamic Philanthropy Annual Reports 2017-2022 <<https://zakat.unhcr.org/en/posts-reports>>

## Investment Partnerships

Despite being the world's second-largest economy, China contributes minimal global humanitarian aid, predominantly contributing only to natural disaster relief projects and with bilateral economic investment in developing nations.<sup>19</sup> China's contributions to UNRWA are negligible, remaining below \$350,000 annually until 2018.<sup>20</sup> Since 2018 however, China has substantially increased its contributions to the Emergency Appeal budget and many observers have noted a discursive shift in China's willingness to use development aid to be seen as a 'responsible global power'.<sup>21</sup> China continues to show a preference for infrastructure development projects and has been called upon by the ICRC to involve more development objectives in its Belt and Road Initiative.<sup>22</sup> Whilst Chinese investment projects can often come with complex political-economic entanglements, it could be argued that private sector investment partnerships may present promising and less politically fraught opportunities for UNRWA to engage with.

Chinese Donations to UNRWA 2008-2021 (USD)<sup>23</sup>



Large multinational corporations are becoming increasingly keen to create socially responsible investments with humanitarian and development organisations.<sup>24</sup> With other UN agencies, their investments are usually project specific, targeting visible initiatives for maximum returns on brand awareness. UNRWA currently has few permanent private investors, but some of the MNCs contributing most donations to UNHCR include Unilever, IKEA, Sony, GAP Inc and United Postal Services (UPS). These corporations are thought to present opportunities for UNRWA, as may building on the private sector involvement during the #DignityIsPriceless campaign in 2019.

## The 'UNRWA In Focus' Project

The UNRWA In Focus project is a student-centred activity at the University of Exeter, led by Professor Mick Dumper. The project is designed to provide a platform for the publication of the student's research on one of the UN's largest institutions. Project briefing papers are concise overviews providing useful information on the activities of UNRWA to explore the notion of UNRWA as a significant political actor in the Middle East and its trajectory over the next 10-15 years.

## Useful Links

UNHCR, Refugee Zakat Fund,  
<https://zakat.unhcr.org/en>

The World Bank Group, 'Assistance Strategy for the West Bank and Gaza for the period FY2022-2025', Report No. 156451-GZ, p. 29  
<https://documents1.worldbank.org/curated/en/627701619710823261/pdf/West-Bank-and-Gaza-Country-Assistance-Strategy-for-the-Period-FY22-25.pdf>

## Further Reading

G. Barton, 'China and the Palestinian-Israeli Conflict' in J. Fulton (ed.) *The Routledge Handbook on China- Middle Eastern Relations* (London: Routledge, 2021), pp. 268-383.

Z. Ismail (2018) 'Using Zakat for International Development', K4D Helpdesk Report, Birmingham UK: University of Birmingham.

UNRWA, Resource Mobilisation Strategy 2019-2021  
<https://www.unrwa.org/resources/strategy-policy/resource-mobilization-strategy-2019-2021>

<sup>19</sup> H. Krebs, 'What you need to understand about China's humanitarian aid', Overseas Development Institute, 2021 < <https://odi.org/en/insights/what-you-need-to-understand-about-chinese-humanitarian-aid/>>

<sup>20</sup> UNRWA, Donor Charts 2008-2021 < <https://www.unrwa.org/how-you-can-help/government-partners/funding-trends/donor-charts>>

<sup>21</sup> UNRWA Donor charts 2018-2021 < <https://www.unrwa.org/how-you-can-help/government-partners/funding-trends/donor-charts>>; J. Kurtzer, 'China's Humanitarian Aid: Cooperation amidst Competition', Center for Strategic and International Studies, November 2020 <<https://www.csis.org/analysis/chinas-humanitarian-aid-cooperation-amidst-competition>>

<sup>22</sup> International Committee of the Red Cross, 'Why there should be a humanitarian dimension to China's Belt and Road Initiative', May 2017.

<sup>23</sup> UNRWA, Donor Charts 2008-2021 < <https://www.unrwa.org/how-you-can-help/government-partners/funding-trends/donor-charts>>

<sup>24</sup> A. Martini, 'Socially Responsible Investing: From the Ethical Origins to the Sustainable Development Framework of the European Union' *Environment, Development, Sustainability*, 23 (2021), 16874-16890.

<sup>25</sup> UNHCR, 'Private Sector Funding and Partnerships', EC/72/SC/CRP.26, 25 Aug 2021 <<https://www.unhcr.org/6142ce434.pdf>>