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Income Diversification Strategy Impact on UNRWA's Financial Sustainability: the moderating Role of Dynamic Managerial Capabilities

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Abstract:

UNRWA suffers severe funding shortfalls, impacting its sustainability, during the recent years, especially 2024-25, due to the war on Gaza and Lebanon and instability in Syria, and threats to dismantle it. This study aimed at exploring Income Diversification Strategy (IDS) as a fundraising driver to maintain UNRWA's Financial Sustainability (FS) and ensure its continuity, considering the moderating role of dynamic managerial capabilities (DMC). Based on the analytical qualitative methodology, it collected data through a questionnaire and analysis of the financial statements for the last twelve years and found that:

a. UNRWA has a medium level of IDS (49.14%), FS (45.5%) and DMC (59.59%).
b. There is a statistically significant positive moderate relationship between IDS and FS (R=0.463), and impact of 31.6%, where DMC moderated these relationship and impact by 6.2%, therefore, it can be concluded that IDS and DMC can reduce the threat to dismantle UNRWA.

The study provided recommendation to improve UNRWA's FS, through IDS and creating SGI project/programmes, and efficient utilisation of the available resources and reducing the expenditure.

Key words: Income Diversification, Financial Sustainability, Donor Segmentation, Self-Generated Income, UNRWA

1. Introduction

Non-profit organisations ([1]) (NPOs) play a crucial role and represent a considerable share of economic, social and welfare activities for human societies (Liwa, 2020). Their evolvement is a universal trend and moving upright, where the World Bank estimated over 15% of total overseas development aid is channelled through NPOs, with huge budget that has grown strongly in recent years; it reached US$ 313.29 billion in 2023 and expected to reach $411.19 billion in 2028 (Global Trends in Giving Report, 2024).

Since their services reflect the need of the underserved and marginalised communities, NPOs continuity and sustainability is essential (Hussein and Yousef, 2023). Their funding, marked with scarcity, is considered their lifeblood; the more it is possible to obtain from various sources and overcome their deficiency, the more these organisations can achieve their goals and gain financial sustainability (Ondiege, Munyua & Wanga, 2021, p.15),

United Nations (UN), and its affiliated programmes, considered an international NPOs, strives since its establishment, to relieve poverty, encourages peace and economic prosperity, globally (UN Charter, 2023). The study focuses on one of its major programmes, the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA or "the Agency") as a case study to explore its Income Diversification Strategy (IDS) and how it could support its Financial Sustainability (FS).

2. Problem Statement

UNRWA is a very special and unique UN programme, in term of size, nature of, increased demand on its services and continuous financial deficit it faces over the last years. It has an exclusive model of direct service delivery to about 6 million registered Palestine refugees in the areas of education (about half million children in 724 basic and preparatory schools), Health (about nine million medical consultations at 140 health centres), and providing relief and social services to 1.2 million who live in absolute poverty, including cash assistance, food and/or shelter rehabilitation. It faces a constant increase of demand on its services, going up from almost one billion in 2012, to almost two USD billion in 2024, and expected to grow further, with the massive destruction through the recent war on Gaza and Lebanon, during 2024-25 (UNRWA, 2024)

UNRWA has designated "External Relations and Communication Department" (ERCD) to mobilise resources and ensure continuous funding streams (**Appendix-1**). However, it still faces a continuous deficit, where its average during the last twelve years is USD 33.31 million (UNRWA Financial Statements, 2012-23).

Scholars studied and confirmed the positive impact of Income Diversification Strategy (IDS) on NPOs' FS (Hossain & Yousuf, 2023; Getinet, Dereja, Akinida, Yohannes & Mengistu, 2024) which can apply to UNRWA. Additionally, considering UNRWA's operation in a very competitive environment where the number of NPOs and UN organisations are increasing tremendously, besides the political pressure which threatening its entire existence, its leadership must sense such challenges, utilise the available resources and use their dynamic managerial capabilities (DMC) to create innovative solutions to improve their performance (Teece, 2018; Heubeck and Meckl, 2022) and thus FS. Therefore, the research major question is formulated as "**Can Income Diversification Strategy Succeed in Maintaining UNRWA's**

[1] This study considered Non-Governmental Organisations (NGOs) are the same as NPOs, where UNRWA can fit thereof, as they almost have similar nature, overall goals (no profit intention) and competing for the same resources of funding.

Financial Sustainability, considering the Current Challenges and Threats? Can the Dynamic Managerial Capabilities Enhance such Impact?"

3. Research Objectives

1. Identify the characteristic of, and assess, IDS, DMC and FS that UNRWA utilises.
2. Assess the relationship between, and impact of, IDS that UNRWA employ and its FS.
3. Examine the moderating role of UNRWA's DMC on the relation and impact of IDS on FS, and how they can cooperate together to block UNRWA dismantle.
4. Provide recommendation to UNRWA's management to improve IDS, DMC and FS, thus disperse or reduce the threats to dismantle it.

4. Study Variables and Conceptual Framework

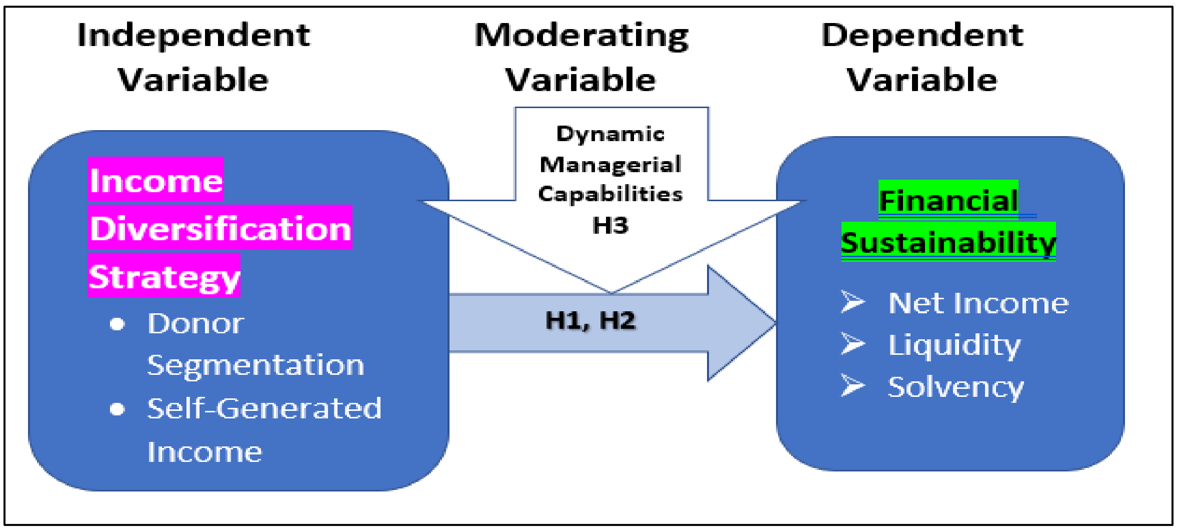

Figure (1): Study Conceptual Framework
(Source: developed by the researchers, based on Indangasi, 2024; Getinet, et al., 2024; Xie et al, 2022; Alnajjar, 2021; Heubeck and Meckl, 2022).

5. Study Importance

While there is considerable research on profit organisations and NPOs' FS, UN has limited research in this field. UNRWA's FS, particularly in these difficult days, where its complete existence on question after the recent (still continue) Israeli war on Gaza and Lebanon, conflict in Syria and the threats of closing down its services in Gaza and West Bank ([2]), and worries of cutting its funding, which just started with Sweden, in December 2024, and USA, in March 2025, make this study so genuine and important (UNRWA, 2025).

[2] "Knesset" is the Israeli house of representatives and the legislative authority. In the recent vote, December 2024, it agreed on a decree to stop the cooperation with UNRWA works in Gaza and West Bank.

5.1Theoretical Implication

Being a very rare study in its cluster, it enhances the limited literature on FS in one of the UN major programmes, which can be easily generalised into other similar UN entities, that use the same funding model.

5.2Practical Implications

It contributes to the existence and continuity of UNRWA work, providing its decision makers with an evidence-based systematic guidance, to sustain services and responsiveness to the constantly increasing demands of Palestine refugees.

6. Research limitation

Time: the study was conducted between the years 2024 and 2025, where UNRWA was surviving special circumstances.

Location & Population: it covers only UNRWA at Gaza, Jordan, Lebanon, Syria and West Bank, and the questionnaire was run over ERCD staff.

7. Acronyms

ERCD	External Relations and Communications Department - UNRWA
IDS	Income Diversification Strategy
DS	Donor Segmentation
DMC	Dynamic managerial capability
FS	Financial Sustainability
HQs	UNRWA Headquarters
SGI	Self-Generated Income
MTS	Medium Term Strategy
NGOs	Non-Government Organisations
NPOs	Non-Profit Organisations
UN	United Nations
UNDP	United Nation Development Programme
UNHCR	United Nation High Commissioner for Refugees
UNRWA= Agency	United Nations Relief and Works Agency for Palestine Refugees.

2. Theoretical Framework

2.1.Income Diversification

2.1.1. Concept and Outlining

Lewis (2011) argued that income diversification of NPO is where organisation can secure funds from different sources including public, local and national government, private sector businesses (Lewis, 2011, p.738). Ko & Liu (2021) saw it as efforts of reducing the organisation's dependence on a particular income source, while Getinet, et al., (2024) concluded it as the ability of these organisations to expand income sources to include many donor sources both locally and internally.

Researchers conclude the income diversification as the process of seeking alternative revenue streams to support the financial sustainability of an organisation, which can include donations, income, investments, and partnerships with all available stakeholders who share the believes of the organisation's mission and vision, including governments, local or international NGOs, UN organisation/ programmes or private sector entities.

2.1.2. Income Diversification Components

Scholars studied and confirmed the positive impact of Income Diversification Strategy (IDS) on non-profits, where they can employ one or more of income diversification models to achieve the set strategic targets such as Donor Segmentation (DS) or Self-Generated Income (SGI), which can be through fee-for-services, social enterprise or any activity that generate revenues (Hossain & Yousuf, 2023; Getinet, et al., 2024).

A. Donor Segmentation

Donor segmentation is the process of categorising donors into distinct groups, allow for better understanding their shared characteristics, preferences, or behaviours (Xie et al., 2022) thus tailor their fundraising approaches, strategies and communication efforts (Hossein & Yousef, 2023, p.96), and engage with each group of donors with more concentrated efforts (Yan, et al., 2022).

Donor segmentation is an effective way to increase donor attraction, retention and acquisition (Makeche et al, 2023). One way that donor segmentation can help achieve income diversification is by enabling NPOs to identify and engage high-value donors who have the potential to make larger donations (Niswonger, 2019, p.4). By analysing donor data and identifying trends and patterns, non-profits can create donor profiles and develop targeted campaigns to cultivate and steward these high-value donors (Xie et al, 2022), which eventually require more focus (Getinet, et al., 2024, p.3).

B. Self-Generated Income

Self-generated income activities involve developing and implementing initiatives that generate revenues directly, rather than relying solely on external funding sources like grants and donations, which in turn will impact the non-profits' financial sustainability (Khalthom, 2016; Morrar and Sultan, 2020). It includes establishing and managing endowment funds to generate a stable source of income (Yan, et al., 2022; Getinet, et al., 2024) and / or developing business ventures “known as social enterprise” that generate income while contributing to the non-profits’ mission and gaining social impact (Ko & Liu, 2021).

2.1.3. Income Diversification at the UN

While there is little literature on income diversification strategies in the context of UN, the latter have been taking considerable steps towards ensuing continuous funding; they rely heavily on funding from member states, primarily through voluntary contributions, which create challenges for financial sustainability (Bogers, et al., 2022). As global challenges evolve and funding priorities shift, UN organisations are increasingly adopting resource mobilisation strategies to diversify their funding base and reduce dependency on a limited number of donors (Le Blanc, et al., 2017, p.5).

UNRWA noticed the importance of income diversification from the early days of financial difficulties (Takenberg, 2009, p.253). It employed efforts to diversify sources of funds, but were limited to enrich the current funding pattern of voluntary contribution including the increase of the number of countries that donate, non-governmental organisations and recently enhancing the private sector (Resouce Mobilization Strategy, 2023-2025).

2.2. Financial Sustainability

2.2.1. Concept and outlining

FS in NPOs in its simple form is the ability to reallocate assets considering opportunities and threats and maintain a good financial balance over a long period of time (Abdullah & Abadi, 2023). The organisation's ability to succeed in the short- and long-term objectives lies on its ability to changing environment and hold FS (Arvidson & Linde, 2021). This requires the organization to explore new possibilities across various management levels, and to have a keen understanding of the importance of change and its impact on their strategies (McNair, 2021; Ebenezer et al, 2021).

The researchers conclude that the FS of NPOs is not just about developing new fund raising campaigns or writing attractive funding proposals, but as much about having sufficient investment in organisational structures and development of succinct fundraising strategies, including, digital communication, building robust relationships with stakeholders (donors, supporters, volunteers, staff and beneficiaries) and a diversified source of income, which all contribute to its ability to respond to the current, future and emergent demands, efficiently and effectively, over an extended period of time.

2.2.2. Measuring the Financial Sustainability

Mutinda and Ngahu (2016) argued, based on resource-based theory, NPOs are still economic institutions depend on capitals to perform their programmes and activities, from the same scarce resources of society. As such, scholars considered some quantitative measures to assess the FS, for instance Wachira (2016) considered Adequacy of Resources, Self-sufficiency and Reliance on Revenue Sources Ratios; Waerder, et al. (2022) assumed Organisational Resilience. In the same content, Alnajjar (2021) and Abdullah & Abadi (2023) considered it as the organisation expectations of current and future long-term cash flows, because these expectations help in modifying current policies, whether by increasing sources of funds or reducing financial burdens. Further, Alnajjar (2021) added the financial ratios as a way of presenting the performance of the NPOs and included current ratio, defensive interval and solvency ratio.

The researchers concluded UNRWA’s FS is measured through the following three ratios:

1. **Net Income**: it is a reflection of the Agency’s financial health; assesses to what extent its revenues cover its expenses.
2. **Liquidity**: it is UNRWA’s ability to pay its liabilities, and keeping its credibility with its beneficiaries. It includes Cash Ratio (covering days), Quick Ratio (covering few months) and Current Ratio (up to one year).
3. **Solvency**: it is the Agency ability to meet long term obligations (one year & more).

2.2.3. Income Diversification and Financial Sustainability

The issue of income diversification has been taking a lot of the scholar’s attention, who had been studying it from different perspectives. Ondiege, et. al (2021), Yan, Mmbaga & Gras (2022) and Indangasi (2024) revealed a positive and significant relationship between income diversification strategy and financial sustainability of NPOs; Xie, et al. (2022) reached also similar results and confirmed that diversifying income streams can lead to increased organisations’ success and stability.

Khalthom (2016), Morrar & Sultan (2020) and Githaiga (2022) concluded that social enterprise can be utilised to improve non-profits financial performance. Also, other studies showed a positive significant impact of self-generating income programmes on FS (Rawhouser, Cummings & Newbert, 2019; and

Carre' et al., 2021) and others annotated further it can be effective strategy particularly in the areas of health and environmental schemes (Githaiga, 2022; and Li, Wang & Zhang, 2023).

2.3. Dynamic Managerial Capabilities

2.3.1. Concept and Outlining

In recent years, the role of Dynamic Managerial Capabilities (DMC) has been a core context of dynamic capabilities (DC), which emerged from the resource-based view (RBV) theory; the latter is concerned with how firms can sustain and enhance their competitive advantage, mainly when environment moves rapidly (Altintas, 2022). Teece (2018) reckoned that managers play a major role in dynamic capabilities' succession.

Heubeck and Meckl (2022) in their study to analyse the impact of DMC on the organisations' performance, innovativeness and competitiveness, they categorised them into: managerial human capital, managerial social capital, and managerial cognition, which are adopted in the research as components of DMC.

1. **Managerial Human Capital**: includes managers' knowledge, expertise and competencies, which can be achieved through informal and formal training.
2. **Managerial Social Capital**: covers the shared social norms, believes and views, which can promote networking, individual and collective action within socially defined boundaries.
3. **Managerial cognition**: which involves how information is processed and shared, thus impact the growth and performance.

2.3.2. Impact of DMC on Financial Sustainability

Scholars had studied part of DMC and confirmed their impact on FS. In a study on Chinese firms' performance and ability to get funds, Khan, et al. (2022), established a link between managerial abilities and easy access to funds, and proved empirically that the Chief Executive Officers' managerial abilities can alleviate financing constraints. Equally, Kwalanda, Mukanzi and OnYago (2017) found a positive impact of DMC on the performance of Sugar industry in Kenyia.

2.4. Previous Studies and Hypotheses Formulation

2.4.1. The Current Study Exclusivity

Many field studies concluded that fundraising behaviour is one of the major components of the efforts to overcome funding shortfalls of NPOs and impact their FS, which was explored as a single element, while the current study analysed it as a multi-construct, in both independent variable (IDS) and dependent variable (FS). IDS in this study covered DS and SGI, while it analysed FS through financial ratios (Net Income, Liquidity and Solvency), to make it more quantifiable and thus better assessed and improved.

Further, DMC was widely discussed in profit organisations, and very little in NPOs, but never been used in a model dealing with one of the UN major organisations. Therefore, the current research pioneered the efforts to explore the DMC moderating role of the relationship of IDS on FS.

2.4.2. Hypotheses: IDS Relationship with, and Impact on, FS

Indangasi (2024) investigated the relationship of diversification of revenue streams on the NGOs FS, while Yan, et al. (2022) extended cumulative research on diversification into the context of social entrepreneurship; Arvidson & Linde (2021) examined if external control can be structured and exercised, and how control interacts with organisational autonomy. Further, Makeche & Chowa (2023), Ondiege, et al. (2021), Alnajjar (2021) studied and revealed positive significant impact of income diversification on NPOs' FS. Therefore, the first and second hypotheses as follows:

H1: There is a statistically significant relationship between UNRWA's IDS and its FS.

H1_a: There is a statistically significant relationship between UNRWA's DS and its FS.

H1_b: There is a statistically significant relationship between UNRWA's SGI and its FS.

H2: UNRWA's IDS has a statistically significant positive impact on its FS.

2.4.3. Hypothesis: DMC Moderating Role

Reviewing related previous studies showed that they had evaluated parts of the DMC, that impact organisations' performance. Khan, et al. (2022), established a link between managerial abilities and easy access to finance and alleviate financing constraints; Bseiso (2022) concluded that managerial practices had positive and statically significant impact on FS. Cao & Le (2022) concluded that transformational leadership reinforced the performance of public sector organisations and enhanced their innovation, thus improved their sustainability; Adna & Sukoco (2020) examined the moderating role of social capital on the influence of organisational capacity for change and organisational performance. Therefore, the third hypothesis is formulated as follows:

H3: DMC moderate UNRWA's IDS relationship with, and impact on, its FS.

3. Methodology

3.1. Data Source

Depending on descriptive analytical methodology, the researchers collected data from the secondary sources through books, journals, reports, web pages and statistics and primary data through a questionnaire and analysis of Financial Statements.

3.2. Research Population

Being responsible for the fundraising efforts, the research population is considered the whole ERCD staff (203) at UNRWA (without sampling). They are distributed as follows:

Table (1) The Research Population

Posts Locations	Gaza	Jordan	Lebanon	Syria	W. Bank	Total
Population	58	44	24	15	62	203
Percentage	28	21.7	11.8	7.3	30.6	100

(Source: prepared by the researchers, based on UNRWA staffing table, 2024)

3.3. Instrument

A questionnaire was developed based on previous studies, the nature of UNRWA framework, the personal experience of the researchers, where one of them is an expert of NPOs management and marketing, while the other is an UNRWA senior staff for 30 years; besides it was shared with many Jurors, where their input was considered.

3.3.1. Validity & Reliability

A pilot study was conducted pulling 40 items from the research population and then returned into the total data analysis. Pearson correlation test indicated a strong co-efficient ranged between 0.642 and 0.917 for each item and ranged between 0.648 and 0.956, for each construct, thus considered strong internal validity. Cronback's alpha test was performed and results indicated an excellent reliability, with coefficient ranged between 0.733 to 0.951(**Appendix-2**).

3.3.2. Questionnaire Final Version

After receiving comments from the jurors, running the pilot study and testing the validity and reliability of the questionnaire, the researchers concluded its final version which contains six items for IDS, nine items for DMC and nine items for FS, three items for each construct (**Appendix-3**). It was published using online Microsoft forms, where168 responses were received which were cleansed, phasing out six responses, thus 162 good responses, represent 80 % remained valid for analysis.

4. Findings and Discussion

Introduction

This section analysed the tendency of the study variables through the evaluation of the proportional mean, and "degree of agreement" based on (Statistics Centre, Abu Dhabi, 2017, P-27); it analysed the correlation and linear regressions considering their strength based on Hair, Bush and Ortinau (2003) (**Appendix-4**).

4.1.Qualitative Analysis

Table (3): Qualitative Analysis

Item	Mean	S.D.	Prop. Mean (%)
Total Income Diversification Strategy	**4.91**	**0.83**	**49.14**
Donor Segmentation	6.51	1.26	65.14
Self-Generated Income	2.78	1.08	27.80
Total Dynamic Managerial Capabilities	**5.96**	**0.98**	**59.59**
Managerial Human Capital	5.97	1.25	59.74
Managerial Social Capital	6.12	1.11	61.15
Cognitive Capital	5.65	0.90	56.46
Total Financial Sustainability	**4.55**	**1.77**	**45.50**
Net Income	3.90	1.20	39.05
Liquidity	5.71	1.07	57.10
Solvency	5.25	1.20	52.46

(Source: Prepared by the Researchers, based on SPSS results, 2024)

4.1.1. Income Diversification Strategy

UNRWA's DS was high with 65.14%, which can be referred to its good efforts to reach new income avenues through the improvement of Public Donor Division and creating four segments thereof: Europe, Middle East, Asia and Global (UNRWA, 2025).

The Agency's SGI was very low, 27.80%, which can be supported by analysing the level of SGI presented in the financial statements for the last twelve years, table (4), where it reached an average of 2.3 % only out of the Agency total income.

Table (5): Self -Generated Income (2012-2023)

Years	Self-Generated Income Million $	% Self-Generated/ Total Income	Total Income Million $
2012	24.5	2.6 %	944.1
2013	19.8	1.7 %	1,141.9
2014	21.0	1.6 %	1,342.2
2015	34.0	2.8 %	1,212.7
2016	32.7	2.6 %	1,274.7
2017	31.5	2.5 %	1,238.9
2018	34.2	2.6 %	1,295.2
2019	32.1	3.2 %	1,000.8
2020	24.8	2.5 %	982.5
2021	23.0	1.8 %	1,283.7
2022	15.8	1.3 %	1,190.2
2023	40.4	2.6 %	1,533.4
Average	**27.8**	**2.3 %**	**1,203.4**

(Source: prepared by the researchers, based on Audited Financial Statements 2012-2023).

This can be explained by UNRWA's strict regulatory framework, performing under the umbrella of the UN. Going to profit activities is an extremely complicated, and mostly allowed with constraints to ensure the humanitarian nature of their services (UN Charter, 2024).

The Agency's overall IDS is moderate at 49.14%; it is supported by its efforts to diversify income streams among Government, NGOs, IGOs, UN and Private. Analysing the Financial Statements (table 5), showed such efforts, however, the concentration on the governments segment is still high and risky, where it ranges between 89 to 94 % of the total contribution, which stipulates a high level of exposure to one source of income.

Table (5): UNRWA Source of Contribution for the years (2012- 2023) By Million USD

Years	Gov.	% Gov	IGOs	% IGOs	UN	%UN	NGOs	% NGOs	Private	% Private	Total Contribution
2012	674.8	73.4%	191.4	20.8%	36.81	4.0%	16.59	1.8%	-	0.0%	919.6
2013	830.1	74.0%	217.0	19.3%	44.90	4.0%	30.10	2.7%	-	0.0%	1,122.1
2014	1,051.0	79.5%	176.6	13.4%	44.35	3.4%	49.22	3.7%	-	0.0%	1,321.2
2015	924.7	78.4%	181.9	15.4%	45.95	3.9%	23.55	2.0%	2.69	0.2%	1,178.7
2016	993.4	80.0%	159.3	12.8%	47.84	3.9%	39.85	3.2%	1.63	0.1%	1,242.0
2017	947.2	78.4%	189.2	15.7%	50.99	4.2%	18.81	1.6%	1.17	0.1%	1,207.4
2018	978.4	77.6%	200.1	15.9%	65.73	5.2%	14.83	1.2%	2.04	0.2%	1,261.1
2019	752.8	77.7%	154.2	15.9%	45.15	4.7%	14.63	1.5%	1.99	0.2%	968.7
2020	709.0	74.0%	149.4	15.6%	78.15	8.2%	16.90	1.8%	4.32	0.5%	957.7
2021	1,034.6	82.1%	151.4	12.0%	46.56	3.7%	21.88	1.7%	6.29	0.5%	1,260.7
2022	989.9	84.3%	122.6	10.4%	44.85	3.8%	13.54	1.2%	3.65	0.3%	1,174.5
2023	1,247.2	83.5%	139.7	9.4%	49.80	3.3%	38.90	2.6%	17.30	1.2%	1,492.9
Average	**898.7**	**78.1%**	**169.4**	**15.2%**	**50.09**	**4.4%**	**24.90**	**2.0%**	**3.42**	**0.2%**	**1,146.7**

(Source: prepared by the researcher, based on the Annual Audited Financial Statements for the years 2012-2023)

4.1.2. Dynamic Managerial Capabilities

As table (3) indicates, UNRWA's level of DMC was moderate, 59.59%. This result is supported by the fact that the Agency has a fully designated Human Resources Department to manage the work force, staff relation, staff learning and development, with a well-rounded rules and regulations, which give special emphasis on selecting the qualified staff, with the required knowledge and experience (UNRWA Recruitment policy, 2019); however, these strict work frames may represent inflexibility that hinder reaching a better level of innovation and creativity.

4.1.3. Financial Sustainability

A. Net Income

As table (3) indicates, UNRWA has a weak-moderate level of the "Net Income", 39.05%. This result is supported by analysing the Agency net income ratio, during the last twelve years as illustrated in table (6), which revealed a continued deficit (negative net income) for the general funds almost continuously, ranging between 10 to almost 25%, in 2023.

Table (6) UNRWA Net Income for the General Funds (years 2012-2023)

Years	Revenues Million $	Expenses Million $	Net Income Million $	Income Ratio (%)
2012	586.98	664.04	(77.06)	-13
2013	618.29	678.86	(60.57)	-10
2014	637.18	667.56	(30.38)	-5
2015	639.10	766.70	(127.60)	-20
2016	676.30	724.70	(48.40)	-7
2017	690.10	773.10	(83.00)	-12
2018	846.30	764.00	82.30	10
2019	621.00	765.00	(144.00)	-23
2020	591.00	774.60	(183.60)	-31
2021	725.60	816.90	(91.30)	-13
2022	783.62	851.48	-67.86	-8.66
2023	817.03	1,019.00	-201.97	-24.72

(Source: prepared by the researchers based on UNRWA Audited Financial Statements, 2012-2023)

B. Liquidity

As table (3) shows, UNRWA has a moderate level of liquidity, 57.10%, which is confirmed by reviewing the liquidity ratios of UNRWA for the last twelve years, figure (3) refers, which indicates the current ratio ranged between 1.17 and 2.00, quick ratio between 1.28 and 2.52 and cash ratio between 1.89 and 3.10. all of these ratios represent relatively good ratios.

However, when comparing these ratios with other UN similar organisations, UNDP and UNHCR, table (7) refers, it indicates that the latter are performing at a much better ratios, for UNDP for example, its current ratio for the same period ranges between 3.77 and 5.5, quick ratio ranges between 3.6 to 5.39 and cash ratio between 2.41 to 4.12 (UNDP Audited Financial Statements, 2012 – 2023).

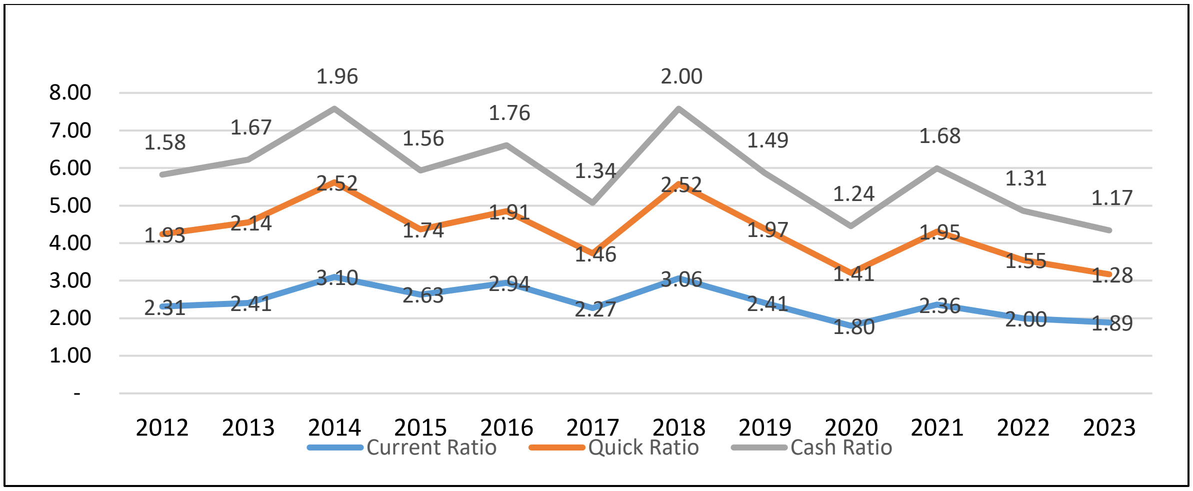

Figure (3): UNRWA Liquidity Ratios

(Source: Prepared by the researchers, based on UNRWA Audited Financial Statements, 2012-2023)

All of these comparable ratios suggests that UNRWA has to work more to enhance the controlling system over liabilities and improve its cash management system.

Table (7): Comparison of Liquidity Ratios of UNRWA, UNDP& UNHCR

Years	Liability Ratio	UNRWA	UNDP	UNHCR
2012	Current Ratio	2.31	4.59	9.20
	Quick Ratio	1.93	4.14	8.00
	Cash Ratio	1.58	3.47	2.91
2013	Current Ratio	2.41	4.41	8.66
	Quick Ratio	2.14	4.08	7.30
	Cash Ratio	1.67	3.86	2.95
2014	Current Ratio	3.10	3.62	6.90
	Quick Ratio	2.52	3.34	5.70
	Cash Ratio	1.96	3.12	2.66
2015	Current Ratio	2.63	3.59	8.61
	Quick Ratio	1.74	3.41	7.50
	Cash Ratio	1.56	3.18	4.60
2016	Current Ratio	2.94	4.48	7.90
	Quick Ratio	1.91	4.28	6.90
	Cash Ratio	1.76	4.12	4.11
2017	Current Ratio	2.27	3.77	9.90
	Quick Ratio	1.46	3.62	8.40
	Cash Ratio	1.34	3.44	4.30
2018	Current Ratio	3.06	4.99	9.50
	Quick Ratio	2.52	4.83	8.10
	Cash Ratio	2.00	3.37	4.00
2019	Current Ratio	2.41	5.13	7.90
	Quick Ratio	1.97	4.95	6.70
	Cash Ratio	1.49	3.32	3.70
2020	Current Ratio	1.80	5.54	9.00
	Quick Ratio	1.41	5.39	7.60
	Cash Ratio	1.24	3.55	4.30
2021	Current Ratio	2.36	4.10	8.00
	Quick Ratio	1.95	3.94	6.70
	Cash Ratio	1.68	2.57	4.20
2022	Current Ratio	2.00	4.60	8.30
	Quick Ratio	1.55	4.45	4.40
	Cash Ratio	1.31	2.70	3.60
2023	Current Ratio	1.89	4.22	5.11
	Quick Ratio	1.28	4.06	3.90
	Cash Ratio	1.17	2.42	2.40

(Source: Prepared by the researchers based on 2012-2023 UNDP and UNHCR's Audited Financial Statements, 2024).

C. Solvency

As table (3) shows, UNRWA operates at a moderate level of solvency, 52.46%. This result goes with the UNRWA solvency ratios for the general funds over the last twelve years, where it showed a lower than 1.00 ratio for all years (2012-2023), which means that the Agency, if dissolved, cannot meet its long-term obligations, figure (4) refers.

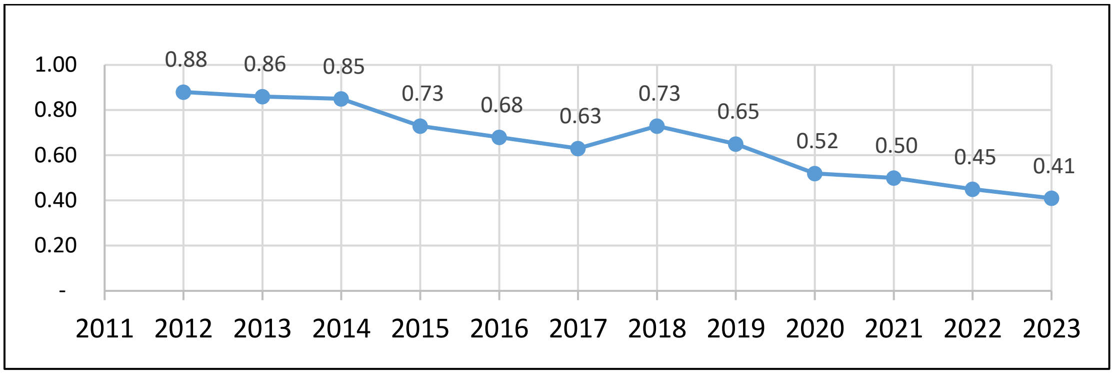

Figure (4) UNRWA General Fund Solvency Ratio (2012-2023)

(Prepared by the researchers, based on UNRWA Audited Financial Statements, 2012-2023)

These results suggest that the Agency must increase efforts and explore new avenues of funding, through revitalizing its IDS to improve its FS; and equally it has to improve its efficiency and cut in non-necessary costs, to reduce the expenses to maximum possible, without scarifying the quality of services provided to Palestinian refugees.

4.2.Hypotheses Testing

4.2.1. Hypotheses #H1, H1_a & H1_b

To test these hypotheses, correlation was performed, and results are depicted in table (8), below.

Table (8) Correlation Between UNRWA IDS and its FS

Construct	**Net Income**		**Liquidity**		**Solvency**		**Financial Sustainability**	
	R	Sig.	R	Sig.	R	Sig.	R	Sig.
Donor Segmentation	.313*	≤ 0.001	.493*	≤ 0.001	.648*	≤ 0.001	.570*	≤ 0.001
Self-Generated Income	0.028	0.376	- 0.061	0.250	- 0.100	0.132	- 0.056	0.266
Income Diversification Strategy	.287*	≤ 0.001	.394*	≤ 0.001	.505*	≤ 0.001	.463*	≤ 0.001

Correlation is significant at the 0.05 level

(Source: Prepared by the researchers, based on SPSS results, 2024)

As Table (8) indicates, the correlation between UNRWA's DS and its FS is statistically significant, positive and moderate with coefficient valued at (R=0.570). This is a reflection of the same construct's correlation with the multi-dimensional FS, where it is positive and moderate with Liquidity, (R=0.493), Solvency, (R=0.648), while weak with Net Income, (R=0.313), thus H1_a got an empirical prove.

Further, the correlation between UNRWA's SGI and its FS is statistically insignificant. This reflects the same construct's statistically insignificancy of the correlation with all FS dimensions, thus H1_b had not got an empirical prove.

In total, UNRWA's IDS correlation with its FS is statistically significant, positive and moderate with coefficient value of (R=0.463). This reflects the same construct's statistically significant correlation with the multi-dimensional FS, which is positive and weak with Net Income, (R=0.287) and Liquidity (R=0.394) and moderate with Solvency (R=0.505), thus H1 got an empirical prove.

These results suggest that the Agency recognises the importance of IDS, to vary its sources of funds through segmentation of major donors and creating a new division for the private sector, three years ago (UNRWA, 2025) where the latter, is moving well with good leaps, to reach potential donors; also, it is performing at a good success rate with donor segmentation through the split of donor's pool into four areas/segments, however, it seems there is a room to enhance segmentation to cover new areas, such as America with major emphasise on USA, China and Scandinavian countries.

Also, in the private sector, some segmentations are good to be considered such as highly valued individuals such as famous actors or football players (Salah, Rolando) or/and IT global giants, such as Iylon Mask, Marck Zukenberg, and also other ethnic segmentation such as Islamic countries, targeting their Zakat and Arab countries for their humanitarian projects' supports.

These results correspond with Heinzel, et al. (2024), who concluded a positive relationship between core funding and non-profit organisations' sustainability; also, with Sirggar, Perdhana & Soedharto (2024), which get a positive relationship between educational NGO's financial sustainability and income diversification. Indangasi (2024), Hossain & Yousef (2023) while studying the effect of diversification of revenue streams, they concluded the positive relationship on Financial Sustainability of non-governmental organisations, in Kenya and Bangladesh, respectively. Hassan & Khan (2023), also, found a positive correlation between income diversification and its impact on the financial sustainability of NGOs.

Xie et al. (2022), Yan, et al. (2022) and Githaiga (2021) revealed that organisations can achieve financial sustainability through revenue diversification.

The researchers believe that this insignificant relationship between UNRWA SGI and its financial sustainability stems from being a new idea, where UNRWA staff are not familiar with and still linked to current mind-set, where the Agency is almost completely dependent on governmental donations (up to 98 per cent as explained in table 4). Respondent could not figure out how the Agency, for example, would charge money for some of its services, buy lands and other properties to re-sell with profits. This is an important conclusion that raises a flag for UNRWA management on this unfamiliar strategy, and implies the need to invest in staff training and promoting the culture of self-dependency on income, at least partially.

4.2.2. Hypothesis #H2

To test this hypothesis, linear regression was performed, and results are depicted in table (10) below.

Table (10) Linear Regression Analysis

Variable	B	T	Sig.	R	Adjusted R^2	F	Sig.
(Constant)	0.109	1.283	0.049	0.518	0.316	19.725**	≤ 0.001
IDS	0.579	4.369*	≤ 0.011				

The variable is statistically significant, * * The relationship is statistically significant, at 0.05 level
(Source: prepared by the researchers, based on SPSS results, 2024)

The Analysis of Variance for the regression model shows (F) value equals 22.725 and (sig.) less than 0.05, which indicates that the developed model to examine the impact of IDS on the FS fits for the purpose and predict it well. The correlation coefficient (R) value equals 0.618 which indicates a moderate relationship between IDS UNRWA employs and its FS, while the adjusted R-Square equals (0.316), which means there is a positive impact and 31.2% of the variation in UNRWA's FS is explained by the IDS (including its DS and SGI). Further, it denotes that 61.8 of the impact on FS comes from other sources than IDS that can be referred to other fundraising strategies, expenditure efficiency.

These results correlate corresponds with Heinzel, et al. (2024), Indangasi (2024), Xie et al. (2022), Yan, et al. (2022) and Githaiga (2021), which concluded that achieving income diversification strategy has a positive impact on NPO's FS.

4.2.3. Hypothesis # H3

To examine this hypothesis, the regression and interaction (between DMC and IDS) were assessed, and results are depicted in table (11), below.

Table (11) Moderating Role - DMC

Variable	Coefficient	T	P-value	R^2 change	F	P-value
(Constant)	5.2843	2.2113*	0.0301			
IDS	0.7213	4.2574*	0.0041			
DMC	0.9215	1.8518*	0.0351			
Integration	0.8791	3.5896*	0.0014	0.0624	18.2621	0.0010

Correlation is significant at the 0.05 level

(Source: prepared by researchers, based on Process Macro SPSS results, 2025).

Results indicates that DMC has a significant impact by itself (sig.=0.0351) and by interaction with IDS (sig.=0.0010) on FS. It enhances the impact (change in R^2) by 6.2%, which is considered a low-moderate impact, and can be referred to the strong structured hierarchy of UNRWA, where the role of managers is governed by well-defined rules and regulations, hence they have little latitude to introduce innovate ideas or create ways of doing job differently, especially in the Area of self-generated income.

5. Conclusion and Recommendations

Results are presented precisely, with an overall view to the whole research variables, and link them directly with recommendations.

6. **Income Diversification Strategy** was low to moderate level, 49.14 per cent, and was a result of the association of the moderate level of DS (65.14) and low level of self-generated income (27.80). Data analysis has proved the positive relationship (R=0463) and impact (31.6%) of IDS on UNRWA's FS; therefore, the following are recommended:
   a. Avail more resources to increase donor segments to reach more potential major ones, such as China, America, Scandinavian and Islamic countries, with tailored marketing and communication mix.
   b. Invest more in Private Donors Section, which is known as high-investment starting-up; such investment includes improving the capacity of staff at HQs, and creating national committees in potential countries.

c. Create high-valued donors (such as Iylon Mask), and famous individuals such as football players (Mohammed Salah, Messi and alike) and actors.

d. Develop self-generated income policy and coherent framework, that coincide with the overall UN and legislative rules of the local governments and promote it with all stakeholders.

e. Improve the existing self-funded programmes/projects, including:

- Enhance the work of Microfinance Department, and continuously review its operations to ensure efficiency.
- Expand and improve the IT Services Centre (that provides IT support to some other Intentional organisations in lieu of fees), to promote within all UN, NGOs and charities all over the world – benefiting the IT infrastructure facilities that do not require direct presence of staff.

6.1.Dynamic Managerial Capabilities

UNRWA dynamic managerial capabilities were moderate with proportional mean of 59.59 %, and it can enhance the relation and impact of IDS on FS by 6.7%, which suggests that there is a room to improve UNRWA and ERCD leadership to enhance their knowledge, experience and competencies, and transform resources towards achieving objectives and improving competitiveness, considering trust, integrity and building partnerships with all stakeholders. It is recommended to:

a. Monitor the global threats and opportunities to develop new innovative ideas for fundraising, thus be proactive and meet challenges, timely.

b. Create a hub for knowledge sharing and continuous improvement to the way work is done; manage the process with continual learning and improvement.

c. Develop a leadership programme, starting from careful selection, delegating, empowering, knowledge sharing, Training\.

d. Exchange experience/expertise with other similar organisations, including UNDP and UNHCR.

e. Improve the job design, to develop special profiles, and recruitment to have a more flexible system to attract special talents in the area of fundraising.

f. Initiate an incentive scheme to promote superior performance, instead of mechanical annual increment.

7. Financial Sustainability

UNRWA's FS was low-moderate, with a proportional mean of 45.5%, which can be referred to a low level of net income, 39.05%, and moderate level of liquidity, 57.10% and Solvency, 52.46%. These results were proved when reviewing the Agency financial statement for the last twelve years, and when comparing same ratios with other UN similar organisations, UNDP &UNHCR, shows the latter are performing better, which suggests that there is a room for UNRWA to improve, thus it is recommended to:

a. Continuously review, evaluate and adjust programmes and activities to ensure efficiency and relevancy to achieve UNRWA's major goals.

b. Create a culture of continuous improvement that puts greater emphasis and measurement of financial sustainability through improved productivity and increased value for the Agency and beneficiaries.

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